Habitat for Humanity of the St. Vrain Valley, Inc.

Financial Statements with Independent Auditor's Report

Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of the St. Vrain Valley, Inc.
Longmont, Colorado

We have audited the accompanying financial statements of Habitat for Humanity of the St. Vrain Valley, Inc. (a Colorado non-profit corporation), 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.

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 audit. We conducted our audit 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 the St. Vrain Valley, Inc. as of June 30, 2021, 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.

Wipfli LLP

Wipfli LLP

June 6, 2022
Denver, Colorado

Habitat for Humanity of the St. Vrain Valley, Inc.

Statement of Financial Position
June 30, 2021

Assets		
Current Assets		
Cash and cash equivalents	$	705,263
Grants and contributions receivable		47,851
Current portion of mortgages receivable - net of unamortized discount		98,205
Inventory		2,806
Prepaids		7,628
Construction in progress		1,010,483
Total Current Assets		1,872,236
Property and equipment, net		442,268
Beneficial interest in assets held by The Longmont Community Foundation		1,836
Long-term portion of mortgages receivable - net of unamortized discount		1,373,262
Total Assets	$	3,689,602
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$	94,619
Accrued payroll		93,244
Notes payable - current portion		62,062
Paycheck Protection Program Loan		217,500
Total Current Liabilities		467,425
Notes payable, net of current portion		917,029
Total Liabilities		1,384,454
Net Assets		
Without donor restrictions		
Undesignated		2,152,933
Board designated for endowment		1,836
Total Net Assets Without Donor Restrictions		2,154,769
With donor restrictions		150,379
Total Net Assets		2,305,148
Total Liabilities and Net Assets	$	3,689,602

The accompanying notes are an integral part of the financial statements.

Habitat for Humanity of the St. Vrain Valley, Inc.

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Operating Revenues			
Sales to homeowners	$ 742,562	$ -	$ 742,562
Mortgage discount amortization	125,487	-	125,487
Gain on sale of mortgages receivable	200,640	-	200,640
Gain on forgivable mortgages	12,530	-	12,530
ReStore revenue	747,621	-	747,621
Rental income	20,755	-	20,755
Interest and other	36,056	419	36,475
Total Operating Revenues	1,885,651	419	1,886,070
Support			
Grants and contributions	710,023	177,851	887,874
Paycheck Protection Program Loan forgiveness	217,500	-	217,500
Inkind contributions	65,325	-	65,325
Other income - Employee retention credits	50,841	-	50,841
Net assets released from restrictions	97,308	(97,308)	-
Total Support	1,140,997	80,543	1,221,540
Total Revenues and Support	3,026,648	80,962	3,107,610
Expenses:			
Program Services			
Home construction	2,121,195	-	2,121,195
Family Services	208,185	-	208,185
ReStore	673,409	-	673,409
Total Program Services	3,002,789	-	3,002,789
Support Services			
Management and General	114,345	-	114,345
Fundraising	222,382	-	222,382
Total Support Services	336,727	-	336,727
Total Expenses	3,339,516	-	3,339,516
Change in Net Assets	(312,868)	80,962	(231,906)
NET ASSETS, Beginning of Year	2,467,637	69,417	2,537,054
NET ASSETS, End of Year	$ 2,154,769	$ 150,379	$ 2,305,148

The accompanying notes are an integral part of the financial statements.

