



Financial Statements
June 30, 2016

Habitat for Humanity of Utah County

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Independent Auditor's Report

Board of Directors
Habitat for Humanity of Utah County
Orem, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Utah County (a Utah nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 for Humanity of Utah County as of June 30, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Utah County 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Salt Lake City, Utah
February 9, 2017

Habitat for Humanity of Utah County
Statement of Financial Position
June 30, 2016
With Summarized Financial Information for 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 132,601	\$ 225,439
Short-term investments	150,980	150,327
Accounts receivable	11,395	10,955
Prepaid expenses	40,880	20,281
Other assets	89,456	49,321
Homes under construction and held for sale	686,928	497,195
ReStore inventory	23,579	18,737
Interest bearing mortgage loans receivable - current portion	2,891	2,778
Non-interest bearing mortgage loans receivable - current portion, net of discount of \$160,312 and \$155,828	64,481	62,146
Total current assets	1,203,191	1,037,179
Property and equipment, net	1,810,041	1,855,673
Non-interest bearing mortgage loans receivable, net of unamortized discount of \$2,283,960 and \$2,279,478, net of current portion and net of the allowance for loan loss of \$46,021	2,107,528	2,058,638
Interest bearing mortgage loans, net of current portion	15,431	20,151
	\$ 5,136,191	\$ 4,971,641
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 61,277	\$ 57,910
Accrued liabilities	35,517	71,877
Mortgage payable - current portion	63,342	60,109
Total current liabilities	160,136	189,896
Long-Term Liabilities		
Mortgage payable - net of current portion	1,126,987	1,190,329
Total liabilities	1,287,123	1,380,225
Net Assets		
Unrestricted	3,804,003	3,547,552
Temporarily restricted	45,065	43,864
Total net assets	3,849,068	3,591,416
	\$ 5,136,191	\$ 4,971,641

Habitat for Humanity of Utah County
Statement of Activities
Year Ended June 30, 2016
With Summarized Financial Information for 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Support				
Contributions and grants	\$ 572,654	\$ 45,065	\$ 617,719	\$ 509,107
In-kind donations	26,694	-	26,694	212,226
Special events:				
Special event revenue	84,069	-	84,069	13,802
Less cost of direct benefit to special event donors	(7,914)	-	(7,914)	(6,585)
Net revenue from special events	76,155	-	76,155	7,217
Net assets released from restrictions	43,864	(43,864)	-	-
Total Support	719,367	1,201	720,568	728,550
Revenues				
Retail sales	998,576	-	998,576	990,312
Mortgage discount amortization	174,328	-	174,328	154,561
Transfer of homes	410,000	-	410,000	377,000
Other program income	12,130	-	12,130	54,582
Interest	24,385	-	24,385	4,976
Total Revenue	1,619,419	-	1,619,419	1,581,431
Total Support and Revenue	2,338,786	1,201	2,339,987	2,309,981
Expenses				
Program services				
Volunteer and family programs	969,590	-	969,590	984,805
Home improvement retail outlets	910,048	-	910,048	911,032
Total program services	1,879,638	-	1,879,638	1,895,837
Supporting services				
Management and general	135,269	-	135,269	140,191
Fundraising and development	67,428	-	67,428	70,637
Total supporting services	202,697	-	202,697	210,828
Total Expenses	2,082,335	-	2,082,335	2,106,665
Change in Net Assets	256,451	1,201	257,652	203,316
Net Assets, Beginning of Year	3,547,552	43,864	3,591,416	3,388,100
Net Assets, End of Year	\$ 3,804,003	\$ 45,065	\$ 3,849,068	\$ 3,591,416

Habitat for Humanity of Utah County
Statement of Functional Expenses
Year Ended June 30, 2016
With Summarized Financial Information for 2015

