

Habitat for Humanity of La Plata County, Inc.

Financial Statements with Independent Auditor's Report

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)



WIPFLI

Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of La Plata County, Inc.
Durango, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of La Plata County, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 La Plata County, 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.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity of La Plata County, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wipfli LLP

November 26, 2021
Denver, Colorado

Habitat for Humanity of La Plata County, Inc.

Statements of Financial Position

June 30, 2021

(With Comparative Totals as of June 30, 2020)

ASSETS		
	2021	2020
Current Assets:		
Cash and Cash Equivalents	\$ 599,676	\$ 557,405
Grants and Other Receivables	15,000	4,929
Current Portion of Mortgages Receivable - Net	16,274	20,901
Outlet Store Inventory	-	13,067
Home Construction-in-Progress	1,093,068	589,859
Total Current Assets	1,724,018	1,186,161
Property and Equipment - At Cost:		
Land - Outlet Store	410,000	410,000
Building - Outlet Store	2,041,428	2,041,428
Building Improvements - Outlet Store	73,865	73,865
Vehicles	57,801	48,559
Equipment and Furniture	40,314	40,314
	2,623,408	2,614,166
Less: Accumulated Depreciation	216,909	153,656
Property and Equipment - Net	2,406,499	2,460,510
Long-Term Assets:		
Long-Term Portion of Mortgages Receivable - Net	498,812	579,028
Deposits	-	2,400
Total Long-Term Assets	498,812	581,428
TOTAL ASSETS	\$ 4,629,329	\$ 4,228,099

See accompanying notes to financial statements.

Habitat for Humanity of La Plata County, Inc.

Statements of Financial Position (Continued)

June 30, 2021

(With Comparative Totals as of June 30, 2020)

LIABILITIES AND NET ASSETS		
	2021	2020
Current Liabilities:		
Accounts Payable	\$ 44,860	\$ 19,184
Current Portion of Notes Payable	37,268	33,760
Current Portion of SBA Paycheck Protection Program Loan	-	23,485
Accrued Liabilities	13,054	9,917
Total Current Liabilities	95,182	86,346
Long-Term Liabilities:		
Notes Payable, Less Current Portion	2,435,351	2,476,364
SBA Paycheck Protection Program Loan, Less Current Portion	-	29,915
Total Long-Term Liabilities	2,435,351	2,506,279
Total Liabilities	2,530,533	2,592,625
Net Assets:		
Without Donor Restrictions	2,083,796	1,635,474
With Donor Restrictions	15,000	-
Total Net Assets	2,098,796	1,635,474
TOTAL LIABILITIES AND NET ASSETS	\$ 4,629,329	\$ 4,228,099

See accompanying notes to financial statements.

Habitat for Humanity of La Plata County, Inc.

Statements of Activities

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenues and Support:				
Operating Revenues:				
Sales to Homeowners	\$ 631,000	\$ -	\$ 631,000	\$ 811,500
Mortgage Discount Amortization	144,713	-	144,713	77,777
Outlet Store Revenues	215,789	-	215,789	199,746
Gain on Forgivable Mortgages	127,300	-	127,300	-
Gain from Insurance Settlement	250,000	-	250,000	-
Miscellaneous	9,973	-	9,973	453
Total Operating Revenues	1,378,775	-	1,378,775	1,089,476
Support:				
Contributions	40,783	59,275	100,058	51,845
Grants	55,816	-	55,816	43,649
Donated Services and Materials	33,408	-	33,408	4,008
Forgiveness of SBA Paycheck Protection Program Loan	53,400	-	53,400	-
Special Events - Net of Direct Benefit to Donor	-	-	-	19,558
Net Assets Released from Restrictions	44,275	(44,275)	-	-
Total Support	227,682	15,000	242,682	119,060
Total Revenues and Support	1,606,457	15,000	1,621,457	1,208,536
Expenses:				
Program Services:				
Home Construction	861,542	-	861,542	951,565
Outlet Store	251,298	-	251,298	296,822
Total Program Services	1,112,840	-	1,112,840	1,248,387
Support Services:				
Management and General	33,463	-	33,463	32,038
Fundraising	11,832	-	11,832	12,722
Total Supporting Services	45,295	-	45,295	44,760
Total Expenses	1,158,135	-	1,158,135	1,293,147
Change in Net Assets	448,322	15,000	463,322	(84,611)
Net Assets - Beginning of Year	1,635,474	-	1,635,474	1,720,085
NET ASSETS - END OF YEAR	\$ 2,083,796	\$ 15,000	\$ 2,098,796	\$ 1,635,474

See accompanying notes to financial statements.

Habitat for Humanity of La Plata County, Inc.

