

**HABITAT FOR HUMANITY OF THE
GREATER TETON AREA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
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JUNE 30, 2020 AND 2019

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Gutke & Associates, P.C.

Certified Public Accountant Firm

www.gutkecpa.com

Phone: 385-743-1527

OFFICE LOCATION

39 E. Eagleridge Dr., Suite 210
North Salt Lake, UT 84054

MAILING ADDRESS

P.O. Box 1117
Centerville, UT 84014

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, 2020 and 2019, 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, 2020 and 2019, 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
June 17, 2021

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	June 30, 2020	June 30, 2019
Current assets		
Cash and cash equivalents	\$ 2,525,299	\$ 1,308,724
Restricted cash (Note 2)	58,310	48,130
Trust accounts	14,836	25,632
Escrow accounts	1,840	4,932
Grants receivable	2,500	200,000
Current portion of pledges receivable (Note 4)	286,189	265,989
Current portion of mortgages receivable (Note 5)	244,140	112,400
Prepaid expenses	4,378	2,099
Inventories	27,800	39,650
Completed homes inventory	174,425	561,194
Total current assets	3,339,717	2,568,750
Construction in process (Note 6)	1,404,878	1,969,618
Pledges receivable, net of current portion (Note 4)	204,202	273,997
Mortgages receivable, net of current portion (Note 5)	408,146	311,737
Deposits	2,400	2,400
Property and equipment, net (Note 7)	1,305,336	1,327,327
Transferred mortgages receivable, net of current portion (Note 5)	1,733,888	1,340,362
Total Assets	\$ 8,398,567	\$ 7,794,191
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 190,121	\$ 183,753
Homeowner deposits	14,836	25,632
Current portion of secured borrowing (Note 1)	-	-
Total current liabilities	204,957	209,385
Paycheck Protection Program loan (Note 9)	184,558	-
Secured borrowing (Note 1)	4,488,800	3,311,965
Total Liabilities	4,878,315	3,521,350
Net assets		
Board-designated net assets (Note 10)	627,500	455,000
Undesignated net assets without donor restrictions	2,394,860	3,270,770
Total net assets without donor restrictions	3,022,360	3,725,770
Net assets with donor restrictions (Note 10)	497,892	547,071
Total net assets	3,520,252	4,272,841
Total Liabilities and Net Assets	\$ 8,398,567	\$ 7,794,191

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>	<u>June 30, 2019</u>
Support and revenues:				
Contributions and grants	\$ 1,117,383	\$ 275,000	\$ 1,392,383	\$ 1,504,352
Store sales	353,560	-	353,560	461,468
Sales of homes, net of cost of homes sold of \$2,914,220 and \$1,807,030,	(681,223)	-	(681,223)	(316,030)
Mortgage discounts earned	129,576	-	129,576	196,237
Interest income	12,070	-	12,070	13,416
Investment losses	(865)	-	(865)	(1,581)
In-kind donations	102,852	-	102,852	97,816
Special events and activities	144,363	-	144,363	168,419
Other program revenue	28,383	-	28,383	19,254
Net assets released from restrictions (Note 13)				
Satisfaction of time restrictions	<u>324,179</u>	<u>(324,179)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>1,530,278</u>	<u>(49,179)</u>	<u>1,481,099</u>	<u>2,143,351</u>
Expenses				
Program services	1,864,294	-	1,864,294	1,502,082
Management and administration	192,286	-	192,286	123,801
Fundraising	<u>177,108</u>	<u>-</u>	<u>177,108</u>	<u>143,437</u>
Total expenses	<u>2,233,688</u>	<u>-</u>	<u>2,233,688</u>	<u>1,769,320</u>
Change in net assets	(703,410)	(49,179)	(752,589)	374,031
Net assets, beginning of period	<u>3,725,770</u>	<u>547,071</u>	<u>4,272,841</u>	<u>3,898,810</u>
Net assets, end of period	<u>\$ 3,022,360</u>	<u>\$ 497,892</u>	<u>\$ 3,520,252</u>	<u>\$ 4,272,841</u>