	2016						2015 Total
	Program Services			Supporting Services			
	Volunteer and Family Programs	Home Improvement Retail Outlets	Total	Management and General	Fundraising and Development	Total	
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 954
Construction expense	3,783	-	3,783	-	-	3,783	4,083
Cost of homes transferred	293,513	-	293,513	-	-	293,513	367,350
Cost of inventory sold	-	24,922	24,922	-	-	24,922	75,546
Depreciation expense	8,162	53,463	61,625	4,493	5,377	71,495	68,177
Equipment expense	2,365	-	2,365	2,295	2,295	6,955	4,548
Insurance	5,259	9,888	15,147	3,351	1,847	20,345	22,079
Interest	4,477	47,782	52,259	4,309	4,309	60,877	67,576
Mission specific costs	12,977	-	12,977	-	-	12,977	48,303
Mortgage discounts	287,794	-	287,794	-	-	287,794	245,530
Mortgage servicing	9,684	-	9,684	-	-	9,684	2,400
Occupancy costs	1,084	157,452	158,536	1,052	1,052	160,640	148,817
Office supplies	2,877	-	2,877	2,793	2,793	8,463	5,009
Other	5,253	-	5,253	1,310	8,920	15,483	29,460
Postage	843	-	843	843	-	1,686	3,348
Printing	-	-	-	1,762	-	1,762	2,363
Professional services	1,800	-	1,800	68,291	-	70,091	56,587
Public relations	21,651	7,374	29,025	-	7,459	36,484	40,325
Retail store expenses	-	96,256	96,256	-	-	96,256	128,947
Salary and benefits	273,456	499,888	773,344	37,206	34,791	845,341	737,818
Tithe to Habitat for Humanity International	15,000	-	15,000	-	-	15,000	15,000
Travel and training	15,775	13,478	29,253	5,854	3,642	38,749	29,987
Utilities	3,837	-	3,837	1,710	2,402	7,949	9,043
Total expenses by function	969,590	910,503	1,880,093	135,269	74,887	2,090,249	2,113,250
Less expenses included with revenues on the statement of activities	-	(455)	(455)	-	(7,459)	(7,914)	(6,585)
Total expenses included in the expense section on the statement of activities	\$ 969,590	\$ 910,048	\$ 1,879,638	\$ 135,269	\$ 67,428	\$ 2,082,335	\$ 2,106,665

Habitat for Humanity of Utah County
Statement of Cash Flows
Year Ended June 30, 2016
With Summarized Financial Information for 2015

	2016	2015
Operating Activities		
Change in net assets	\$ 257,652	\$ 203,316
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	71,495	68,177
Bad debt expense	-	954
In-kind contributions of inventory	-	(153,217)
Mortgage discount amortization	(174,328)	(154,561)
Discount on mortgages	287,794	245,530
Gain on transfer of homes	(116,487)	(10,150)
Changes in operating assets and liabilities:		
Accounts receivable	(440)	32,168
Prepaid expenses	(20,599)	1,736
Other assets	(40,135)	2,752
Homes under construction and held for sale	(483,197)	(329,554)
ReStore inventory	(4,842)	6,094
Accounts payable	3,367	(18,538)
Accrued liabilities	(36,360)	4,342
Net Cash used for Operating Activities	(256,080)	(100,951)
Investing Activities		
Purchase of short-term investments	(653)	(50,264)
Purchase of equipment	(25,863)	(29,060)
Collections on mortgage loans	249,867	221,218
Net Cash from Investing Activities	223,351	141,894
Financing Activities		
Payments on mortgage payable	(60,109)	(57,040)
Net Change in Cash and Cash Equivalents	(92,838)	(16,097)
Cash and Cash Equivalents, Beginning of Year	225,439	241,536
Cash and Cash Equivalents, End of Year	\$ 132,601	\$ 225,439
Supplemental Disclosure of Cash Flow Information and Cash Payments for		
Interest	\$ 60,877	\$ 69,591
Income taxes	\$ -	\$ 5,278

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Habitat for Humanity of Utah County (the “Organization”) a nonprofit corporation, was incorporated on December 5, 1991. The Organization is an affiliate of Habitat for Humanity International (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelters a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization’s operations. Revenues to support the Organization are primarily received from donations of cash, materials, and services.

In April 2007, the Organization opened a discount home improvement outlet, called the ReStore in Orem, Utah. In April 2013, the Organization opened a second location in Spanish Fork, Utah. The ReStore sells to the general public, and most of the store’s merchandise has been donated by building supply stores, construction companies, and individuals in the community.

The accompanying financial statements have been prepared in accordance with standards for nonprofit organizations adopted by the Financial Accounting Standards Board. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when notice is received, and grant revenues are recorded when earned. ReStore donations are recorded when the items are sold as discussed below.