Habitat for Humanity of the St. Vrain Valley, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Support Services			
	Home Construction	Family Services	ReStore	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries and wages	$ 352,492	$ 142,296	$ 324,581	$ 819,369	$ 43,803	$ 155,789	$ 199,592	$ 1,018,961
Employee benefits	42,826	17,287	40,153	100,266	5,324	18,933	24,257	124,523
Payroll Taxes	28,890	11,662	28,320	68,872	3,591	12,772	16,363	85,235
Total payroll related costs	424,208	171,245	393,054	988,507	52,718	187,494	240,212	1,228,719
Cost of homes sold	847,783	-	-	847,783	-	-	-	847,783
Mortgage discount expense	364,596	-	-	364,596	-	-	-	364,596
Repairs and maintenance - homes	253,691	-	-	253,691	-	-	-	253,691
Rent and occupancy	19,599	132	183,111	202,842	132	132	264	203,106
Tithe	57,322	-	-	57,322	-	-	-	57,322
AmeriCorp expenses	55,959	-	-	55,959	-	-	-	55,959
Professional fees	12,726	9,224	9,610	31,560	13,578	6,718	20,296	51,856
Technology	21,473	5,241	4,818	31,532	4,823	5,895	10,718	42,250
Bank and credit card fees	6,968	-	17,848	24,816	515	1,532	2,047	26,863
Telephone and utilities	6,845	2,023	11,440	20,308	3,136	1,305	4,441	24,749
Depreciation	8,282	62	1,958	10,302	10,024	62	10,086	20,388
Insurance	9,911	3,304	-	13,215	3,304	3,304	6,608	19,823
Repairs and maintenance - building	1,977	648	15,126	17,751	749	648	1,397	19,148
Cost of purchased goods	-	-	19,103	19,103	-	-	-	19,103
Family services and support	6,028	9,139	-	15,167	-	155	155	15,322
Interest expense	2,228	-	-	2,228	11,138	-	11,138	13,366
Advertising	8,355	-	3,513	11,868	-	-	-	11,868
Dues and subscriptions	806	18	225	1,049	10,437	205	10,642	11,691
Office expenses	4,970	2,097	328	7,395	3,059	1,043	4,102	11,497
Fundraising and development	-	-	-	-	-	9,640	9,640	9,640
Training	1,831	4,473	-	6,304	316	1,267	1,583	7,887
Vehicle expenses	-	-	6,139	6,139	-	-	-	6,139
Postage and shipping	1,163	308	2,201	3,672	308	328	636	4,308
Volunteer expenses	802	-	940	1,742	-	2,146	2,146	3,888
Supplies	-	-	3,443	3,443	-	-	-	3,443
Printing and reproduction	2,510	97	552	3,159	-	58	58	3,217
Travel	1,162	174	-	1,336	108	450	558	1,894
Total	$ 2,121,195	$ 208,185	$ 673,409	$ 3,002,789	$ 114,345	$ 222,382	$ 336,727	$ 3,339,516

The accompanying notes are an integral part of the financial statements.

Habitat for Humanity of the St. Vrain Valley, Inc.

Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows From Operating Activities		
Change in net assets	$	(231,906)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Mortgage loans issued - net of discount to net present value		(245,211)
Gain on sale of mortgages receivable		(200,640)
Mortgage discount amortization		(125,487)
Increase in the value of beneficial interest in assets held by The Longmont Community Foundation		(419)
Depreciation		20,388
Paycheck Protection Program Loan forgiveness		(217,500)
Change in operating assets and liabilities:		
Grants and contributions receivable		162,972
Inventory		49,097
Prepaids		(7,608)
Construction in progress		16,565
Accounts payable		(1,032)
Accrued payroll		(1,815)
Net Cash Flows From Operating Activities		(782,596)
Cash Flows From Investing Activities		
(Purchase of) property and equipment		(26,558)
Proceeds from sales of mortgages		356,406
Mortgage payments received		243,836
Net Cash Flows From Investing Activities		573,684
Cash Flows From Financing Activates		
Proceeds from Paycheck Protection Program Loan		217,500
Proceeds from notes payable		359,000
(Repayments of) notes payable		(440,712)
Net Cash Flows From Financing Activities		135,788
Net Change in Cash and Cash Equivalents		(73,124)
CASH AND CASH EQUIVALENTS, beginning of year		778,387
CASH AND CASH EQUIVALENTS, end of year	$	705,263
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	$	13,366
NON-CASH FINANCING ACTIVITY:		
Forgiveness of Paycheck Protection Program Loan	$	217,500

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies

Nature of Organization
Habitat for Humanity of the St Vrain Valley, Inc. (the "Organization"), is a non-profit housing ministry that displays the care of Jesus Christ to people from all walks of life, regardless of faith, and helps build simple, decent, affordable homes with people in need, while striving to make affordable housing a matter of conscience for families in the St. Vrain Valley School District and Estes Park.

The Organization operates a Habitat for Humanity ReStore (the "ReStore"), a retail operation, where home furnishings, appliances, and other miscellaneous items are donated and then sold to the community at reduced prices. Revenue is recognized by the Organization at the time the donated goods are sold; therefore, no value for the donated ReStore inventory is included in these financial statements. The ReStore is operated with the sole purpose of generating funds to assist the Organization's mission of building houses.

