

Habitat for Humanity of Colorado, Inc.

Financial Statements and Accompanying Supplemental
Information with Independent Auditor's Report

Years Ended June 30, 2021 and 2020



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Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of Colorado, Inc.
Lakewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Colorado, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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; 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. 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 Colorado, Inc. as of June 30, 2021 and 2020, 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.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of Habitat for Humanity of Colorado, Inc. as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of Habitat for Humanity of Colorado, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of Colorado, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Colorado, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

January 28, 2022
Denver, Colorado

Habitat for Humanity of Colorado, Inc.

Statements of Financial Position

June 30, 2021 and 2020

ASSETS	2021	2020
Current Assets:		
Cash	\$ 686,654	\$ 600,846
Board Designated Reserve Cash	294,563	294,132
Total Cash	981,217	894,978
Receivables:		
Accounts Receivable, Net	2,731	76,475
Accounts Receivable, Net - Discontinued Operations	-	107,437
Government Grants Receivable	36,032	15,745
Current Portion of Notes Receivable, Net	506,673	237,427
Total Receivables	545,436	437,084
Inventory - Discontinued Operations	-	76,827
Prepaid Expenses	5,297	15,836
Total Current Assets	1,531,950	1,424,725
Property and Equipment - At Cost:		
Office Furniture and Equipment	19,862	19,862
Leasehold Improvements	12,669	12,669
	32,531	32,531
Less: Accumulated Depreciation	27,216	23,554
Property and Equipment - Net	5,315	8,977
Property and Equipment - Discontinued Operations, Net	-	39,504
Notes Receivable, Less Current Portion	105,000	153,839
TOTAL ASSETS	\$ 1,642,265	\$ 1,627,045

See accompanying notes to financial statements.

Habitat for Humanity of Colorado, Inc.

Statements of Financial Position (Continued)

June 30, 2021 and 2020

LIABILITIES AND NET ASSETS	2021	2020
Current Liabilities:		
Accounts Payable	\$ 46,812	\$ 111,333
Accounts Payable - Discontinued Operations	-	16,338
Other Liabilities	34,603	34,181
Deferred Event Revenues	-	26,031
Total Current Liabilities	81,415	187,883
Long-Term Liabilities:		
Note Payable	709,973	331,500
SBA Paycheck Protection Program Loans	60,800	60,800
Total Long-Term Liabilities	770,773	392,300
Total Liabilities	852,188	580,183
Net Assets:		
Without Donor Restrictions:		
Undesignated	495,514	752,730
Board Designated	294,563	294,132
Total Net Assets	790,077	1,046,862
TOTAL LIABILITIES AND NET ASSETS	\$ 1,642,265	\$ 1,627,045

See accompanying notes to financial statements.

Habitat for Humanity of Colorado, Inc.

Statement of Activities

For the Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Proceeds Received from Sales of Affiliate Loans	\$ 1,380,645	\$ -	\$ 1,380,645
Less: Amounts Remitted to Affiliates	1,349,542	-	1,349,542
Net Proceeds from Sales of Affiliate Mortgage Loans	31,103	-	31,103
Government Grants	1,054,321	-	1,054,321
Contributions and Grants - Non-Governmental	501,418	180,198	681,616
Processing Fees and Interest	110,237	-	110,237
Forgiveness of SBA Paycheck Protection Program Loan	60,800	-	60,800
Other Income	468	-	468
Net Assets Released from Restrictions	180,198	(180,198)	-
Total Support and Revenue	1,938,545	-	1,938,545
Expenses:			
Program Services:			
Affiliate Support	1,657,089	-	1,657,089
Support Services:			
General and Administrative	110,125	-	110,125
Fundraising	69,205	-	69,205
Total Support Services	179,330	-	179,330
Total Expenses	1,836,419	-	1,836,419
Change in Net Assets from Continuing Operations	102,126	-	102,126
Change in Net Assets from Discontinued Operations	(358,911)	-	(358,911)
Change in Net Assets	(256,785)	-	(256,785)
Net Assets - Beginning of Year	1,046,862	-	1,046,862
NET ASSETS - END OF YEAR	\$ 790,077	\$ -	\$ 790,077

See accompanying notes to financial statements.

Habitat for Humanity of Colorado, Inc.

