HABITAT FOR HUMANITY OF THE GREATER TETON AREA

FINANCIAL STATEMENTS

June 30, 2015 and 2014

JONES SIMKINS

Certified Public Accountants

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
INDEX TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity of the Greater Teton Area
Jackson, Wyoming

We have audited the accompanying financial statements of Habitat for Humanity of the Greater Teton Area (Habitat) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones Simkins LLC

JONES SIMKINS LLC
Logan, Utah
April 21, 2016

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS		2015	2014
Current assets:			
Cash and cash equivalents	$	706,254	1,135,616
Restricted cash		32,076	29,062
Trust accounts		4,601	3,476
Current portion of receivables		237,621	49,097
Current portion of mortgages receivable		32,000	17,000
Prepaids		2,250	5,990
Inventories		32,500	35,000
Completed homes inventory		405,952	-
Total current assets		1,453,254	1,275,241
Construction in process		-	519,491
Receivables, net		13,785	19,437
Mortgages receivable, net		358,115	176,486
Deposits		4,650	2,400
Property and equipment, net		1,074,408	1,084,390
Transferred mortgages receivable, net		854,265	829,465
Total assets	$	3,758,477	3,906,910
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	$	140,226	109,995
Homeowner deposits		4,601	3,477
Deferred revenues		23,700	-
Current portion of secured borrowing		-	244,000
Total current liabilities		168,527	357,472
Secured borrowing		1,964,076	1,560,637
Total liabilities		2,132,603	1,918,109
Unrestricted net assets:			
Board designated net assets		200,000	200,000
Undesignated		1,365,332	1,766,818
Total unrestricted net assets		1,565,332	1,966,818
Temporarily restricted		60,542	21,983
Total net assets		1,625,874	1,988,801
Total liabilities and net assets	$	3,758,477	3,906,910

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015
(With Comparative Totals For 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
Support and revenues:				
Sales of homes	$ 1,071,600	-	1,071,600	$ 510,000
Contributions and grants	414,678	80,212	494,890	455,317
Store sales	351,316	-	351,316	425,337
Interest income	243,762	-	243,762	66,378
In-kind donations	147,703	-	147,703	101,559
Special events and activities	145,859	-	145,859	47,697
Net insurance proceeds	91,980	-	91,980	-
Other program income	22,516	-	22,516	13,491
Net assets released from restriction	41,653	(41,653)	-	-
Total support and revenue	2,531,067	38,559	2,569,626	1,619,779
Expenses:				
Program services	2,651,499	-	2,651,499	1,424,383
Management and administration	151,329	-	151,329	90,231
Fundraising	129,725	-	129,725	88,521
Total expenses	2,932,553	-	2,932,553	1,603,135
Change in net assets	(401,486)	38,559	(362,927)	16,644
Net assets - beginning of year	1,966,818	21,983	1,988,801	1,972,157
Net assets - end of year	$ 1,565,332	60,542	1,625,874	$ 1,988,801

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Sales of homes	$ 510,000	-	510,000
Contributions and grants	451,797	3,520	455,317
Store sales	425,337	-	425,337
In-kind donations	101,559	-	101,559
Interest income	66,378	-	66,378
Special events and activities	47,697	-	47,697
Other program income	13,491	-	13,491
Net assets released from restriction	33,104	(33,104)	-
Total support and revenue	1,649,363	(29,584)	1,619,779
Expenses:			
Program services	1,424,383	-	1,424,383
Management and administration	90,231	-	90,231
Fundraising	88,521	-	88,521
Total expenses	1,603,135	-	1,603,135
Change in net assets	46,228	(29,584)	16,644
Net assets - beginning of year	1,920,590	51,567	1,972,157
Net assets - end of year	$ 1,966,818	21,983	1,988,801

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015
(With Comparative Totals For 2014)

