

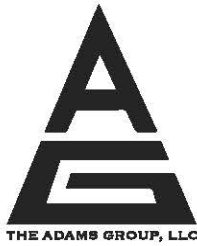
HABITAT FOR HUMANITY OF COLORADO, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022

CONTENTS

Independent Auditors' Report	2 - 4
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 17
Compliance Section	
Independent Auditors' Reports	18 - 22
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25



CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Colorado, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Colorado, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Colorado, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity of Colorado, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Colorado, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 of America.

Supplementary Information (Continued)

In our opinion, the schedule of expenditures of federal awards 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 November 16, 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.

The Adams Group, LLC

Denver, Colorado
November 16, 2022

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF FINANCIAL POSITION

June 30,	2022
<u>Assets</u>	
Cash	\$ 509,908
Board designated reserve cash	294,628
Grants receivable	34,422
Notes receivable	1,246,826
Property and equipment, net	<u>3,911</u>
Total Assets	<u>\$ 2,089,695</u>
<u>Liabilities and Net Assets</u>	
<u>Liabilities</u>	
Accounts payable	\$ 4,563
Accrued liabilities	59,448
Deferred revenue	15,000
Loan payable	<u>1,096,886</u>
Total liabilities	<u>1,175,897</u>
<u>Net Assets</u>	
Without donor restriction:	
Undesignated	619,170
Board designated	<u>294,628</u>
Total net assets	<u>913,798</u>
Total Liabilities and Net Assets	<u>\$ 2,089,695</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30,	2022
	<u>Without Donor Restriction</u>
<u>Support & Revenue:</u>	
Proceeds received from sales of affiliate loans	\$ 2,584,000
Less: Amounts remitted to affiliates	<u>(2,526,677)</u>
Net proceeds from sales of affiliate loans	57,323
Government grants	1,106,197
Contributions and grants	834,974
Processing fees and interest income	98,104
Forgiveness of Paycheck Protection Program loan	60,800
Other income	<u>11,084</u>
Total revenues	<u>2,168,482</u>
<u>Expenses</u>	
Program services	
Affiliate support	<u>1,923,123</u>
Supporting services	
General and administrative	74,197
Fundraising	<u>47,441</u>
Total supporting services	<u>121,638</u>
Total expenses	<u>2,044,761</u>
Changes in net assets	123,721
Net assets, beginning of year	<u>790,077</u>
Net assets, end of year	<u>\$ 913,798</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30,

2022

	<u>Supporting Services</u>				<u>Total Expense</u>
	<u>Affiliate Support</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Direct Affiliate Services	\$ 185,360	\$ 0	\$ 831	\$ 831	\$ 186,191
Pass-Through Grants	1,306,579	0	0	0	1,306,579
Amounts Remitted to Affiliates	2,526,677	0	0	0	2,526,677
Payroll Expenses	340,529	28,720	41,027	69,747	410,276
Postage	2,221	187	268	455	2,676
Telephone and Utilities	4,722	398	569	967	5,689
Bank Charges and Interest	17,216	1,807	0	1,807	19,023
Grants Management	15,000	0	0	0	15,000
Insurance	2,234	188	270	458	2,692
Outside Services	6,736	39,764	0	39,764	46,500
Rent Expense	14,903	1,257	1,795	3,052	17,955
Office Expense	21,084	1,778	2,540	4,318	25,402
Dues and Subscriptions	535	0	0	0	535
Travel	4,839	0	0	0	4,839
Depreciation	1,165	98	141	239	1,404
	<u>4,449,800</u>	<u>74,197</u>	<u>47,441</u>	<u>121,638</u>	<u>4,571,438</u>
Less: amounts remitted to affiliates netted with revenue	<u>(2,526,677)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,526,677)</u>
Total expenses	<u>\$ 1,923,123</u>	<u>\$ 74,197</u>	<u>\$ 47,441</u>	<u>\$ 121,638</u>	<u>\$ 2,044,761</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF CASH FLOWS

For the Year Ended June 30,	2022
Cash flows from operating activities:	
Changes in net assets	\$ 123,721
Reconciliation of changes in net assets to net cash from operating activities:	
Gain on Paycheck Protection Program loan forgiveness	(60,800)
Bad debt expense for credit losses	(10,800)
Depreciation expense	1,404
Change in operating assets and liabilities:	
Accounts receivable	2,731
Grants receivable	1,610
Prepaid expenses	5,297
Accounts payable	(42,249)
Accrued liabilities	24,845
Deferred revenue	15,000
Net cash provided by operating activities	60,759
Cash flows from investing activities:	
Issuance of notes receivable	(1,473,353)
Collections of notes receivable	849,000
Net cash used by investing activities	(624,353)
Cash flows from financing activities:	
Net proceeds from revolving loan agreement	386,913
Net change in cash	(176,681)
Cash at beginning of year	981,217
Cash at end of year	\$ 804,536
Supplementary disclosure:	
Interest paid	\$ 17,216
Reconciliation to statement of financial position:	
Cash	\$ 509,908
Board designated reserve cash	294,628
Total cash	\$ 804,536

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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 of America (GAAP).