Statement of Activities

For the Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Proceeds Received from Sales of Affiliate Loans	\$ 4,392,707	\$ -	\$ 4,392,707
Less: Amounts Remitted to Affiliates	4,290,000	-	4,290,000
Net Proceeds from Sales of Affiliate Mortgage Loans	102,707	-	102,707
Government Grants	1,740,297	-	1,740,297
Contributions and Grants - Non-Governmental	591,234	81,662	672,896
Processing Fees and Interest	118,196	-	118,196
Other Income	3,183	-	3,183
Net Assets Released from Restrictions	81,662	(81,662)	-
Total Support and Revenue	2,637,279	-	2,637,279
Expenses:			
Program Services:			
Affiliate Support	2,427,958	-	2,427,958
Support Services:			
General and Administrative	85,444	-	85,444
Fundraising	78,761	-	78,761
Total Support Services	164,205	-	164,205
Total Expenses	2,592,163	-	2,592,163
Change in Net Assets From Continuing Operations	45,116	-	45,116
Change in Net Assets From Discontinued Operations	42,141	-	42,141
Change in Net Assets	87,257	-	87,257
Net Assets - Beginning of Year	959,605	-	959,605
NET ASSETS - END OF YEAR	\$ 1,046,862	\$ -	\$ 1,046,862

See accompanying notes to financial statements.

Habitat for Humanity of Colorado, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Affiliate Support	General and Administrative	Fundraising	Total
Direct Affiliate Services	\$ 170,340	\$ -	\$ -	\$ 170,340
Pass-Through Grants	1,191,398	-	-	1,191,398
Payroll Expenses and Taxes	203,620	40,589	50,398	294,607
Employee Benefits	46,331	9,235	11,467	67,033
Postage	1,060	211	262	1,533
Telephone and Utilities	3,721	742	921	5,384
Bank Charges and Interest	7,362	1,059	-	8,421
Bad Debts	7,037	-	-	7,037
Insurance	1,371	273	339	1,983
Outside Services	-	46,107	-	46,107
Marketing	1,803	-	-	1,803
Rent Expense	12,309	2,454	3,047	17,810
Office Expense	2,720	542	673	3,935
Dues and Subscriptions	2,620	-	-	2,620
Travel	1,855	305	378	2,538
Depreciation	3,542	3,662	-	7,204
Miscellaneous	-	4,946	1,720	6,666
Total	\$ 1,657,089	\$ 110,125	\$ 69,205	\$ 1,836,419

See accompanying notes to financial statements.

Habitat for Humanity of Colorado, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Affiliate Support	General and Administrative	Fundraising	Total
Direct Affiliate Services	\$ 147,106	\$ -	\$ -	\$ 147,106
Pass-Through Grants	1,883,131	-	-	1,883,131
Payroll Expenses and Taxes	233,031	36,283	46,008	315,322
Employee Benefits	44,647	6,952	8,815	60,414
Postage	1,040	162	205	1,407
Telephone and Utilities	3,294	513	650	4,457
Bank Charges	-	2,593	-	2,593
Bad Debts	20,363	-	-	20,363
Insurance	1,714	267	338	2,319
Outside Services	22,610	20,380	-	42,990
Marketing	9,095	-	-	9,095
Rent Expense	12,502	1,946	2,468	16,916
Office Expense	3,758	585	742	5,085
Dues and Subscriptions	2,199	-	-	2,199
Travel	7,497	932	1,182	9,611
Depreciation	7,084	3,662	-	10,746
Miscellaneous	28,887	11,169	18,353	58,409
Total	\$ 2,427,958	\$ 85,444	\$ 78,761	\$ 2,592,163

See accompanying notes to financial statements.