		Support Services			
	Program Services	Management & Administration	Fundraising	2015 Total Expenses	2014 Total Expenses
Home building costs	$ 2,026,111	-	-	2,026,111	$ 838,278
Salaries and wages	218,768	65,816	57,554	342,138	360,003
Payroll taxes and benefits	82,920	11,006	11,455	105,381	75,658
Facilities	63,166	19,320	2,774	85,260	79,570
Auto	9,849	40	-	9,889	11,236
Homeowner services	9,539	-	-	9,539	14,776
Insurance	12,466	3,548	-	16,014	8,136
Advertising	14,887	2,998	8,296	26,181	27,559
Fundraising and public relations	5,217	-	39,664	44,881	30,338
Volunteer recognition	5,753	2,375	-	8,128	6,202
Tithe to HFHI	60,426	-	-	60,426	29,776
Global village expense	23,327	-	-	23,327	15,362
Supplies	9,655	4,625	1,294	15,574	14,860
Depreciation	12,081	2,709		14,790	13,008
Training and travel	10,160	2,326	3,311	15,797	9,393
Dues and subscriptions	2,175	1,507	-	3,682	1,546
Postage	63	473	877	1,413	716
Fees and licenses	-	527	-	527	-
Professional fees	24,197	8,346	-	32,543	28,724
Other	52	565	4,500	5,117	1,559
Bad debt expense	4,500	-	-	4,500	10,509
Interest expense	-	6	-	6	-
Loss on transfer of mortgages	53,377	-	-	53,377	10,916
In-kind costs	2,810	25,142	-	27,952	15,010
	$ 2,651,499	151,329	129,725	2,932,553	$ 1,603,135

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

		Support Services		
	Program Services	Management & Administration	Fundraising	Total Expenses
Home building costs	$ 838,278	-	-	838,278
Salaries and wages	277,327	45,045	37,631	360,003
Payroll taxes and benefits	61,557	7,848	6,253	75,658
Facilities	66,169	11,412	1,989	79,570
Auto	11,236	-	-	11,236
Homeowner services	14,776	-	-	14,776
Insurance	5,735	2,401	-	8,136
Advertising	20,554	2,975	4,030	27,559
Fundraising and public relations	-	-	30,338	30,338
Volunteer recognition	4,817	825	560	6,202
Tithe to HFHI	29,776	-	-	29,776
Global village expense	15,362	-	-	15,362
Supplies	7,387	5,110	2,363	14,860
Depreciation	10,406	2,602	-	13,008
Training and travel	5,743	1,550	2,100	9,393
Dues and subscriptions	300	696	550	1,546
Postage	-	215	501	716
Professional fees	21,370	5,699	1,655	28,724
Other	1,559	-	-	1,559
Bad debt expense	10,509	-	-	10,509
Loss on transfer of mortgages	10,916	-	-	10,916
In-kind costs	10,606	3,853	551	15,010
	$ 1,424,383	90,231	88,521	1,603,135

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from donations	$ 609,420	563,053
Cash received on transferred mortgages	416,240	62,384
Cash received from ReStore	356,926	437,326
Cash received from fundraising	34,997	19,170
Cash received from other income	20,893	-
Cash received on mortgage receivables	9,480	15,485
Cash received from interest	1,272	1,623
Cash payments on completed homes inventory	(83,009)	-
Cash payments to WCDA for completed homes inventory	(202,693)	-
Cash payments to suppliers for goods and services	(430,440)	(199,779)
Cash payments for home construction	(495,537)	(354,425)
Cash paid for salaries and employee benefits	(649,653)	(476,727)
Net cash provided by (used in) operating activities	(412,104)	68,110
Cash flows from investing activities:		
Purchase of property and equipment	(14,244)	(283,695)
Net cash used in investing activities	(14,244)	(283,695)
Cash flows from financing activities:		
Payments on related party note payable	-	(1,884)
Net cash used in financing activities	-	(1,884)
Net decrease in cash	(426,348)	(217,469)
Cash, beginning of year	1,164,678	1,382,147
Cash, end of year	$ 738,330	1,164,678

(continued)

The accompanying notes are an integral part of these financial statements.