Financial Statement Presentation

The Organization reports 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, as applicable.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the financial statements, the Organization considers all cash and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents. From time to time during the year, the Organization's cash balance in financial institutions has exceeded the FDIC insurance limits. At June 30, 2016, the Organization had no deposits with financial institutions that exceeded FDIC insurance.

Short Term Investments

Short term investments consist of certificates of deposit with original maturities greater than 90 days, which are reported at cost.

ReStore Home Improvement Outlets

The store's merchandise consists primarily of items that have been donated by building supply stores, construction companies, and individuals in the community. Because many of the donations are the result of overstocked items or are used items, the value of donations is not readily determinable until such merchandise is sold. Therefore, retail inventory from donated items of the store has not been recorded in these financial statements. Retail sales on these donated items are recorded at the point of sale. The remaining inventory which consists of purchased items is stated at the lower of cost or market determined by the first-in first-out method.

Homes Under Construction and Held For Sale

Homes under construction and held for sale include the direct and indirect costs of construction, land, and the donated value of materials and professional services used in the construction of homes. Transfer to homeowners is recorded when the home is occupied and title is transferred.

Property and Equipment

Equipment and leasehold improvements are recorded on the basis of cost for purchased assets or fair value at the date of donation for donated assets. The Organization capitalizes all acquisitions in excess of \$1,000. Depreciation is recorded using the straight-line method.

Non-Interest Bearing Mortgage Loans

Mortgage loans are recorded when a homeowner occupies the home and title is transferred. Habitat International requires local chapters to discount their mortgage loans. The loan is recorded at the gross amount of payments to be received over the life of the mortgage, and an offsetting discount is recorded based on prevailing market rates at the inception of the mortgage. Discounts are amortized over the lives of the loans using the effective interest method.

Interest Bearing Mortgage Loans

Interest bearing mortgage loans are recorded at the gross amount of principal payments to be received over the life of the mortgage. Interest is recorded in the period which it is earned.

Contributions and Donor Restrictions

Contributions received are recorded as temporarily or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions not subject to donor restrictions are reported as unrestricted support. Temporarily restricted support represents contributions that are restricted by the donor for construction activities or for specific equipment purchases. Net assets restricted for construction are released from restricted net assets when construction costs are paid. If temporarily restricted contributions are released from restricted net assets in the same year as the contribution is received, the contribution is reported as temporarily restricted support on the statement of activities. As of June 30, 2016 the Organization had no permanently restricted net assets.

Contributions related to special events are recognized in the period that the event occurs.

Government Grants

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. The Organization recognizes the award as government grant revenue as the expenses stipulated in the grant agreement have been incurred.

In-Kind Support

The Organization receives donations from a variety of sources for services and materials in the furtherance of its objectives. The in-kind support consists principally of discounts on services of professionals, building materials, and land. In-kind support is recorded at its fair value on the date of donation.

Program Services

Volunteer and Family Programs: Includes activities associated with completing homes, providing mortgage loans to program participants, and creating community awareness and participation. Volunteer and Family Programs also includes the Organization's neighborhood revitalization activities, which includes home repairs for needy individuals.

Home Improvement Retail Outlet: Includes the operations of the discount home improvement retail outlets, the ReStore.

Allocated Administrative Expenses

The costs of providing the programs and services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Taxes

Habitat for Humanity of Utah County is organized as a state of Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under sections 509(a)(1). Habitat for Humanity of Utah County is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred.

Subsequent Events

Subsequent events have been evaluated through February 9, 2017 which is the date the financial statements were available to be issued.

Note 2 - Homes Under Construction and Held for Sale

A summary of activity in homes under construction and held for sale for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Beginning Balance	\$ 497,195	\$ 381,774
Purchase of property	188,820	103,404
Taxes and additions	2,324	19,441
Construction costs	292,102	358,163
Transfer of homes	(293,513)	(365,587)
Ending Balance	\$ 686,928	\$ 497,195

Note 3 - Property and Equipment

As of June 30, 2016 and 2015, the cost of property and equipment was as follows:

	Depreciable Lives	2016	2015
Office equipment and improvements	5-7 years	\$ 18,334	\$ 24,910
Construction equipment	5-10 years	109,771	113,377
Retail store equipment and improvements	5-7 years	48,632	12,587
Building	40 years	2,102,357	2,102,357
Total		2,279,094	2,253,231
Less accumulated depreciation		(469,053)	(397,558)
Total, net		\$ 1,810,041	\$ 1,855,673

Note 4 - Non-Interest Bearing Mortgage Loans

As of June 30, 2016 and 2015, the Organization held 54 and 52 non-interest bearing mortgage loans, respectively. The mortgage loan maturities range from 20 to 40 years. These mortgages are secured by the underlying real estate that is located primarily in Utah County in Utah. All mortgages are secured with a security interest and trust deed in each property.