The Organization is an affiliate of Habitat for Humanity International.

Basis of Presentation
The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Classification of Net Assets
Net assets and revenues, and 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:

<u>Net assets without donor restrictions</u> - 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, funds to be held for an endowment.

<u>Net assets with donor restrictions</u> - 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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates in Preparation of Financial Statements
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Organization and Summary of Significant Accounting Policies (continued)

Income Tax Status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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).

Accounting standards require the Organization to recognize in the financial statements the impact of uncertain tax positions based on the specific guidance in the standards. Management evaluated the Organization's tax positions and concluded that no uncertain tax positions exist as of June 30, 2021.

Fair Value of Financial Instruments

The Organization's financial instruments include cash and cash equivalents, grants and contributions receivable, mortgages receivable, and accounts payable. 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.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to credit risk consist of cash accounts that may, during the year, exceed the federally insured limit set by the FDIC, and mortgage notes receivable. 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 and cash equivalents. At June 30, 2021 the Organization's uninsured cash balance totaled approximately $460,000.

The Organization finances the construction and ownership of homes to low-income individuals in the St. Vrain Valley School District and Estes Park, Colorado. The mortgages are secured by a deed of trust. The Organization has established procedures to limit the risk of default by limiting the sales prices of the homes and not charging interest in order to establish a monthly mortgage payment that is manageable by the owner. Homes are appraised for value prior to sale and the original sales price may be set below the appraised value. The values of the mortgaged homes that collateralize the mortgage notes receivable are subject to market value fluctuations beyond the control of the Organization.

Credit risk with respect to grants and contributions receivable is limited due to the number and creditworthiness of the corporations, foundations, churches, and individuals that comprise the contributor base.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

1. **Organization and Summary of Significant Accounting Policies (continued)**

Grants and Contributions Receivable

Grants and contributions receivable represent written or oral agreements to contribute cash or other assets to the Organization. At June 30, 2021, management deemed all grants and contributions receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was required. All grants and contributions receivable are due within one year.

Inventory

ReStore inventory consists of goods purchased and held for sale at the ReStore. Inventories are stated at the lower of cost or net realizable value. Items donated to the ReStore are not included in these financial statements, as donated goods are recognized at the time of sale.

Mortgages Receivable

The Organization constructs homes to be sold with interest-free mortgages. These mortgages are discounted based upon the prevailing market interest rates at the inception of the mortgage. The discount rates are set by Habitat for Humanity International based on the annual simple average of the rates published by the Internal Revenue Service (IRS) under 2010-5 Section 42(B)(2) for buildings placed into service during the period. The rate determined by the IRS used to discount the mortgages funded for the year ended June 30, 2021 was 7.23%. The discounts are charged directly to operations at the inception of the mortgage and amortized over the life of the mortgage. From time-to-time, the Organization may sell mortgages rather than hold them to term. In these situations, the gain or loss on the sale of mortgages is recorded in the year in which the mortgage is sold.

Construction in Progress

Land held for future development is recorded at cost. All costs incurred in construction of a home are capitalized and recorded at cost. These costs may include donated goods and services associated with the individual project. These accumulated costs are not subject to depreciation.

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 $500 or more is capitalized and depreciated using the straight-line method over the estimated 3-39 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.

The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Organization would recognize an impairment loss at that time. No impairment loss was recognized during the year ended June 30, 2021.

1. Organization and Summary of Significant Accounting Policies (continued)

Operating Revenues

Revenues from operations is primarily derived from ReStore and home sales. Revenues from these sources is recognized when the services are provided, in an amount that reflects the consideration that the Organization expects to be entitled in exchange for those services. All revenues from contracts with customers is recognized at a point-in-time.

ReStore sales are primarily from customers in the St. Vrain Valley School District and Estes Park area and surrounding Colorado counties with payment due at the point of sale. The nature of these sales does not give rise to contract costs or any variable consideration or warranties.