(continued)

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

Reconciliation of change in net assets to net cash provided by (used in) operating activities:

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (362,927)	16,644
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,790	13,008
Loss on disposal of assets	9,436	-
Contributions in-kind	2,500	(3,000)
Issuance of mortgage receivable	(970,465)	(510,000)
Present value discount of mortgages issued	579,584	308,970
Amortization of present value discount of mortgages	(242,486)	(64,756)
Loss on transferred mortgages receivable	51,591	10,278
Provision for receivables	(870)	105
(Increase) decrease in:		
Trust accounts	(1,125)	2,527
Receivables	(182,002)	63,823
Mortgages receivable	9,951	15,848
Prepaid expenses	3,740	(1,171)
Completed homes inventory	(312,357)	-
Construction in process	519,491	119,863
Deposits	(2,250)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	30,231	38,076
Homeowners deposits	1,124	(4,489)
Deferred revenues	23,700	-
Secured borrowing	416,240	62,384
Net cash provided by (used in) operating activities	$ (412,104)	68,110

The accompanying notes are an integral part of these financial statements

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Organization

Habitat for Humanity of the Greater Teton Area (Habitat), is a non-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Further, it has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. Habitat was incorporated on October 1, 1995. Habitat is an organization based on Christian principles that works to strengthen their community by building simple, decent homes in partnership with hardworking families in need and people from all walks of life. Habitat is an affiliate of Habitat for Humanity International, Inc. (HFHI). Although HFHI assists with information resources, branding, and training, Habitat operates independent of HFHI and a local board of directors is directly responsible for its operations.

Habitat builds houses using primarily volunteer labor, purchased materials, and donated materials. The houses are sold to qualified buyers at no profit with a non-interest bearing loan provided by Habitat. Prospective homeowners must demonstrate a need for housing (substandard or overcrowded conditions or cost burdened) and prove an ability to pay a monthly mortgage payment, including taxes, homeowners insurance, homeowner's association dues and upkeep. In addition, they are required to invest at least five hundred hours of labor ("sweat equity") into the construction of their and their neighbors' homes and participate in financial counseling and homeownership education classes.

All affiliates of HFHI are asked to tithe ten percent of unrestricted contributions to construct homes in other countries. Donors are given the option to restrict funds for local use and the majority of foundation grants are restricted to local projects. In fiscal year 2015, Habitat tithed $60,426 to HFHI. The annual tithe was distributed as follows: $3,780 went directly to Habitat for Humanity- El Salvador; $56,646 went to Habitat for Humanity-Philippines. This was sufficient to build thirteen homes during 2014-15. No funds were sent to the general operating fund of HFHI. Habitat carried a fund raising activity that specifically targeted funds for Habitat for Humanity-Philippines. For that reason, the fiscal year 2015 tithe exceeded the traditional ten percent of unrestricted contributions. Our fiscal year 2015 tithe was directed toward specific partnerships in conjunctions with our Global Village volunteer trips. During these trips, volunteers travel to a particular affiliate to build homes with the money we donate. In November 2014, volunteers from Habitat went to Cara Sucia, El Salvador to assist in the building of one home; in April 2015, volunteers from Habitat traveled to the Daanbantayan, Philippines to assist in the building of five homes. In its history, Habitat has built and sold 35 homes in Teton County and funded the construction of 65 homes in Mexico, Bolivia, Guatemala, El Salvador and the Philippines.

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

During fiscal year 2015, Habitat completed the construction of four homes in the Daisy Bush subdivision in East Jackson, Wyoming. During fiscal year 2015, Habitat also repurchased three homes which were built and sold by Habitat to various families between 2007 and 2009. These three homes are to be resold to other families who meet the requirements in our program.

