HABITAT FOR HUMANITY OF THE GREATER TETON AREA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
INDEX TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

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 non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditor's 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 of 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, 2018 and 2017, 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.

Gutke & Associates, P.C.

North Salt Lake, Utah
January 9, 2019

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	June 30, 2018	June 30, 2017
Current assets		
Cash and cash equivalents	$ 770,184	$ 1,173,640
Restricted cash (Note 2)	36,747	36,747
Trust accounts	23,209	5,004
Escrow accounts	1,177	-
Current portion of pledges receivable (Note 4)	257,716	126,626
Current portion of mortgages receivable (Note 5)	66,850	62,100
Prepaid expenses	18,684	38,081
Inventories	45,000	36,000
Completed homes inventory	161,156	-
Total current assets	1,380,723	1,478,198
Construction in process (Note 6)	1,954,197	619,674
Pledges receivable, net of current portion (Note 4)	490,731	279,563
Mortgages receivable, net of current portion (Note 5)	330,610	171,438
Deposits	2,400	2,400
Property and equipment, net (Note 7)	1,342,277	1,305,839
Transferred mortgages receivable, net of current portion (Note 5)	952,907	1,054,450
Total Assets	$ 6,453,845	$ 4,911,562

LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 207,695	$ 130,758
Homeowner deposits	23,209	5,004
Current portion of secured borrowing (Note 1)	-	-
Total current liabilities	230,904	135,762
Secured borrowing (Note 1)	2,324,131	2,436,167
Total Liabilities	2,555,035	2,571,929
Net assets		
Board-designated net assets (Note 10)	200,000	200,000
Undesignated net assets without donor restrictions	2,937,289	1,723,012
Total net assets without donor restrictions	3,137,289	1,923,012
Net assets with donor restrictions (Note 10)	761,521	416,621
Total net assets	3,898,810	2,339,633
Total Liabilities and Net Assets	$ 6,453,845	$ 4,911,562

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	June 30, 2017
Support and revenues:				
Contributions and grants	$ 1,444,222	$ 547,750	$ 1,991,972	$ 739,314
Store sales	480,099	-	480,099	419,434
Sales of homes, net of cost of homes sold of $527,206 and $0, respectively	(87,230)	-	(87,230)	-
Mortgage discounts	162,909	-	162,909	83,890
Interest income	3,305	-	3,305	4,714
In-kind donations	93,112	-	93,112	63,501
Special events and activities	148,600	-	148,600	136,614
Other program revenue	5,322	-	5,322	15,896
Net assets released from restrictions (Note 13)				
Satisfaction of donor restrictions	-	-	-	-
Satisfaction of time restrictions	202,850	(202,850)	-	-
Total Revenues, Gains, and Other Support	2,453,189	344,900	2,798,089	1,463,363
Expenses				
Program services	937,551	-	937,551	588,702
Management and administration	96,320	-	96,320	165,877
Fundraising	205,041	-	205,041	273,668
Total expenses	1,238,912	-	1,238,912	1,028,247
Change in net assets	1,214,277	344,900	1,559,177	435,116
Net assets, beginning of period	1,923,012	416,621	2,339,633	1,904,517
Net assets, end of period	$ 3,137,289	$ 761,521	$ 3,898,810	$ 2,339,633

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenues:			
Contributions and grants	$ 303,464	$ 435,850	$ 739,314
Sales of homes, net of cost of homes sold of $0	-	-	-
Store sales	419,434	-	419,434
Mortgage discounts	83,890	-	83,890
Interest income	4,714	-	4,714
In-kind donations	63,501	-	63,501
Special events and activities	136,614	-	136,614
Other program revenue	15,896	-	15,896
Net assets released from restrictions			
Satisfaction of program restrictions	100,000	(100,000)	-
Satisfaction of time restrictions	89,467	(89,467)	-
Total Revenues, Gains, and Other Support	1,216,980	246,383	1,463,363
Expenses			
Program services	588,702	-	588,702
Management and administration	165,877	-	165,877
Fundraising	273,668	-	273,668
Total expenses	1,028,247	-	1,028,247
Change in net assets	188,733	246,383	435,116
Net assets, beginning of period	1,734,279	170,238	1,904,517
Net assets, end of period	$ 1,923,012	$ 416,621	$ 2,339,633