Home sales are to qualified low-income individuals and families in the St. Vrain Valley School District and Estes Park area. Homes are sold at the appraised or fair market value of the home and funded primarily by financing provided by the Organization. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgage. Some qualified buyers may receive down payment assistance from other agencies to reduce their loan amount. The Organization recognizes revenue from home sales when a home closing occurs, and title is transferred to the home buyer. The nature of these sales does not give rise to any other contract costs or variable consideration.

The key factor affecting the amount, timing and uncertainty of the Organization's revenue is its concentration of revenue attributed to ReStore sales and sales to homeowners. Management does not believe that the Organization is exposed to any significant risks to its concentration of revenues.

The Organization does not have any contract liabilities and does not have any significant contract-related assets outside of mortgages receivable.

Net receivable and contract balances from contracts with customers were as follows:

	Mortgages Receivable, Net
July 1, 2020	$ 1,509,418
June 30, 2021	$ 1,471,467

Rental Income

The Organization leases office space in their administration building. Rental income is billed and due monthly. All leases between the Organization and tenants of the property are month to month and are treated as operating leases.

The Organization leases a house from the City of Longmont (Note 12) which it then leases to AmeriCorp members. Rental income is billed and due monthly. All leases between the Organization and tenants of the property are month to month and are treated as operating leases.

1. Organization and Summary of Significant Accounting Policies (continued)

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 and 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 statement 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.

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. The Organization received no grant awards considered exchange transactions for the year ended June 30, 2021.

1. Organization and Summary of Significant Accounting Policies (continued)

In-Kind Contributions

Donated services are recognized as contributions in accordance with Generally Accepted Accounting Principles 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 provided assistance with specific program events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria were not met.

Donations of assets are recorded at estimated fair market value at the date of donation, except for goods donated to the ReStore. Consistent with the Habitat for Humanity International Affiliate Operations Manual, goods donated to the ReStore are reflected as revenue at the time of sale when there is an objective, measurable basis for determining the fair value.

In-kind contributions consist of the following for the year ending June 30, 2021:

Construction related goods and services	$ 45,625
Rent – City of Longmont (Note 12)	19,200
ReStore	500
	$ 65,325

Advertising

The Organization expenses the costs of advertising as incurred. Advertising costs totaled $11,868 for the year ended June 30, 2021.

Functional Allocation of Expenses

The statement of functional expenses reports 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. The expenses that are allocated include indirect costs, such as, advertising, depreciation, rental and occupancy, repairs and maintenance, insurance, technology, travel, office expenses, and professional fees that are allocated on the basis of use and time for the expenses, as well as salaries, payroll taxes, and employee benefits that are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Upcoming 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 statements of financial condition 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 Organization I is currently evaluating the effect that ASU 2016-02 will have on its financial statements.

1. Organization and Summary of Significant Accounting Policies (continued)

Upcoming Accounting Pronouncements (continued)

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.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, are comprised of the following as of June 30, 2021:

Cash and cash equivalents	$ 705,263
Grants and contributions receivable	47,851
Current portion of mortgages receivable	204,127
Total financial assets	957,241
Less:	
Restricted contributions included in cash and cash equivalents	(100,692)
Total financial assets available for general expenditure	$ 856,549

The Organization had board designated funds totaling $1,836 for an endowment as of June 30, 2021. Although the Organization does not intend to spend from these designated funds for other than the intended purpose, these amounts could be made available if necessary.

The Organization does not have a formal liquidity policy. The Organization invests its financial assets in a manner consistent with the concept of prudent money management, seeking maximum returns within reasonable levels of risk.

The Organization has a line-of-credit available for cash flow needs of up to $150,000, as further described in Note 8.

3. Beneficial Interest in Assets held by The Longmont Community Foundation

The Organization has entered into an endowment fund agreement with The Longmont Community Foundation (the “Foundation”). The Foundation commingles these funds with the funds of other entities for investment in order to achieve beneficial economies of scale and provide cost-effective access to professional investment management. As of June 30, 2021, the fair value of the assets held by the Foundation totaled $1,836.

4. Mortgages Receivable

Mortgages receivable consists of the following as of June 30, 2021:

Mortgages receivable at face value	$ 3,143,240
Less: unamortized discount	1,671,773
Net mortgages receivable	1,471,467
Less: current portion, net of unamortized discount	98,205
Long-term portion, net of unamortized discount	$ 1,373,262

The following are future payments due under mortgages receivable at June 30, 2021:

Years Ending June 30:	
2022	$ 204,127
2023	200,164
2024	198,161
2025	195,981
2026	187,197
Thereafter	2,157,610
Total mortgages receivable	$ 3,143,240

At June 30, 2021, the Organization had 41 outstanding mortgage receivables with applicable discount rates ranging from 7.38% to 8.38%.