Habitat is responsible for raising its own funding. Some funding is received through corporate grant programs organized by HFHI (e.g., The Lowes Foundation grants funds to HFHI and HFHI affiliates go through a competitive application process for a portion of the funds). Historically, Habitat has received the majority of its funding from individual contributions, foundation grants, the sale of mortgages to the Wyoming Community Development Authority (WCDA) and profits from the Habitat ReStore.

Habitat owns and operates the Habitat ReStore, which accepts donations of furniture, building materials, appliances and household items. While some donations are used in the construction of Habitat homes, the majority of the donations are sold to the public. Store profits support the administrative and operating expenses of Habitat.

Financial Statement Presentation

Habitat's financial statements are presented in accordance with Accounting Standards Codification (ASC) 958. Under ASC 958, Habitat is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Habitat is required to present a statement of cash flows.

Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting.

Donated Materials and Services

Donated materials and equipment are recorded as support at their estimated values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The ReStore receives donated materials which are used for the program or sold, but are considered in-kind donation revenue. Building materials suppliers and subcontractors also regularly provided free or discounted materials and services to home construction projects; these donations are recorded at their fair market value at the date of donation.

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Donated Materials and Services (continued)

Habitat receives significant donated services from unpaid volunteers who assist in home building, operational support, family selection, fundraising and administrative tasks. For the years ended June 30, 2015 and 2014, construction volunteers contributed 8,350 and 5,649 hours, respectively. Donated services are recorded at fair value if they create or enhance non-financial assets or if they consist of specialized skills that would have to be purchased if they were not donated. For the years ended June 30, 2015 and 2014, the value of donated goods and services are as follows:

Description	2015	2014
Construction services	$ 87,251	87,549
Donated materials	32,500	3,000
Accounting and legal services	27,952	11,010
	$ 147,703	101,559

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of the related donor restrictions, if any.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Habitat considers all highly liquid investments with a maturity three months or less to be cash equivalents.

Receivables

Accounts receivable and grants receivable are carried at estimated collectible amounts. Pledges receivable are carried at their estimated fair value. Receivables are periodically evaluated for collectibility. Provisions for losses on receivables are determined on the basis of past experience, known and inherent risk in the account balances, and current economic conditions.

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Financing Receivables

Mortgages receivable held by Habitat (mortgages) are non-interest bearing and are secured by homes sold. Interest is imputed for each mortgage which results in a present value discount. The present value discount is amortized over the life of the corresponding mortgage as interest income. Mortgages are due upon the earlier of the sale of the home, refinance or at maturity. Mortgages are considered past due when the debtor fails to comply with the repayment terms of the loan document. It is anticipated that all mortgages are collectable based on the payment history of the corresponding notes held. Accordingly, no provision for uncollectable mortgages has been included in the financial statements.

Credit quality is determined by Habitat during the loan application process. At that time, factors such as employment history and bank account activity are considered.

Inventories

Inventories consist of donated goods held for sale in the ReStore (see Note 1 "Donated Materials and Services"). Inventory value is based on an estimated thrift store value of the goods on hand at year-end.

Completed Homes Inventory is the cost of the three homes repurchased from Habitat partner families during the fiscal year ending June 30, 2015. The cost represents the actual dollar cost, not current market value.

Property and Equipment

Property and equipment are capitalized when their purchase cost exceeds $1,000 and are stated at cost or, if acquired by gift, at the estimated fair market value at the date of gift less accumulated depreciation. Costs of major renewals or betterments are capitalized by charges to the appropriate asset account and depreciated over the estimated remaining useful life. Depreciation is computed using the straight line method. The cost of property disposed of and related accumulated depreciation are removed from the accounts at the time of disposal, and gain or loss is charged to operations.