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	Program Expense	Administration and General	Fundraising and Development	Total	June 30, 2017
Salaries and wages	$ 294,023	$ 22,242	$ 71,207	$ 387,472	$ 415,004
Payroll taxes and benefits	77,996	16,263	14,789	109,048	94,531
Facilities	85,251	14,567	8,122	107,940	113,675
Auto	8,411	-	-	8,411	6,442
Homeowner services	10,718	-	-	10,718	9,083
Insurance	12,517	4,526	-	17,043	10,630
Advertising and marketing	9,344	996	3,495	13,835	31,079
Fundraising	8,878	-	45,621	54,499	34,008
Volunteer recognition	4,963	763	123	5,849	6,048
Tithe to HFHI	38,087	-	-	38,087	29,623
Global village expense	15,410	-	-	15,410	-
Supplies	28,695	3,283	2,038	34,016	17,187
Depreciation	21,534	1,807	-	23,341	18,120
Training and travel	3,729	2,123	2,123	7,975	7,094
Dues and subscriptions	988	1,522	500	3,010	2,602
Postage	21	577	437	1,035	1,054
Fees and licenses	1,291	(476)	-	815	3,320
Professional fees	33,635	11,997	56,586	102,218	157,194
Other	(216)	2,129	-	1,913	11,369
Interest expense	1	-	-	1	6
Mortgage discounts	266,393	-	-	266,393	-
Loss on transfer of mortgages	15,882	-	-	15,882	15,658
In-kind costs	-	14,001	-	14,001	44,520
Totals	$ 937,551	$ 96,320	$ 205,041	$ 1,238,912	$ 1,028,247

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See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Expense	Administration and General	Fundraising and Development	Total
Salaries and wages	$ 287,732	$ 59,591	$ 67,681	$ 415,004
Payroll taxes and benefits	58,497	23,297	12,737	94,531
Facilities	81,179	20,897	11,599	113,675
Auto	6,442	-	-	6,442
Homeowner services	9,083	-	-	9,083
Insurance	7,842	2,788	-	10,630
Advertising and marketing	8,917	5,593	16,569	31,079
Fundraising	7,675	-	26,333	34,008
Volunteer recognition	2,985	2,497	566	6,048
Tithe to HFHI	29,623	-	-	29,623
Supplies	10,081	4,455	2,651	17,187
Depreciation	15,870	2,250	-	18,120
Training and travel	1,674	4,638	782	7,094
Dues and subscriptions	1,100	1,002	500	2,602
Postage	79	585	390	1,054
Fees and licenses	3,192	128	-	3,320
Professional fees	23,996	6,248	126,950	157,194
Other	197	11,172	-	11,369
Interest expense	-	6	-	6
Loss on transfer of mortgages	15,658	-	-	15,658
In-kind costs	16,880	20,730	6,910	44,520
Totals	$ 588,702	$ 165,877	$ 273,668	$ 1,028,247

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018	June 30, 2017
Cash flows from operating activities:		
Cash received from donations	$ 1,774,005	$ 503,615
Cash received from ReStore	480,656	420,534
Cash received from fundraising	21,623	21,213
Cash received from investment interest	3,305	4,714
Cash received from mortgages receivable	25,406	16,643
Cash received from other income	6,024	14,547
Cash received from fire insurance	-	19,129
Cash received from transfer of mortgages receivable, net of payments to WCDA	-	130,153
Cash payments to WCDA for repurchased homes	(2,395)	-
Cash payments for home construction	(1,508,640)	(475,531)
Cash payments on completed homes inventory	(37,970)	-
Cash paid for salaries and employee benefits	(685,692)	(599,308)
Cash payments to suppliers for goods and services	(401,794)	(402,676)
Net cash used in operating activities	(325,472)	(346,967)
Cash flows from investing activities:		
Purchase of land and equipment	(59,779)	(124,135)
Net cash used in investing activities	(59,779)	(124,135)
Net cash provided by financing activities	-	-
Net decrease in cash and cash equivalents	(385,251)	(471,102)
Cash and cash equivalents at beginning of period	1,215,391	1,686,493
Cash and cash equivalents at end of period	$ 830,140	$ 1,215,391

See accompanying notes and auditor's report

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 making less than 80% of the Area Median Income 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.

Habitat owns and operates the Habitat ReStore, which accepts donations of furniture, building materials, appliances and household items. ReStore donations are sold to the public generating store profits which support the administrative and operating expenses of Habitat.

Habitat is responsible for raising its own operating and construction funding. 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. 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).