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Contributions and grants	\$ 1,419,352	\$ 85,000	\$ 1,504,352
Store sales	461,468	-	461,468
Sales of homes, net of cost of homes sold of \$1,807,030	(316,030)	-	(316,030)
Mortgage discounts earned	196,237	-	196,237
Interest income	13,416	-	13,416
Investment losses	(1,581)	-	(1,581)
In-kind donations	97,816	-	97,816
Special events and activities	168,419	-	168,419
Other program revenue	19,254	-	19,254
Net assets released from restrictions			
Satisfaction of time restrictions	<u>299,450</u>	<u>(299,450)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>2,357,801</u>	<u>(214,450)</u>	<u>2,143,351</u>
Expenses			
Program services	1,502,082	-	1,502,082
Management and administration	123,801	-	123,801
Fundraising	<u>143,437</u>	<u>-</u>	<u>143,437</u>
Total expenses	<u>1,769,320</u>	<u>-</u>	<u>1,769,320</u>
Change in net assets	588,481	(214,450)	374,031
Net assets, beginning of period	<u>3,137,289</u>	<u>761,521</u>	<u>3,898,810</u>
Net assets, end of period	<u>\$ 3,725,770</u>	<u>\$ 547,071</u>	<u>\$ 4,272,841</u>

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, 2020
(With Comparative Totals for June 30, 2019)

	Program Expense	Administration and General	Fundraising and Development	Total	June 30, 2019
Salaries and wages	\$ 297,786	\$ 94,423	\$ 90,903	\$ 483,112	\$ 392,875
Payroll taxes and benefits	114,288	20,349	19,591	154,228	117,401
Facilities	91,163	16,711	7,948	115,822	110,552
Auto	10,420	-	-	10,420	9,055
Homeowner services	10,385	-	-	10,385	5,874
Insurance	11,904	6,717	-	18,621	22,528
Advertising and marketing	13,678	1,462	1,568	16,708	17,397
Fundraising	598	-	45,560	46,158	40,997
Merchant fees	6,067	-	5,184	11,251	-
Volunteer recognition	6,273	1,374	-	7,647	12,805
Tithe to HFHI	33,000	-	-	33,000	41,932
Global Village expense	-	-	-	-	21,858
Supplies	26,947	8,240	-	35,187	26,217
Depreciation	23,455	1,069	970	25,494	25,362
Training and travel	1,825	3,686	-	5,511	11,294
Dues and subscriptions	-	1,699	-	1,699	3,002
Postage	35	690	-	725	558
Fees and licenses	1,123	125	-	1,248	220
Professional fees	6,024	22,067	1,996	30,087	35,921
Other	6,861	1,875	1,393	10,129	2,940
Interest expense	-	-	-	-	7
Carrying costs - rental units	6,362	-	-	6,362	4,787
Mortgage discounts	1,141,275	-	-	1,141,275	821,593
Loss on transfer of mortgages	42,975	-	-	42,975	21,370
In-kind costs	11,850	11,799	1,995	25,644	22,775
Totals	<u>\$ 1,864,294</u>	<u>\$ 192,286</u>	<u>\$ 177,108</u>	<u>\$ 2,233,688</u>	<u>\$ 1,769,320</u>

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, 2019

	<u>Program Expense</u>	<u>Administration and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and wages	\$ 272,571	\$ 47,341	\$ 72,963	\$ 392,875
Payroll taxes and benefits	88,185	21,805	7,411	117,401
Facilities	88,152	15,680	6,720	110,552
Auto	9,055	-	-	9,055
Homeowner services	4,980	894	-	5,874
Insurance	14,665	7,863	-	22,528
Advertising and marketing	12,625	1,061	3,711	17,397
Fundraising	6,498	-	34,499	40,997
Volunteer recognition	10,820	1,399	586	12,805
Tithe to HFHI	41,932	-	-	41,932
Global Village expense	21,858	-	-	21,858
Supplies	19,133	3,578	3,506	26,217
Depreciation	23,555	907	900	25,362
Training and travel	7,657	757	2,880	11,294
Dues and subscriptions	1,000	902	1,100	3,002
Postage	24	187	347	558
Fees and licenses	155	65	-	220
Professional fees	17,743	13,382	4,796	35,921
Other	4,174	(1,234)	-	2,940
Interest expense	-	7	-	7
Carrying costs - rental units	4,787	-	-	4,787
Mortgage discounts	821,593	-	-	821,593
Loss on transfer of mortgages	21,370	-	-	21,370
In-kind costs	9,550	9,207	4,018	22,775
Totals	<u>\$ 1,502,082</u>	<u>\$ 123,801</u>	<u>\$ 143,437</u>	<u>\$ 1,769,320</u>