The estimated useful lives are as follows:

Equipment	5 to 10 years
Furniture and fixtures	5 to 7 years

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Transferred Mortgages Receivable

Habitat intends to ultimately sell all mortgages to the WCDA. These transactions are accounted for in accordance with accounting standards for *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Under this standard, Habitat has maintained effective control over the assets transferred because WCDA has the right to transfer the mortgages back to Habitat if the borrower defaults or sells the home; accordingly, the sale is accounted for as a secured borrowing. As a secured borrowing Habitat continues to reflect the outstanding balance of the mortgages as an asset with a related liability equal to the cash price paid for the mortgage. Habitat sells the mortgage to the WCDA at a loss. The loss is recognized over the life of the corresponding mortgage as cash is collected on the mortgage.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases to temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Compensated Absences

Employees earn leave days each year based on length of service for use as vacation and sick leave. Leave time vests when it is earned, and has been reported as part of accrued expenses.

Allocation of Functional Expenses

The costs of providing Habitat's programs and activities are reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Any program expenses or support costs not directly chargeable to a specific program are allocated to the programs based on management policies and estimates and the guidelines outlined in the contracts and grants.

Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2015 and 2014, was $26,181 and $27,559, respectively.

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Taxes

As a non-profit organization which is not a private foundation, Habitat claims exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state provisions. Accordingly, no provision for income taxes has been made in the financial statements, except for as it pertains to unrelated business taxable income.

Habitat considers many factors when evaluating and estimating its tax positions and tax benefits. Tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the positions will be sustained upon examination by the applicable taxing authority. Reserves are established if it is believed certain positions may be challenged and potentially disallowed. If facts and circumstances change, reserves would be adjusted through a provision for income taxes. Habitat would also recognize interest expense and penalties related to unrecognized tax benefits through a provision for income taxes. As of June 30, 2015, management did not identify any uncertain tax positions. Habitat is no longer subject to examination by the Internal Revenue Service for years prior to 2012.

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Significant Concentrations of Credit Risk

Habitat maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. For the years ended June 30, 2015 and 2014, approximately $23,000 and $225,000, respectively, of cash and cash equivalents was uninsured at various financial institutions. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

For the years ended June 30, 2015 and 2014, concentrations of pledges and grants receivables are as follows:

		2015	2014
Grantor A	$	15,000	N/A
Grantor B	$	N/A	21,983
Donor A	$	10,000	10,000

Note 2 – Restricted Cash

WCDA purchases mortgages from Habitat (see Note 4). The WCDA requires Habitat to maintain a reserve sufficient to fund six monthly payments on the first six mortgages purchased by the WCDA plus six monthly payments on fifty percent of all mortgages purchased thereafter. The balance of this reserve account at June 30, 2015 and 2014 was $32,076 and $29,062, respectively. This amount is held in an interest-bearing account with Habitat's unrestricted cash.

Note 3 – Receivables

Receivables consist of the following:

	2015	2014
Insurance receivable	$ 194,554	-
Pledges receivable, net allowance of $3,690 and $4,560, respectively	41,852	46,551
Grants receivable	15,000	21,983
	251,406	68,534
Less current portion	(237,621)	(49,097)
	$ 13,785	19,437

During fiscal year 2015, Habitat's Restore experienced significant fire damage. The corresponding insurance receivable as of June 30, 2015 is a result of insurance proceeds received subsequent to fiscal year-end.

Pledges receivable consist of unconditional promises to give and are expected to be realized as follows:

Year	Amount
In less than one year	$ 28,067
In one to five years	13,785
	$ 41,852

Note 4 – Mortgages and Transferred Mortgages Receivable

Habitat intends to sell the mortgages it holds to the WCDA at 85% of face value after one year of client payments. However, there is no guarantee that the WCDA will buy the mortgages. During the years ended June 30, 2015 and 2014, the WCDA purchased mortgages in the amount of $416,240 and $62,384, respectively.