All mortgage notes are collateralized by the respective homes sold. The Board of Directors meets together with management on a regular basis to review delinquent loans, if any, and to consider if any foreclosure proceedings should be initiated. Receivable balances are considered to be delinquent based on contractual terms. The need for an allowance is based on past collection experience and on an analysis of current mortgage receivable collectability. Management believes that the fair value of each underlying mortgaged asset exceeds the value of the associated loan outstanding; therefore, no allowance for uncollectible mortgages is recorded.

Loans Sold to Colorado Housing and Finance Authority
In December 2020, the Organization sold its interest in certain mortgages receivable to the Colorado Housing and Finance Authority, receiving $220,472 in cash proceeds related to the sale. The transaction was recorded as a sale in the accompanying financial statements. The Organization recorded a gain of $128,489 from the sale.

Loans Sold to First Bank
In December 2020, the Organization sold its interest in certain mortgages receivable to First Bank, receiving $135,934 in cash proceeds related to the sale. The transaction was recorded as a sale in the accompanying financial statements. The Organization recorded a gain of $72,151 from the sale.

4. Mortgages Receivable (continued)

The sales agreements with First Bank require, among other things, that should a mortgagor default on the payment on a loan and the default is not cured within ninety days, the Organization may be requested by First Bank to perform one of the following: substitute with a performing loan of equitable terms, balance, and property; or promptly repurchase the loan from First Bank at an amount equal to the then outstanding discounted principal balance.

5. Property and Equipment

Property and equipment consist of the following at June 30, 2021:

Building	$ 450,000
Construction equipment	55,608
Office equipment	29,782
Leasehold improvements	29,478
Vehicles	16,375
Construction in progress – basement remodel	29,308
	610,551
Less: accumulated depreciation	(168,283)
Net Property and Equipment	$ 442,268

Depreciation expense charged to operations for the year ended June 30, 2021, was $20,388.

6. Construction In Progress

Construction in progress consists of the costs of lots, land development, and home construction costs. The following is a summary of construction in progress as of June 30, 2021:

Land and land development costs	$ 611,985
Home construction costs	398,498
Total Construction in Progress	$ 1,010,483

7. Notes Payable

The following is a summary of notes payable as of June 30, 2021:

$195,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $9,750, matures in January 2027; secured by a deed of trust on property in Longmont, Colorado.	$ 58,500
$240,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $12,000, matures in January 2026; secured by a deed of trust on property in Longmont, Colorado.	53,362
$200,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $10,000, matures in January 2030; secured by a deed of trust on property in Longmont, Colorado.	70,967
$100,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $5,000, matures in May 2032; secured by a deed of trust on property in Longmont, Colorado.	50,000
$50,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $2,500, matures in May 2032; secured by a deed of trust on property in Longmont, Colorado.	25,000
$50,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $2,500, matures in May 2033; secured by a deed of trust on property in Longmont, Colorado.	27,500
$140,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $7,000, matures in April 2033; secured by a deed of trust on property in Longmont, Colorado.	77,000
$150,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $7,500, matures in June 2035; secured by a deed of trust on property in Longmont, Colorado.	97,500
$37,919 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $1,896, matures in September 2040; secured by a deed of trust on property in Longmont, Colorado.	34,127

7. <u>Notes Payable</u> (continued)

$130,000 City of Longmont Affordable Housing Fund Program – 0% interest, payable in annual principal payments of $6,500 commencing on the date of the first Certificate of Occupancy issued for a unit constructed on the land purchased in part with the funds and continuing annually for 20 years from August 2017 at which all unpaid principal is due; secured by a deed of trust on property in Longmont, Colorado.	$ 127,874
$14,350 Habitat for Humanity International, Inc. – 0% interest, payable in monthly principal payments of $298, matures in November 2021; unsecured	1,536
$134,000 note payable to the Ward Revocable Trust – 0% interest, payable in four equal installments due starting with the first sale of any home on the lots and ending with the sale of the fourth home with the entire balance due in March 2028; secured by a deed of trust on property in Estes Park, Colorado.	134,000
$245,837 note payable to First National Bank – payable in monthly principal and interest payment of $1,625, interest at the U.S Prime Rate plus 0.25% through March 2021, then 3.25%, with a final payment due in June 2028; secured by a deed of trust on property used as the office building.	221,725
Total notes payable	979,091
Less: current portion	62,062
Notes payable – net of current portion	$ 917,029