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, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash flows from operating activities:		
Cash received from donations	\$ 1,762,794	\$ 1,666,456
Cash received from ReStore	352,718	461,490
Cash received from fundraising	23,150	23,521
Cash received from investment interest	11,205	11,835
Cash received from mortgages receivable	40,462	30,505
Cash received from other income	45,818	19,466
Cash received from transfer of mortgages receivable, net of payments to WCDA	1,432,872	1,120,040
Cash payments to WCDA for repurchased homes	(120,799)	(6,881)
Cash payments for home construction	(1,318,406)	(1,419,356)
Cash payments on completed homes inventory	-	(254,999)
Cash paid for salaries and employee benefits	(873,311)	(722,771)
Cash payments to suppliers for goods and services	(321,599)	(366,547)
Net cash provided by operating activities	<u>1,034,904</u>	<u>562,759</u>
Cash flows from investing activities:		
Purchase of land and equipment	<u>(3,503)</u>	<u>(10,413)</u>
Net cash used in investing activities	<u>(3,503)</u>	<u>(10,413)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	<u>184,558</u>	<u>-</u>
Net cash provided by financing activities	<u>184,558</u>	<u>-</u>
Net increase in cash and cash equivalents	1,215,959	552,346
Cash and cash equivalents at beginning of period	<u>1,382,486</u>	<u>830,140</u>
Cash and cash equivalents at end of period	<u>\$ 2,598,445</u>	<u>\$ 1,382,486</u>

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Habitat for Humanity of the Greater Teton Area (Teton 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. Teton Habitat was incorporated on October 1, 1995. The organization's mission is based on Christian principles that work to strengthen their community by building simple, decent homes in partnership with hardworking families in need. Teton Habitat is an affiliate of Habitat for Humanity International, Inc. (HFHI). Although HFHI assists with information resources, branding, and training, Teton Habitat operates independent of HFHI and a local board of directors is directly responsible for its operations.

Teton Habitat builds houses using primarily purchased materials and services, volunteer labor, and donated materials, along with the construction employee crew. 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 Teton Habitat. Prospective homeowners must demonstrate a need for housing 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.

Teton Habitat owns and operates the 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 Teton Habitat.

Teton Habitat is responsible for raising its own operating and construction funding. Historically, the organization 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 ReStore. Some funding is received through corporate grant programs organized by HFHI.

During February of fiscal year 2019-2020, Teton Habitat sold eight homes as part of the Grove development, phase two, in Jackson, WY which were substantially completed during the prior fiscal year. Teton Habitat also closed on the sale of a Grove phase one home in 2019. The delay of the closing was related to a legal paperwork issue which was successfully resolved. The Grove development is the largest project Teton Habitat has attempted in the organization's history. The Grove is a multi-family development located in Jackson, WY and consists of 24 condominium homes. Teton Habitat is building the Grove over three phases of eight condos each. Teton Habitat broke ground on and substantially completed the construction of the first eight homes of The Grove during fiscal year 2017-2018. In August of 2019, Teton Habitat resold one home that had been previously purchased in 2017. Since 1995, Teton Habitat has built and sold 56 homes, serving over 121 children and a total of 190 individuals. The average house payment by a Habitat family is \$751.45 (includes mortgage, HOA, taxes and insurance), well below the average monthly rent in Teton County, WY.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 2019-2020, Teton Habitat tithed \$31,950 with an additional \$1,050 to the Global Village Project to HFHI and designated the entire tithe contribution to building efforts in Mexico (no funds were sent to the general operating fund of HFHI). The COVID-19 pandemic restricted travel and building projects in Mexico in 2019-2020. Tithe funds can support volunteer efforts through Global Village trips where volunteers travel to HFHI affiliates around the world to build homes with the money donated through tithe. In the past, Teton Habitat has sent volunteers to Colombia, El Salvador, the Philippines, Mexico, Bolivia, and Guatemala. Teton Habitat has funded the construction of 65 homes globally.

Basis of Accounting

The financial statements of Teton 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

Teton 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, Teton 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, Teton Habitat is required to present a statement of cash flows. Teton 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, Teton 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.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 Teton 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 Teton Habitat during the loan application process. At that time, employment history, bank account activity, and debt-to-income ratio are among the factors considered.