Habitat for Humanity of Colorado, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Continuing Operations:		
Change in Net Assets from Continuing Operations	\$ 102,126	\$ 45,116
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
From Continuing Operations:		
Depreciation	7,204	3,662
Bad Debt	7,037	20,363
Forgiveness of SBA Paycheck Protection Program Loan	(60,800)	-
Change in Operating Assets and Liabilities:		
Accounts Receivable	66,707	16,613
Government Grants Receivable	(20,287)	19,707
Prepaid Expenses	10,539	(9,600)
Accounts Payable	(64,521)	(505)
Other Liabilities	422	10,798
Deferred Event Revenues	(26,031)	26,031
Net Cash Flows From Operating Activities - Continuing Operations	22,396	132,185
Discontinued Operations:		
Change in Net Assets From Discontinued Operations	(358,911)	42,141
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
From Discontinued Operations		
Loss on Disposal of Assets	85,669	-
Depreciation	6,188	19,460
Changes in Operating Assets and Liabilities:		
Accounts Receivable	107,437	(47,585)
Inventory	20,932	6,534
Accounts Payable	(16,338)	16,338
Net Cash Flows From Operating Activities - Discontinued Operations	(155,023)	36,888
Net Cash Flows From Operating Activities	(132,627)	169,073
Cash Flows From Investing Activities:		
Issuance of Notes Receivable	(622,473)	(423,227)
Collections of Notes Receivable	402,066	41,961
Net Cash Flows From Investing Activities	(220,407)	(381,266)
Cash Flows From Financing Activities:		
Proceeds from Note Payable	378,473	331,500
Proceeds from SBA Paycheck Protection Program Loan	60,800	60,800
Net Cash Flows From Financing Activities	439,273	392,300
Net Change in Cash	86,239	180,107
Cash at Beginning of Year	894,978	714,871
Cash at End of Year	\$ 981,217	\$ 894,978

See accompanying notes to financial statements.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Organization

Habitat for Humanity of Colorado, Inc.'s (the "Organization") mission statement reads, "Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope."

The Organization was founded by local Habitat for Humanity affiliates in November 1992 to provide statewide support through collaborative fundraising, advocacy, strategic partnerships, training, technical assistance, and the development of resources.

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended; accordingly, a provision for income taxes has not been made. The Internal Revenue Service has determined the Organization is not a private foundation.

In December 2020, the Organization entered into an agreement to terminate its WeBuild program and transfer any related assets to an unrelated Colorado non-profit corporation (Note 11).

Method of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing Board has designated, from net assets without donor restrictions, board-designated cash reserves.

Net assets with donor restrictions: Net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization had no funds held in perpetuity as of June 30, 2021 and 2020.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Organization's financial instruments include cash, receivables, accounts payable, and short-term borrowings. The fair values of these financial instruments approximate their carrying amounts based on current market indicators, such as prevailing interest rates and their nearness to maturity.

Receivables

Receivables consist primarily of amounts due from local affiliates, amounts due from government grants, and other miscellaneous amounts. Management continually evaluates the need for an allowance for uncollectible accounts. The allowance is management's best estimate of uncollectible amounts based on historical collections that are tracked by the Organization on an ongoing basis. Management reviewed the receivable balances as of June 30, 2021 and 2020, and recorded an allowance of \$2,075 and \$9,563, respectively.

Inventory - Discontinued Operations

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable cost of completion, disposal, and transportation.

Property and Equipment

Property and equipment is carried at cost or fair market value at date of contribution. Property and equipment acquired with an estimated useful life in excess of one year and a cost of \$5,000 or more is capitalized and depreciated using the straight-line method over the estimated 5 year useful live of the respective asset.

Donations of assets are recorded at estimated fair market value. Long-lived assets are recorded without implying a time restriction, therefore increasing net assets without donor restrictions at the fair market value in the year which the assets are received.

Deferred Event Revenue

Deferred event revenue represents funding received for events that will take place in a future period.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Donated Services

Donated services are recognized as contributions in accordance with GAAP for not-for-profit organizations if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided assistance with specific programs and fund-raising events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria under GAAP was not met. For the years ended June 30, 2021 and 2020, the Organization did not receive any donated services that met the criteria for recognition.

Recognition of Support and Revenue

Processing Fees: The Organization receives a processing fee based on a fixed charge or a percentage of the proceeds remitted to the affiliate. The revenue from processing fees is recognized at the time the remittance is made to the affiliate, at a point in time.

WeBuild Program Income (Discontinued Operations): The Organization's WeBuild partnership with the Crowley County Correctional Facility manufactured cabinets, trusses, and other home related products for sale to affiliates and others. The Organization recognized revenues from the program when the products were delivered, persuasive evidence of an arrangement existed, the price was fixed and collection was reasonably assured. The Organization generally delivered the product to its destination using its own transportation equipment and charged an additional fee for these delivery services.

Contribution Revenues: Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Grant Revenues: Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Recognition of Support and Revenue (Continued)

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii), and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires an organization to disclose any material uncertain tax positions that management believes does not meet a "more-likely-than-not" standard of being sustained under an income tax audit, and to record a liability for any such taxes including penalty and interest. Management of the Organization has not identified any uncertain tax positions that require the recording of a liability mentioned above or further disclosure.