The following are future maturities on the notes payable:

Year Ending June 30:	
2022	$ 62,062
2023	61,907
2024	71,368
2025	71,810
2026	65,629
Thereafter	646,315
Total	$ 979,091

8. Line of Credit

The Organization maintains a line of credit with FirstBank in the amount of $150,000. The line bears interest at a rate equal to the Wall Street Journal prime rate less 0.25% (3.25% at June 30, 2021). The line matures in December 2022. The line is secured by the bank account balances held by the Organization with FirstBank. No amounts were outstanding on the line of credit at June 30, 2021.

9. Paycheck Protection Program Loans

As of June 30, 2020, the Organization had an outstanding loan of $217,500 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan bears interest at a rate of 1% with monthly payments of principal and interest commencing six months after funding and extending for a two-year term. If certain criteria are met, the Small Business Administration will forgive all or a portion of the loan.

The loan was formally forgiven by the financial institution and recognized into income by the Organization in April 2021.

In March 2021, the Organization received a Second Draw loan under the Paycheck Protection Program in the amount of $217,500 at an interest rate of 1% maturing on March 1, 2026. This loan will be forgiven if the funding is used to pay qualifying expenditures.

The loan was formally forgiven by the financial institution in December 2021.

10. Net Assets With Donor Restrictions

During the year ended June 2021 a total of $97,308 was released from net assets with donor restrictions to net assets without donor restrictions by meeting time or donor restrictions. The remaining balance is restricted for the following purposes at June 30, 2021:

Subject to the passage of time:	
Grants and contributions receivable	$ 47,851
Subject to expenditure for specified purpose:	
Administration building basement remodel	100,692
Board Designated Endowment:	
Beneficial interest in assets held by The Longmont Community Foundation	1,836
Total Net Assets With Donor Restrictions	$ 150,379

11. Employee Retention Credits

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created the Employee Retention Credit (ERC) to provide funding for designated organizations to cover a portion of retaining employees during the COVID-19 pandemic. The Organization applied for and received $50,841 in funding under this program for the year ended June 30, 2021.

12. Lease Commitments

In October 2019, the Organization entered into a lease agreement with the City of Longmont for a house located in Longmont, Colorado to provide housing to its AmeriCorps volunteers who help build affordable homes. The initial term of the lease was for one year. The lease was renewed and will terminate on October 8, 2022. The lease can be renewed for up to two additional one-year terms. In-kind revenues related to this lease agreement totaled $19,200 for the year ended June 30, 2021. This amount represents the excess of the estimated fair value of the leased facilities over the amounts paid under the lease.

Additionally, the Organization leases space for the ReStore retail operations under a five-year operating lease expiring in March 2026.

Rent expense under all operating leases totaled $149,450 for the year ending June 30, 2021.

Approximate future minimum rental payments under these operating lease agreements as of June 30, 2021, are as follows:

Year Ending June 30,	
2022	$ 131,550
2023	129,750
2024	129,750
2025	129,750
2026	97,313
Total	$ 618,113

13. Retirement Plan

The Organization sponsors a defined contributions plan (the Plan) under Section 401(k) of the Internal Revenue Code for all employees who meet certain requirements as to age and length of service. The Organization makes a contribution to the Plan equal to 100% percent on the first 3% of gross wages and 50% on the next 2% of gross wages. The Organization’s contributions to the Plan totaled $23,522 for the year ended June 30, 2021.

14. Transactions with Habitat for Humanity International

The Organization voluntarily remits a portion of its contributions to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2021, $57,322 was contributed to Habitat for Humanity International. These amounts are presented in Program Services in the statement of functional expenses. As of June 30, 2021, $15,747 was due to Habitat for Humanity International and is included in accounts payable on the Statement of Financial Position.