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, 2022.

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.

Use of Estimates

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.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consists of demand deposit account (i.e. cash) and notes receivable.

The Organization places its cash with creditworthy, high-quality financial institutions. As of June 30, 2022, the Organization's cash balance in excess of FDIC insurance coverage totaled approximately \$381,000.

As of June 30, 2022, approximately 98% of the Organization's notes receivables were concentrated among three borrowers.

Grants Receivable

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of grantors to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2022, management determined all grants receivable are expected to be collected and, therefore, an allowance for doubtful accounts has not been recorded.

Notes Receivable

Notes receivable are carried at unpaid principal balances, less an allowance for credit losses. The allowance for credit losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past credit loss experience, specific impaired notes, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. The Organization's practice is to charge off any note or portion of a note when the note is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons. As of June 30, 2022, management determined all notes receivable are expected to be collected and, therefore, an allowance for credit losses has not been recorded.

Interest on notes is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

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.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred event revenue represents funding received for events that will take place in a future period. Deferred revenue as of June 30 is anticipated to be recognized as revenue in the subsequent fiscal year.

Recognition of Support and Revenue

Grant Revenues

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

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.

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 or promised.

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.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Proceeds from Sales of Affiliate Loans

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.

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 year ended June 30, 2022, the Organization did not receive any donated services that met the criteria for recognition.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of the Internal Revenue Code Section 501(c)(3) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Marketing and Promotion

Marketing and promotion related costs are expensed as incurred. Marketing expense was \$13,628 for the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The statement of functional expenses provides 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.

Recently Adopted Accounting Pronouncements

As of July 1, 2021, the Organization adopted 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. The adoption of this ASU did not have a significant effect on the Organization's financial statement disclosures.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 16, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditure within one year of June 30, 2022 are as follows:

Cash	\$ 804,536
Grants receivable	34,422
Current portion of notes receivable (see Note 3)	<u>1,046,945</u>
Total liquid financial resources	1,885,903
Less: board designated cash	<u>(294,628)</u>
Total liquid and available financial resources	<u>\$ 1,591,275</u>

The Organization has board-designated fund totaling \$294,628 for reserve cash as of June 30, 2022. 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.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – NOTES RECEIVABLE

The following is a summary of notes receivable as of June 30, 2022:

Note receivable with affiliate dated November 1, 2021. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on October 15, 2022. Note is secured by Deed of Trust.	\$ 250,000
Note receivable with affiliate dated November 1, 2021. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on October 15, 2022. Note is secured by Deed of Trust.	250,000
Note receivable with affiliate dated May 18, 2021. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on December 31, 2022. Note is secured by Deed of Trust.	186,826
Note receivable with affiliate dated June 2, 2021. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on December 31, 2022. Note is secured by Deed of Trust.	210,000
Note receivable with affiliate dated February 2, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on August 17, 2023. Note is secured by Deed of Trust.	200,000
Note receivable with affiliate dated April 29, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on April 29, 2023. Note is secured by Deed of Trust.	125,000
Note receivable with affiliate dated January 18, 2022. Note is interest-free. Principal is payable upon maturity on July 1, 2022. Note is unsecured.	<u>25,000</u>
Total notes receivable	<u>\$ 1,246,826</u>

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – NOTES RECEIVABLE (CONTINUED)

Due within one year	\$ 1,046,945
Due in more than one year	<u>199,881</u>
Total notes receivable	<u><u>\$ 1,246,826</u></u>

NOTE 4 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2022:

Office furniture and equipment	\$ 19,862
Leasehold improvements	<u>12,669</u>
	32,531
Less: Accumulated depreciation	<u>(28,620)</u>
Total property and equipment, net	<u><u>\$ 3,911</u></u>

Depreciation expense was \$1,404 for the year ended June 30, 2022.

NOTE 5 – REVOLVING LOAN AGREEMENT

The Organization obtained a revolving working capital loan up to \$1,500,000 from the Colorado Housing and Finance Authority. Interest accrues on outstanding principal at 2% per annum and is payable quarterly. Any outstanding principal and accrued interest are due upon maturity on March 1, 2025. The loan is unsecured but requires the Organization to maintain: 1) a ratio of current assets to current liabilities of not less than 1:1, and 2) a ratio of total liabilities to tangible net worth of not greater than 3:1. As of June 30, 2022, management believe the Organization is in compliance with these covenants. As of June 30, 2022, outstanding principal on the loan was \$1,096,886.