During fiscal year 2017-2018 Habitat sold two homes in Alpine, WY which were substantially completed during the prior fiscal year. Following the sale of the Alpine homes, Habitat began construction on The Grove development which is the largest project Habitat has built in the organization's history. The Grove is a multi-family development located in Jackson, WY and consists of 24 condominium homes. Habitat is building the Grove over three stages of eight condos each. During fiscal year 2017-2018 Habitat broke ground on and substantially completed the construction of the first eight homes in The Grove development. These homes were sold to qualified buyers in October 2018. Since 1995 Habitat has built and sold 41 homes, serving over 110 children and a total of 175 individuals. The average mortgage payment by a Habitat family is $685, well below the average monthly rent in Teton County, WY.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

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 2017-2018, Habitat tithed $38,087 to HFHI and designated the entire tithe contribution to building efforts in Colombia (no funds were sent to the general operating fund of HFHI). These funds were sufficient to build 8.5 homes in Colombia during fiscal year 2017-2018. Since 1995 Habitat has funded the construction of 96 homes globally. Tithe funds can support volunteer efforts through Global Village trips where volunteers travel to Habitat affiliates around the world to build homes with the money donated through tithe. In the past, Habitat has sent volunteers to Colombia, El Salvador, the Philippines, Mexico, Bolivia, and Guatemala. Teton Habitat supported a Global Village trip to Colombia during fiscal year 2017-2018.

Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting and in conformity with standards promulgated by the American Institute of Certified Public Accountants in its audit guide for Not-For-Profit organizations.

Financial Statement Presentation

Habitat presents its financial statements in accordance with U.S. generally accepted accounting principles and the Not-For-Profit requirements of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, as amended by Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). Under FASB ASC 958 as amended, Habitat is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, Habitat is required to present a statement of cash flows. Habitat also follows the provisions of ASU 2016-14 relating to the statement of cash flows, whereby the direct method is presented without reconciliation to net income.

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 collectability. 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.

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.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

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 15 years
Furniture and Fixtures	5 to 7 years
Leasehold Improvements	15 years

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.

Transferred Mortgages Receivable and Secured Borrowing

Habitat intends to ultimately sell a majority of 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.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions and Donor Restrictions

Habitat records contributions in accordance with the standards in FASB ASC 958 as amended by ASU 2016-14, whereby contributions received are recorded as with or without restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions when the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases to net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, and 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.

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, 2018 and 2017, construction volunteers contributed 10,557 and 7,102 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, 2018 and 2017, the value of donated goods and services are as follows:

Description	2018	2017
Construction services and materials	$ 70,242	$ 27,981
Accounting and legal services	22,870	35,520
	$ 93,112	$ 63,501

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.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2018 and 2017, was $13,835 and $31,079, respectively.

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, 2018, management did not identify any uncertain tax positions. Habitat is no longer subject to examination by the Internal Revenue Service for years prior to 2015.

Use of 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.

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, 2018 and 2017, approximately $5,947 and $12,797, respectively, of cash and cash equivalents were 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 year ended June 30, 2018, five donors accounted for 62% of pledges and grants receivable. For the year ended June 30, 2017, five donors accounted for 87% of pledges and grants receivable.

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 required balance of this reserve account at June 30, 2018 and 2017 was $36,747 and $36,747, respectively. Habitat holds this amount with Habitat's unrestricted cash in an interest-bearing account that is in excess ($57,193 and $57,151 respectively) of the required amounts.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Habitat's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available for use within one year for general purposes include the $53,671 of other pledges receivable.

	2018	2017
Financial assets at year-end	$ 1,579,764	$ 1,621,580
Less unavailable for general expenditures:		
Restricted cash (Note 2)	(36,747)	(36,747)
Trust accounts	(23,209)	(5,004)
Escrow deposits	(1,177)	-
Financial assets available to meet cash needs for general expenditure within one year	$ 1,518,631	$ 1,579,829

As part of Habitat's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically bank certificates of deposit.

NOTE 4 - RECEIVABLES

Promises to Give

Unconditional promises to give are discounted by 5% as an estimate of the present value of estimated future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Habitat uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on management's analysis of specific promises made.

Receivables consist of the following:

	2018	2017
Pledges receivable	$ 748,181	$ 405,363
Miscellaneous receivables	266	826
	748,447	406,189
Less current portion	(257,716)	(126,626)
	$ 490,731	$ 279,563

NOTE 4 - RECEIVABLES, continued

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

	2018	2017
In less than one year	$ 257,450	$ 125,800
In one to five years	504,071	290,821
Total pledges receivable	761,521	416,621
Less uncollectible allowance	-	-
Less unamortized discount	(13,340)	(11,258)
	$ 748,181	$ 405,363

Pledges receivable are reflected at the present value of estimated future cash flows using an estimated 5% flat rate.