Transferred Mortgages Receivable and Secured Borrowing

Teton Habitat intends to ultimately sell a majority of all mortgages to a qualified buyer. 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, Teton Habitat has maintained effective control over the assets transferred because WCDA has the right to transfer the mortgages back to Teton Habitat if the borrower defaults or sells the home; accordingly, the sale is accounted for as a secured borrowing. As a secured borrowing Teton 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. Teton Habitat sells the mortgage to the WCDA at a discount. The discount is recognized over the life of the corresponding mortgage as cash is collected on the mortgage.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Contributions and Donor Restrictions

Teton 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.

Teton 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, 2020 and 2019, construction volunteers contributed 4,227 and 10,571 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, 2020 and 2019, the value of donated goods and services are as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Construction services and materials	\$ 89,058	\$ 80,391
Accounting and legal services	13,794	17,425
	<u>\$ 102,852</u>	<u>\$ 97,816</u>

Allocation of Functional Expenses

The costs of providing Teton 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.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 expenses for the years ended June 30, 2020 and 2019, were \$16,708 and \$17,397, respectively.

Income Taxes

As a non-profit organization which is not a private foundation, Teton 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.

Teton 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. Teton Habitat would also recognize interest expense and penalties related to unrecognized tax benefits through a provision for income taxes. As of June 30, 2020, management did not identify any uncertain tax positions. Teton Habitat is no longer subject to examination by the Internal Revenue Service for years prior to 2017.

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

Teton Habitat maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. For the years ended June 30, 2020 and 2019, approximately \$20,266 and \$679,401, respectively, of cash and cash equivalents were uninsured at various financial institutions. Teton 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, 2020, two donors accounted for 5% of pledges and grants receivable. For the year ended June 30, 2019, three donors accounted for 51% of pledges and grants receivable.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 - RESTRICTED CASH

WCDA purchases mortgages from Teton Habitat (see Note 4). The WCDA requires Teton 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, 2020 and 2019 was \$58,310 and \$48,130, respectively. Teton Habitat holds this amount with Teton Habitat's unrestricted cash in an interest-bearing account that is in excess (\$151,080 and \$112,390 respectively) of the required amounts.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Teton 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 \$21,942 of other pledges receivable.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 3,093,176	\$ 2,127,404
Less unavailable for general expenditures:		
Restricted cash (Note 2)	(58,310)	(48,130)
Trust accounts	(14,836)	(25,632)
Escrow deposits	(1,840)	(4,932)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,018,190</u>	<u>\$ 2,048,710</u>

As part of Teton 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. Teton 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:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 489,152	\$ 537,547
Miscellaneous receivables	1,239	2,439
	<u>490,391</u>	<u>539,986</u>
Less current portion	(286,189)	(265,989)
	<u>\$ 204,202</u>	<u>\$ 273,997</u>

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NOTE 4 - RECEIVABLES, continued

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

	<u>2020</u>	<u>2019</u>
In less than one year	\$ 284,950	\$ 263,550
In one to five years	<u>212,942</u>	<u>283,521</u>
Total pledges receivable	497,892	547,071
Less uncollectible allowance	-	-
Less unamortized discount	<u>(8,740)</u>	<u>(9,524)</u>
	<u>\$ 489,152</u>	<u>\$ 537,547</u>

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

Teton 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, 2020 and 2019, the WCDA purchased mortgages in the amount of \$1,432,872 and \$1,120,040, respectively.

Mortgages Receivable:

For the years ended June 30, 2020 and 2019, mortgages receivable are calculated as follows:

	<u>2020</u>	<u>2019</u>
Face value of mortgages receivable	\$ 1,126,917	\$ 823,235
Present value discount	<u>(676,961)</u>	<u>(494,898)</u>
	449,956	328,337
Less current portion	<u>(41,810)</u>	<u>(16,600)</u>
	<u>\$ 408,146</u>	<u>\$ 311,737</u>

Transferred Mortgages Receivable:

For the years ended June 30, 2020 and 2019, transferred mortgages receivable are calculated as follows:

	<u>2020</u>	<u>2019</u>
Face value of mortgages receivable	\$ 4,985,319	\$ 3,655,245
Present value discount	<u>(3,049,101)</u>	<u>(2,219,083)</u>
	1,936,218	1,436,162
Less current portion	<u>(202,330)</u>	<u>(95,800)</u>
	<u>\$ 1,733,888</u>	<u>\$ 1,340,362</u>

For the years ended June 30, 2020 and 2019, the loss on transferred mortgages receivable that will be amortized over the life of the corresponding mortgages was \$638,178 and \$605,055, respectively.