On July 20, 2022, the loan agreement was modified to increase the available loan balance to \$3,000,000.

NOTE 6 – BOARD DESIGNATED NET ASSETS

As of June 30, 2022, board designated net assets consisted of \$294,628 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
JUNE 30, 2022

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization is obligated under an operating lease for office space expiring in July 2025. For the year ended June 30, 2022, rent expense was \$17,955.

Future minimum annual commitments under this operating lease are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 19,463
2024	19,668
2025	19,668
2026	1,639

Paycheck Protection Program Loan

On February 12, 2021, the Organization applied for and received a second Paycheck Protection Program loan in the amount of \$60,800. On October 28, 2021, the loan and accrued interest were forgiven in full and, therefore, were recognized as other income at that time.

NOTE 8 – MORTGAGE LOAN PURCHASE AGREEMENTS

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 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. The Organization receives a processing fee equal to 5% for each loan sold. The agreement was modified, effective May 1, 2022, whereby CHFA agreed to purchase up to \$5,000,000 of loans during the period May 1, 2022 through April 30, 2024.

For the year ended June 30, 2022, the Organization received proceeds from the sale of affiliate mortgage loans in the amount of \$2,584,000 and remitted \$2,526,677 to local affiliates and collected processing fees of \$57,323 pursuant to these agreements.

NOTE 9 – 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").

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – AFFILIATE TRANSACTIONS (CONTINUED)

Local Affiliate Support (Continued)

Additionally, as discussed in Note 8, 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:

	2022
Grant funding:	
Federal pass-through grant	\$ 922,250
Other local affiliate funding	384,329
	1,306,579
Mortgage loan purchase program:	
Sales of local affiliate mortgage loans	2,526,677
	\$ 3,833,256
	\$ 3,833,256

Habitat for Humanity International

For the year ended June 30, 2022, the Organization tithed \$23,000 to Habitat for Humanity International.

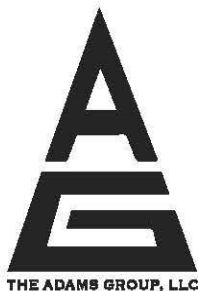
NOTE 10 – EMPLOYEE BENEFIT PLAN

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 was \$7,739 for the year ended June 30, 2022.

NOTE 11 – CONCENTRATION OF REVENUE

For the year ended June 30, 2022, 45% of the Organization's revenue was derived from pass-through grants with the U.S. Department of Housing and Urban Development.

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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, 2022, and the related statement of activities, schedule of functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2022.

Report on 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

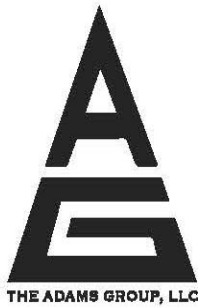
As part of obtaining reasonable assurance about whether Habitat for Humanity of Colorado, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 noted 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 the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Adams Group, LLC

November 16, 2022
Denver, Colorado



CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Habitat for Humanity of Colorado, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity of Colorado, Inc.'s major federal programs for the year ended June 30, 2022. Habitat for Humanity of Colorado, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat for Humanity of Colorado, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Habitat for Humanity of Colorado, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Habitat for Humanity of Colorado, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Habitat for Humanity of Colorado, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Habitat for Humanity of Colorado, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat for Humanity of Colorado, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Habitat for Humanity of Colorado, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat for Humanity of Colorado, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Habitat for Humanity of Colorado, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

The Adams Group, LLC

Denver, Colorado
November 16, 2022

HABITAT FOR HUMANITY OF COLORADO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

For the Year Ended June 30,

2022

<u>Federal Awarding Agencies</u>	<u>Federal CFDA Number</u>	<u>Passthrough Grantor's Number</u>	<u>Amounts Passed to Subrecipients</u>	<u>Federal Awards Expended</u>
U.S. Department of Housing and Urban Development				
Pass through from the State of Colorado Department of Local Affairs: Home Investment Partnerships	14.239	H0HOH19049	<u>\$ 922,250</u>	<u>\$ 981,750</u>
U.S. Department of Agriculture				
Rural Community Development Initiative	10.446	N/A	<u>-</u>	<u>83,288</u>
Total Expenditures of Federal Awards			<u><u>\$ 922,250</u></u>	<u><u>\$ 1,065,038</u></u>

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

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, 2022. 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.

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. See Note 1 of the financial statements for summary of significant policies.

The Organization has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – SUBRECIPIENTS

During the year ended June 30, 2022, the Organization passed through federal grant awards in the amount of \$922,250 to subrecipients.

HABITAT FOR HUMANITY OF COLORADO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified opinion*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X No

Type of auditors' report issued on compliance for major programs: *unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance* 2 CFR 200.516 _____ Yes X No

Identification of major programs: 14.239 Home Investment Partnerships

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Findings

None