Cash reserves for insurance and taxes on each property are held in a third-party trust and are not included in the Organization's statement of financial position. The Organization has established an allowance for loan loss of \$46,021 for the years ended June 30, 2016 and 2015. Management determines the allowance for loan loss based on historical experience. The allowance is netted on the balance sheet with non-interest bearing mortgage loan receivable. Mortgages are written off when deemed uncollectable. During the years ended June 30, 2016 and 2015 the Organization recognized bad debt expense of \$0 and \$921, respectively.

The mortgage loan principal is divided into two parts, the first part is the traditional loan payment. The second mortgage is a lump sum due at the maturity date of the loan. This lump sum is forgiven incrementally over the life of the loan as long as the mortgage is not in default. The Organization has determined that this lump sum mortgage amount should be expensed as a discount on the loan and then subsequently recognized as a gain if it is determined that the mortgage will not receive forgiveness of the final lump sum payment. During the year ended June 30, 2016, there were no homes in default and the Organization does not expect any of the current mortgages to be subject to payment of the second mortgage.

Habitat International requires local chapters discount their non-interest bearing loans at certain discount rates published by the IRS. The discount is recorded as an offset to the gross payments to be received from the loans and a corresponding charge to “discount on mortgage loans receivable” in the accompanying statement of functional expenses. During the year ended June 30, 2016, two new loans totaling \$410,000 were issued with maturities ranging from 20 to 35 years. During the year ended June 30, 2015, two new loans totaling \$377,500 were issued with maturities ranging from 20 to 35 years. The 2016 loans had underlying construction costs of \$293,513 resulting in a gain on the completed homes of \$116,487. The 2015 loans had underlying construction costs of \$367,350 resulting in a gain on the completed homes of \$10,150. During the years ended June 30, 2016 and 2015, the loans included a lump sum discount of \$104,500 and \$65,500, respectively. The discount rate for the loans issued during the years ended June 30, 2016 and 2015 was 7.48% and 7.51%, respectively, resulting in a total original discount balance of \$183,294 on the new loans.

As of June 30, 2016 and 2015, the Organization was not accruing interest on any past-due loan balances.

The following is a schedule of maturities of non-interest bearing mortgage loans as of June 30, 2016:

Years Ending June 30,	Loan Payments
2017	\$ 224,793
2018	223,333
2019	221,792
2020	217,858
2021	213,502
Thereafter	3,561,024
 Total	 4,662,302
 Unamortized discount	 (2,444,272)
 Allowance for loan loss	 (46,021)
 Current portion	 (64,481)
 Balance, net of current portion	 \$ 2,107,528

Note 5 - Commitments

The Organization entered into an operating lease agreement for its Spanish Fork retail outlet store commencing March 16, 2013. The lease was renewed on January 1, 2015 for a four year period, and requires monthly payments of \$10,000 through January 1, 2019. During the years ended June 30, 2016 and 2015, the Organization incurred rent expense of \$120,000 and \$112,200, respectively, under this lease.

Minimum required future lease payments under the building lease are as follows:

Years Ending June 30,	Amount
2017	\$ 120,000
2018	120,000
2019	60,000
Total	\$ 300,000

Note 6 - Mortgage Payable

The Organization's long term debt as of June 30, 2016 and 2015 is as follows.

	2016	2015
5.25% note payable, due in monthly installments of \$10,360, including interest, beginning August 9, 2009 through October 26, 2019, when the remaining balance is due, secured by all depository accounts held with the financial institution	\$ 1,190,329	\$ 1,250,438
Less current portion	(63,342)	(60,109)
Long-term portion	\$ 1,126,987	\$ 1,190,329

Future maturities of long-term debt balances are as follows for the years ending June 30:

Years Ending June 30,	Amount
2017	\$ 63,342
2018	66,748
2019	70,338
2020	989,901
Total	\$ 1,190,329