Marketing and Promotion

Marketing and promotion related costs are charged to operations when incurred. Marketing expense was \$1,803 and \$9,095 for the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The Statements of Functional Expenses provide a detail of the natural classifications of those functional expenses and are determined by management on an equitable and rational basis. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain costs have been allocated among the program, general and administrative, and fundraising categories based on estimates of time spent by personnel and other methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts as previously reported in the 2020 financial statements have been reclassified to conform to the 2021 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize on the statement of financial position a right-to-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2021. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective approach. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effect that ASU 2020-07 will have on its financial statements.

Subsequent Events

The Organizations have evaluated events and transactions for potential recognition or disclosure in the financial statements through January 28, 2022, which is the date the financial statements were available to be issued.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

<i>As of June 30,</i>	2021	2020
Cash	\$ 981,217	\$ 894,978
Accounts Receivable - Net	2,731	76,475
Government Grants Receivable	36,032	15,745
Current Portion of Notes Receivable	506,673	237,427
Total Financial Assets	1,526,653	1,224,625
Less: Board Designations	294,563	294,132
Total Financial Assets Available for General Expenditure	\$ 1,232,090	\$ 930,493

The Organization has board-designated funds totaling \$294,563 and \$294,132 for reserve cash as of June 30, 2021 and 2020, respectively. Although the Organization does not intend to spend from these board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

The Organization has financial planning and budgeting policies requiring the current operating reserve to be at least equal to three months of operating expenses, excluding passthrough program expenditures. The Board of Directors shall be notified and provided a plan of action, should the reserve fall below the established three month level.

Note 3: Concentration of Credit Risk

Since the Organization places cash in individual financial institutions in excess of FDIC insured limits, the Organization periodically reviews the financial condition of the financial institutions to reduce the Organization's credit risk associated with cash. At June 30, 2021 and 2020, the Organization's uninsured cash balance totaled approximately \$500,000 and \$400,000, respectively.

As of June 30, 2021 and 2020, approximately 88% and 10%, respectively, of the Organization's receivables were concentrated with one customer. Additionally, for the years ended June 30, 2021 and 2020, 29% and 22%, respectively, of the Organization's revenue was derived from pass-through grants with the U.S. Department of Housing and Urban Development.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 4: Notes Receivable

The following is a summary of the notes receivable.

<i>As of June 30,</i>	2021	2020
Notes receivable from an affiliate; interest at 3.25%; due on August 1, 2021; secured by deeds of trust on real property. Due date was extended on a month-to-basis in August 2021. Colorado Revolving loan fund note.	\$ 329,000	\$ -
Notes receivable from affiliate; interest at 2.75%; interest only payments until maturity on June 1st and July 1st 2022; secured by deeds of trust on real property. Colorado Revolving loan fund note.	198,473	-
Note receivable from an affiliate; variable interest; interest only payments until maturity on May 7, 2022; secured by a deed of trust on real property. Colorado Revolving loan fund note.	70,000	-
Note receivable from an affiliate; interest at 3.25%; interest only payments until maturity on October 1, 2021; secured by a deed of trust on real property. The note was repaid in full in August 2020. Colorado Revolving loan fund note.	-	153,839
Note receivable from an affiliate; interest at 3.25%; due on September 1, 2020; secured by a deed of trust on real property. The note was repaid in full in August 2020. Colorado Revolving loan fund note.	-	171,515
Unsecured notes with affiliates. The notes are non-interest bearing and due on demand or within twelve months.	25,000	76,712
	<u>622,473</u>	<u>402,066</u>
Less: Reserve for Uncollectible Amounts	(10,800)	(10,800)
Less: Current Portion	(506,673)	(237,427)
	<u>105,000</u>	<u>153,839</u>
Notes Receivable, Less Current Portion	\$ 105,000	\$ 153,839

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 5: Note Payable

The following is a summary of the note payable.

<i>As of June 30,</i>	2021	2020
Note payable to the Colorado Housing and Finance Authority (CHFA). Revolving working capital loan; \$1,500,000 available; funding to be used for the Colorado Revolving loan fund; interest at 2%; interest only payments due quarterly; matures on March 1, 2025. The loan is unsecured.	\$ 709,973	\$ 331,500
Note Payable - Long-Term	\$ 709,973	\$ 331,500

Note 6: SBA Paycheck Protection Program Loans

SBA Paycheck Protection Program Loan, dated April 16, 2020: In March 2020, the Coronavirus Aid, Relief, and Economic Securities (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. The Organization applied for and received a PPP loan of \$60,800 under this program. The Organization applied for full loan forgiveness and received forgiveness notification from the SBA that the loan was fully forgiven on May 5, 2021. As such, the loan forgiveness income is recognized in the financial statements for the year ended June 30, 2021, in accordance with ASC 470.