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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 Teton Habitat on behalf of the homeowners. As of June 30, 2020, construction in process of \$1,404,878 consists of construction associated with The Grove Phase 3 project. As of June 30, 2019, construction in process of \$1,969,618 consisted of construction associated with The Grove Phase 2 and 3 projects.

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 \$250,066 for the current year and \$212,874 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:

	<u>2020</u>	<u>2019</u>
Land held for lease	\$ 1,091,278	\$ 1,091,278
Equipment	178,037	174,534
Leasehold improvements	<u>180,711</u>	<u>180,711</u>
	1,450,026	1,446,523
Less accumulated depreciation	<u>(144,690)</u>	<u>(119,196)</u>
	<u>\$ 1,305,336</u>	<u>\$ 1,327,327</u>

NOTE 8 - LAND LEASE

The land on which a home is constructed is retained by Teton 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, Teton 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 - DEBT

On August 7, 2017, Teton 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 Grove Phase 3 project. As of June 30, 2020 and 2019, the balance on this line of credit is \$0.

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Teton Habitat received a loan totaling \$184,558 through the Small Business Administration Paycheck Protection Program. The loan is payable in monthly installments of \$10,335 if the loan is not forgiven. The loan is not secured. Interest accrues at 1.0%. The loan was forgiven in December 2020.

NOTE 10 - BOARD DESIGNATED AND NET ASSETS WITH DONOR RESTRICTIONS

The Board of Directors has designated \$300,000 and \$300,000 to fund future operations as of June 30, 2020 and 2019, respectively. The Board has also designated \$327,500 and \$155,000 to fund future repurchases as of June 30, 2020 and 2019.

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

	<u>2020</u>	<u>2019</u>
Grove Campaign pledges receivable	\$ 475,950	\$ 509,400
Other pledges receivable	21,942	37,671
	<u>\$ 497,892</u>	<u>\$ 547,071</u>

NOTE 11 - OPERATING LEASES

Teton 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, with monthly increases of \$200 per month each year.

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

Year ended June 30, 2021	\$ 78,600
Year ended June 30, 2022	81,000
Year ended June 30, 2023	83,400
Year ended June 30, 2024	85,800
Year ended June 30, 2025	88,200
Five-year total	<u>\$ 417,000</u>

Lease rental expense for the years ended June 30, 2020 and 2019, was \$76,800 and \$75,900 respectively.

NOTE 12 - DEFINED CONTRIBUTION PLAN

Teton Habitat has a SIMPLE IRA plan (the Plan) as described in section 408(p) of the Internal Revenue Code. Teton Habitat matches elective deferrals up to three percent after six months of employment. For the years ended June 30, 2020 and 2019, employer matching contributions to the Plan were \$15,447 and \$12,853, respectively.

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
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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 time restrictions - receipt of pledges receivable	<u>\$ 324,179</u>
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NOTE 14 - FAIR VALUE MEASUREMENTS

Teton 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.

Teton 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 pledges receivable is discussed in Note 4. 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.

Reconciliation of Level 3 Significant Other Unobservable Inputs as of June 30, 2020:

	Pledges Receivable	Mortgages Receivable	Transferred Mortgages
Beginning balance	\$ 537,547	\$ 328,337	\$ 1,436,162
Additional pledges received	275,000	-	-
New mortgages on homes sold	-	344,145	1,508,286
Pledge payments received	(324,179)	-	-
Principal payments received	-	(40,463)	(178,212)
New discounts less amortization	784	(182,063)	(830,018)
Ending balance	<u>\$ 489,152</u>	<u>\$ 449,956</u>	<u>\$ 1,936,218</u>

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
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NOTE 15 - SUBSEQUENT EVENTS

As mentioned in Note 9, the loan received through the Paycheck Protection Program was forgiven in December 2020. Teton Habitat evaluated its June 30, 2020 financial statements for subsequent events through June 17, 2021, the date the financial statements were available to be issued.