15. Endowment

The Organization's endowment consists of funds held by The Longmont Community Foundation (the "Foundation"). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Directors of the Organization has interpreted Colorado's Uniform Prudent Management of Institutional Funds Act (UPMIFA) to allow, subject to the specific intent of a donor expressed in the gift instrument, for the appropriation or accumulation of so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Such appropriation may take place even though an endowment is "under water" (i.e., the market value of the fund is less than the historical dollar value (HDV) of the fund), and the Organization is not required to utilize other Organization resources to bring the value of the endowment fund up to HDV.

The Board acknowledges that donors to an endowment fund intend that the principal of the endowment fund shall be preserved in perpetuity. In making a determination to appropriate or accumulate, the Organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

(1) the duration and preservation of the fund,
(2) the purpose of the Organization and the donor-restricted endowment fund,
(3) general economic conditions,
(4) the possible effect of inflation and deflation,
(5) the expected total return from income and the appreciation of investments,
(6) other Organization resources,
(7) the investment policies of the Organization.

The following are the changes in the Board designated endowment net assets:

Balance, July 1, 2020	$ 1,417
Investment gains, net	419
Balance, June 30, 2021	$ 1,836

15. Endowment (continued)

Funds with Deficiencies
From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2021, there was no such deficiency.

Spending Policy
Disbursements from the endowment shall be limited to a sustainable annual amount as defined by the Board of Trustees of the Foundation.

Investment Return Objectives
The Organization follows the investment policies adopted by the Foundation for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

Strategies Employed for Achieving Objectives
To satisfy its long-term objectives, the Organization relies on the Foundation's investment policies and strategies.

16. Fair Value Measurements

The Organization follows the provisions of the *Fair Value Measurements and Disclosure* Topic of FASB ASC. This standard requires the use of fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The three levels of the fair value hierarchy defined in the FASB ASC 820 are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other methodologies.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments held by The Longmont Community Foundation: Valued based on the market value of the underlying assets, consisting mainly of equity and fixed income securities which are valued based on quoted market prices.

16. Fair Value Measurements (continued)

The following table presents the valuation of the Organization's investments by the above fair value hierarchy levels calculated on a recurring basis:

As of June 30, 2021:	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments held by:				
The Longmont Community Foundation	$ -	$ 1,836	$ -	$ 1,836

17. Risks and Uncertainties

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Crisis. The COVID-19 crisis may impact various parts of the Organization's fiscal 2022 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of the COVID-19 crisis is unknown and cannot be reasonably estimated at this time as these events are still developing.

18. Subsequent Events

The preparation of the Organization's financial statements and accompanying footnotes in conformity with GAAP requires management of the Organization to evaluate transactions and events subsequent to the statement of financial position date involving the Organization. Management has evaluated the subsequent transactions and events through June 6, 2022, which is the date the financial statements and accompanying footnotes were available for issuance.

MacKenzie Scott Gift –
In March 2022, Habitat for Humanity of the St. Vrain Valley and 83 other Habitat affiliates received $436 million in an unrestricted gift from American author and philanthropist, MacKenzie Scott. The Organization received $3.5 million as an unrestricted donation for home construction related activities in Longmont, Dacono, and Estes Park. This gift will address the affordable housing shortage in Longmont, the Carbon Valley, and Estes Park, notably through land acquisition, engineering, infrastructure of current properties, and ramping up our home construction and home repair program. As a Christian ministry, the Organization always tithe's 10% of our unrestricted funds to Habitat for Humanity International affiliates outside the U.S. As this donation is unrestricted, The Organization will tithe $350,000 to Habitat International to build more homes for families around the globe.

Financing Agreement –
On July 1, 2021, the Organization entered into a financing agreement in the amount of $40,583 to purchase a truck. The loan is payable in 84 monthly principal and interest payments of $695 beginning August 1, 2021, with interest at 10.99%.

18. Subsequent Events (continued)

Donated Lots –
On September 2, 2021, the Organization entered into an agreement with a developer to receive 12 donated lots in Longmont, Colorado. The value of the donation is $1,440,000 and was established by a third-party appraisal of the property.

On April 17, 2022, the Organization entered into an agreement with a developer to receive 8 donated lots in Longmont, Colorado. The value of the donation is $1,000,000 and was established by a third-party appraisal of the property.