SBA Paycheck Protection Program Loan, dated February 12, 2021: The Organization applied for and received a second PPP loan in the amount of \$60,800 that will be fully forgiven based on satisfying the terms and conditions of the program as discussed above. As of the date of issuance of these financial statements, the Organization has applied for loan forgiveness but no formal determination of forgiveness has been received. As such, the note balance has been presented in the accompanying financial statements under Long-Term Liabilities.

On October 28, 2021, the Organization received notification from the financial institution that the second PPP loan was fully forgiven and was recognized into income at that time.

Note 7: Board Designated Net Assets

As of June 30, 2021 and 2020, board designated net assets consisted of \$294,563 and \$294,132, respectively, of cash reserves established based upon resolution from the Board of Directors.

The Organization's executive director shall not allow financial planning that reduces the current operating reserve at any time to less than a minimum of 3 months of operating expenses, at which time the Board shall be notified and provided a plan to recover to above 3 months.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 8: Employee Benefit Plan

The Organization provides a Simple IRA plan covering all employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code, and the Organization will match 100% of employee contributions up to 3% of eligible compensation. Matching contributions were \$7,213 and \$7,412, respectively, for the years ended June 30, 2021 and 2020.

Note 9: Operating Leases

The Organization leases office space under a non-cancelable operating lease through July 2023. Monthly payments under the lease total \$1,435. The minimum future lease payments for the years ending June 30, are as follows:

2022	\$	17,210
2023		1,435
<hr/>		
Total	\$	18,645

For the years ended June 30, 2021 and 2020, Rent Expense from continuing operations was \$17,810 and \$16,916, respectively.

Note 10: Mortgage Loan Purchase Agreement

The Organization entered into a three year Letter of Loan Commitment with FirstBank in which the Organization acts as an intermediary to facilitate the sale of the mortgage loans originated and owned by local affiliates to FirstBank. Under the terms of the commitment, FirstBank agreed to purchase up to \$30,000,000 of loans over the term of the commitment. The purchase price for each mortgage loan will be based upon a discount rate generally guided by the prevailing 20-year Constant Maturity Treasury (CMT) rate as published by the U.S. Department of Treasury, plus 75 basis points. The Organization generally receives a processing fee equal to \$1,500 for each loan processed. The FirstBank Loan Commitment expires in January 2023.

On June 1, 2019, the Organization entered into a Mortgage Loan Purchase Agreement with the Colorado Housing and Finance Authority (CHFA) to facilitate the sale of the mortgage loans and related servicing rights of loans originated and owned by local affiliates to CHFA. Under the terms of the agreement, CHFA will purchase up to \$2,000,000 of loans during the period June 1, 2019 to December 31, 2020, as amended. The purchase price for each mortgage loan is the outstanding principal balance, net of the escrow balance and any administrative fees, as set forth in the agreement. The Organization receives a processing fee equal to 5% for each loan sold.

The Agreement was modified, effect January 2, 2021, whereby CHFA agreed to purchase up to \$1,000,000 of loans during the period January 2, 2021 through December 31, 2021.

For the years ended June 30, 2021 and 2020, the Organization received proceeds from the sale of affiliate mortgage loans in the amount of \$1,380,645 and \$4,392,707, respectively, and remitted \$1,349,542 and \$4,290,000, respectively, to local affiliates and collected processing fees of \$62,319 and \$118,196, respectively, pursuant to these agreements.

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 11: Discontinued Operations

WeBuild Program - Background: Habitat for Humanity of Colorado's WeBuild partnership with CoreCivic at Crowley County Correctional Facility was originated to build opportunity for incarcerated men to learn a professional construction trade and be positive contributors to the community by building affordable and essential components for Habitat for Humanity homes. The Organization was the owner/operator of the program and provided oversight, administrative support, and financial management for the program.

Program Termination: In December 2020, the Organization entered into a Termination Agreement with CoreCivic on behalf of Crowley County Correctional Facility to end the Organization's involvement in the program and to transfer certain assets to WeBuild, a Colorado non-profit corporation, who will be taking over the management and administrative oversight of the program. The Termination Agreement was effective December 31, 2020.