NOTE 5 - MORTGAGES AND TRANSFERRED MORTGAGES RECEIVABLE

Habitat intends to sell a major portion of the mortgages it holds to the WCDA at 85% of face value. However, there is no guarantee that the WCDA will buy the mortgages. During the years ended June 30, 2018 and 2017, the WCDA purchased mortgages in the amount of $0 and $130,153, respectively.

Mortgages Receivable:

For the years ended June 30, 2018 and 2017, mortgages receivable are calculated as follows:

	2018	2017
Face value of mortgages receivable	$ 853,740	$ 440,519
Present value discount	(506,530)	(263,481)
	347,210	177,038
Less current portion	(16,600)	(5,600)
	$ 330,610	$ 171,438

Transferred Mortgages Receivable:

For the years ended June 30, 2018 and 2017, transferred mortgages receivable are calculated as follows:

	2018	2017
Face value of mortgages receivable	$ 2,585,252	$ 2,832,612
Present value discount	(1,582,095)	(1,721,662)
	1,003,157	1,110,950
Less current portion	(50,250)	(56,500)
	$ 952,907	$ 1,054,450

For the years ended June 30, 2018 and 2017, the loss on transferred mortgages receivable that will be amortized over the life of the corresponding mortgages was $380,563 and $396,445, respectively.

NOTE 6 - 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, 2018, construction in process of $1,954,197 consists of construction associated with The Grove Phase 3 project. As of June 30, 2017, construction in process of $619,674 consisted of construction associated with the Alpine Meadows of $411,320 and The Grove Phase 3 projects of $208,354.

Included in construction in process are salaries and wages of the construction employees. These wages are included as a component of each home's total cost. The construction salaries and wages of $188,542 for the current year and $105,061 for the prior year are included in the above total and not shown as salary and wage expense in the statement of functional expenses.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2018	2017
Land held for lease	$ 1,091,278	$ 1,091,278
Equipment	164,122	104,343
Leasehold improvements	180,711	180,711
	1,436,111	1,376,332
Less accumulated depreciation	(93,834)	(70,493)
	$ 1,342,277	$ 1,305,839

NOTE 8 - 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 9 - LINE OF CREDIT

On August 7, 2017, Habitat obtained a line of credit for $1.5 million with a maturity date of August 7, 2021. The line of credit bears interest, which is due by the 7th of each month, at 0.25% below the Prime Lending Rate announced by JPMorgan Chase bank, but never less than 4%. The line of credit is secured by certain assignments of real estate mortgages, pledges receivable, and family partnership agreements for construction of the Grove Phase 3 project. As of June 30, 2018, the balance on this line of credit is $0.

NOTE 10 - BOARD DESIGNATED AND NET ASSETS WITH DONOR RESTRICTIONS

The Board of Directors has designated $200,000 to fund future operations as of June 30, 2018 and 2017.

Net assets with donor restrictions are as follows at June 30:

	2018	2017
Grove Campaign pledges receivable	$ 707,850	$ 384,300
Other pledges receivable	53,671	32,321
	$ 761,521	$ 416,621

NOTE 11 - OPERATING LEASES

Habitat leases combined office and retail space in Jackson, Wyoming, under a non-cancelable operating lease. Monthly lease payments were $6,100 through March 31, 2017, and increase $100 per month each year on April 1st. The lease expires on December 31, 2021, and is renewable for two additional five-year periods.

Future lease commitments for the following five years are as follows, assuming the lease renewal options are exercised:

Year ended June 30, 2019	$ 75,900
Year ended June 30, 2020	77,100
Year ended June 30, 2021	78,600
Year ended June 30, 2022	81,000
Year ended June 30, 2023	83,400
Five-year total	$ 396,000

Lease rental expense for the years ended June 30, 2018 and 2017, was $74,700 and $81,125 respectively.

NOTE 12 - 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, 2018 and 2017, employer matching contributions to the Plan were $12,696 and $6,530, respectively.

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donor or by the lapse of time restrictions.

Total satisfaction of donor restrictions	$ -
Total satisfaction of time restrictions - receipt of pledges	$ 202,850

NOTE 14 - 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 15 - SUBSEQUENT EVENTS

Subsequent to year-end, Habitat sold seven homes at The Grove and sold the underlying mortgages to the WCDA. Habitat evaluated its June 30, 2018 financial statements for subsequent events through January 9, 2019, the date the financial statements were available to be issued.