Note 4 – Mortgages and Transferred Mortgages Receivable (continued)

Mortgages Receivable:

For the years ended June 30, 2015 and 2014, mortgages receivable are calculated as follows:

	2015	2014
Face value of mortgages receivable	$ 966,652	495,833
Present value discount	(576,537)	(302,347)
	390,115	193,486
Less current portion	(32,000)	(17,000)
	$ 358,115	176,486

Transferred Mortgages Receivable:

For the years ended June 30, 2015 and 2014, transferred mortgages receivable are calculated as follows:

	2015	2014
Face value of transferred mortgages receivable	$ 2,172,449	2,084,741
Present value discount	(1,318,184)	(1,255,276)
	$ 854,265	829,465

For the years ended June 30, 2015 and 2014, the loss on transferred mortgages receivable that will be amortized over the life of the corresponding mortgages was approximately $302,000 and 282,000, respectively.

Note 5 – Construction in Process

Home construction costs are funded by contributions. The development of the land which includes architectural, engineering, and infrastructure costs, are also being paid for by Habitat on behalf of the homeowners. As of June 30, 2015, Habitat does not have any construction in process as the units associated with the Daisy Bush development project were completed in May 2015.

Note 6 – Property and Equipment

Property and equipment consist of the following:

	2015	2014
Land held for lease	$ 1,026,759	1,026,759
Equipment	91,102	76,858
Furniture and fixtures	-	63,626
	1,117,861	1,167,243
Less accumulated depreciation	(43,453)	(82,853)
	$ 1,074,408	1,084,390

Note 7 – Fair Value Measurements

Habitat follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Habitat uses the following valuation techniques to measure fair value for its assets and liabilities:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs);

Level 3 – Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.

The fair value of transferred mortgages receivable is based on the corresponding outstanding principal balances and is a level 3 measurement. Habitat has not experienced any credit losses associated with transferred mortgages receivable.

Note 8 – Supplemental Cash Flow Information

During the year ended June 30, 2015:

- Principal payments received by the WCDA on mortgages transferred from Habitat were $96,825.

- The balance on mortgages transferred by Habitat to the WCDA was $489,695.

During the year ended June 30, 2014:

- Principal payments received by the WCDA on mortgages transferred from Habitat were $94,038.

- The balance on mortgages transferred by Habitat to the WCDA was $73,393.

Note 9 – Land Lease

The land on which a home is constructed is retained by Habitat through a ground lease agreement whereby the land is leased to the homeowner for a term of 99 years for twelve dollars per year. In the event of a sale, Habitat has the first right to purchase the home. The sales price is subject to pricing guidelines outlined in the ground lease agreement that are intended to keep the home permanently affordable. The ground lease also requires that the homeowner occupy the home, comply with homeowner association regulations and maintain the salability of the home.

Note 10 – Operating Leases

Habitat leases office and retail space in Jackson, Wyoming, under non-cancelable operating leases. Monthly lease payments are approximately $6,250. These leases expire on June 30, 2016 and July 15, 2016, respectively. Lease rental expense for the years ended June 30, 2015 and 2014, was approximately $51,000 and $59,000 respectively.

Note 10 – Operating Leases (continued)

Future minimum payments are approximately as follows:

Year	Amount
2016	$ 73,000
2017	2,000
	$ 75,000

Note 11 – Defined Contribution Plan

Habitat has a SIMPLE IRA plan (the Plan) as described in section 408(p) of the Internal Revenue Code. Habitat matches elective deferrals up to three percent after six months of employment. For the years ended June 30, 2015 and 2014, employer matching contributions to the Plan were approximately $7,000 and $5,400, respectively.

Note 12 – Designated and Temporarily Restricted Net Assets

Temporarily restricted net assets are time restricted and consist primarily of pledges receivable. The Board of Directors has designated $200,000 to fund future operations.

Note 13 – Subsequent Events

Habitat evaluated its June 30, 2015 financial statements for subsequent events through April 21, 2016, the date the financial statements were available to be issued. Other than the events noted below, the Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Subsequent to year-end Habitat sold to qualifying families the three homes previously repurchased for approximately $460,000.