In December 2020, the Organization ended the WeBuild Program, and, accordingly the Organization's financial statements have been prepared with the WeBuild Program's financial position as of June 30, 2021 and 2020, and its related net change in assets and cash flows for the years ended June 30, 2021 and 2020 separately stated as "discontinued operations".

The loss on discontinued operations relating to the WeBuild program consists of the following for the year ended June 30, 2021:

Assets Transferred		
Cash	\$	202,966
Inventory		55,895
Property and Equipment		29,774
Total Assets Transferred to WeBuild		288,635
Loss on Operations of the WeBuild Program through Termination Date		70,276
Total Loss on Discontinued Operations	\$	358,911

The results of the WeBuild's discontinued operations are summarized as follows.

<i>Years Ending June 30,</i>	2021	2020
WeBuild Revenues	\$ 170,870	\$ 895,525
WeBuild Costs and Expenses	241,146	853,384
Net Income (Loss) from WeBuild Operations	\$ (70,276)	\$ 42,141

Habitat for Humanity of Colorado, Inc.

Notes to Financial Statements

Note 12: Affiliate Transactions

Local Affiliate Support

The Organization has been awarded various federal, state, and/or private grants in which most of the funding received under these grants is remitted to local Habitat for Humanity affiliates within Colorado ("local affiliates"). Additionally, as discussed in Note 10, the Organization entered into agreements with FirstBank and CHFA to facilitate the sale of mortgage loans held by the local affiliates to FirstBank or CHFA. The Organization collects a processing fee for administering the grants and loan sale programs. The Organization provided funding to local affiliates under these grants/programs as follows:

<i>Years Ended June 30,</i>	2021	2020
Grant Funding:		
Federal Pass-Through Grant	\$ 821,123	\$ 1,572,000
Other Local Affiliate Funding	370,275	311,131
	1,191,398	1,883,131
Mortgage Loan Purchase Program:		
Sales of Local Affiliate Mortgage Loans	1,349,542	4,290,000
	\$ 2,540,940	\$ 6,173,131
Total Amount Remitted to Local Affiliates	\$ 2,540,940	\$ 6,173,131

Habitat for Humanity International

For the years ended June 30, 2021 and 2020, the Organization tithed \$14,277 and \$15,000, respectively, to Habitat for Humanity International.

Note 13: Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic." First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

COVID-19 may impact various segments of the Organization's fiscal 2022 operations and financial results. Management believes that the Organization is taking appropriate actions to mitigate the possible negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

Supplementary Information

Habitat for Humanity of Colorado, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Pass-through from State of Colorado -				
Department of Local Affairs				
Home Investment Partnerships**	14.239	H0HOH19049	\$ 841,500	\$ 790,500
U.S. Department of the Treasury				
Pass-through from State of Colorado -				
Department of Local Affairs				
Coronavirus Relief Fund				
Short-Term Rental/Mortgage Assistance	21.019	N/A	32,235	30,623
U.S. Department of Agriculture				
Rural Community Development Initiative	10.446	N/A	84,267	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 958,002	\$ 821,123

** Denotes major program.

See Notes to Schedule of Expenditures of Federal Awards.

See Independent Auditor's Report.

Habitat for Humanity of Colorado, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Habitat for Humanity of Colorado, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. Therefore, some amounts presented in this schedule may differ from amounts in or used in the preparation of basic financial statements.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements or reports to federal agencies and pass-through grantors. The Organization has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: Subrecipients

During the year ended June 30, 2021, the Organization passed through federal grant awards in the amount of \$821,123 to subrecipients.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Habitat for Humanity of Colorado, Inc.
Lakewood, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Colorado, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Colorado, Inc.'s internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Habitat for Humanity of Colorado, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Colorado, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Colorado, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of Colorado, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Habitat for Humanity of Colorado, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

January 28, 2022
Denver, Colorado

Independent Auditor's Report on Compliance for The Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Habitat for Humanity of Colorado, Inc.
Lakewood, Colorado

Report on Compliance for the Major Federal Program

We have audited Habitat for Humanity of Colorado, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

January 28, 2022
Denver, Colorado

Habitat for Humanity of Colorado, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? yes no

 Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? yes no

 Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported
in accordance with the Uniform Guidance [2 CFR 200.516(a)]? yes no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	U.S. Department of Housing and Urban Development Home Investment Partnerships

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None