Statements of Functional Expenses

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Home Construction	Outlet Store	Management and General	Fundraising	Total 2021	Total 2020
Expenses						
Advertising, Printing, and Publication	\$ 271	\$ 5,796	\$ 3	\$ 45	\$ 6,115	\$ 6,184
Bank and Credit Card Fees	4,744	-	-	527	5,271	7,121
Conferences, Meals, and Entertainment	4,003	649	182	364	5,198	8,372
Construction Costs	512,843	-	-	-	512,843	584,617
Cost of Purchased Outlet Store Items Sold	-	19,281	-	-	19,281	8,000
Depreciation	15,813	31,627	15,813	-	63,253	63,069
Dues and Subscriptions	3,099	-	-	3,099	6,198	6,686
Education and Training	-	168	-	-	168	792
Employee Benefits	14,972	6,348	637	319	22,276	15,280
Insurance	2,411	15,679	275	-	18,365	25,293
Interest	20,326	59,211	-	-	79,537	80,310
Mortgage Discount	79,522	-	-	-	79,522	112,427
Office Expenses	7,756	-	430	431	8,617	19,929
Cost of Direct Benefit to Donors	-	-	-	-	-	16,005
Payroll Taxes	7,810	5,066	332	166	13,374	17,497
Professional Fees	95,919	-	5,048	-	100,967	57,713
Rent	-	-	-	-	-	2,270
Repairs and Maintenance	1,588	8,006	227	454	10,275	189
Salaries and Wages	69,507	90,704	8,385	4,325	172,921	237,381
Telephone and Utilities	6,362	8,763	1,547	688	17,360	23,403
Tithe	-	-	-	-	-	169
Vehicle Expenses	4,379	-	584	876	5,839	12,767
Volunteer and Other Expenses	10,217	-	-	538	10,755	3,678
Total Expenses by Function	861,542	251,298	33,463	11,832	1,158,135	1,309,152
Less: Expenses included with Revenues on the Statement of Activities						
Cost of Direct Benefit to Donor				-	-	(16,005)
Total	\$ 861,542	\$ 251,298	\$ 33,463	\$ 11,832	\$ 1,158,135	\$ 1,293,147

See accompanying notes to financial statements.

Habitat for Humanity of La Plata County, Inc.

Statements of Cash Flows

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
Change in Cash and Cash Equivalents:		
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 463,322	\$ (84,611)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	63,253	63,069
Mortgage Loans Issued - Net of Discount to Net Present Value	(5,484)	(75,573)
Discount Earned on Early Mortgage Payoff	(106,459)	(35,699)
Amortization of Discount on Mortgage Loans	(38,254)	(42,075)
Forgiveness of SBA Paycheck Protection Program Loan	(53,400)	-
Changes in Operating Assets and Liabilities:		
Grants and Other Receivables	(10,071)	10,786
Outlet Store Inventory	13,067	(10,793)
Home Construction-in-Progress	(503,209)	191,503
Deposits	2,400	64,085
Accounts Payable	25,676	2,166
Accrued Liabilities	3,137	1,636
Net Cash Flows From Operating Activities	(146,022)	84,494
Cash Flows From Investing Activities:		
(Purchase of) Property and Equipment	(9,242)	(25,000)
Mortgage Payments Received	235,040	163,536
Net Cash Flows From Investing Activities	225,798	138,536
Cash Flows From Financing Activities:		
Proceeds from Notes Payable	-	150,000
Proceeds from SBA Paycheck Protection Program Loan	-	53,400
(Payments on) Notes Payable	(37,505)	(37,397)
Net Cash Flows From Financing Activities	(37,505)	166,003
Net Change in Cash and Cash Equivalents	42,271	389,033
Cash and Cash Equivalents - Beginning of Year	557,405	168,372
Cash and Cash Equivalents - End of Year	\$ 599,676	\$ 557,405
Supplemental Disclosure:		
Interest Paid	\$ 79,537	\$ 80,310

See accompanying notes to financial statements.

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 1: Summary of Significant Accounting Policies

Nature of Organization

Habitat for Humanity of La Plata County, Inc. (the "Organization") is a non-profit, tax-exempt organization formed to construct and renovate homes with, and for, people in need. The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1954, as amended; accordingly, a provision for income taxes has not been made. The Internal Revenue Service (IRS) has determined the Organization is not a private foundation.

The Organization operates a Habitat for Humanity ReStore (the "Outlet Store"), a retail operation, where home furnishings, appliances, and other miscellaneous items are donated and then sold to the community at reduced prices.

Basis of Accounting

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).

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. The prior year presentation does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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.

Net assets with donor restrictions: Net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization had no funds held in perpetuity as of June 30, 2021 and 2020. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 1: Summary of Significant Accounting Policies (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

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

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

Fair Value Measurements

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

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

From time to time, the Organization may maintain cash balances in a financial institution in excess of the FDIC limit. To mitigate this exposure, the Organization chooses to maintain separate bank accounts for exclusive use with specific grants and programs.

Outlet Store Inventory

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

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 1: Summary of Significant Accounting Policies (Continued)

Home Construction-in-Progress

All costs incurred to acquire land held for development and all costs incurred in constructing a home are capitalized. These costs include donated goods and services associated with the individual project. These accumulated costs are not subject to depreciation.

During the years ended June 30, 2021 and 2020, the Organization repurchased three and one homes, respectively, from an existing borrower for \$627,978 and \$160,580, respectively, which is included in construction-in-progress at June 30, 2021 and 2020.

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 rates determined by the IRS used to discount the mortgages funded for the years ended June 30, 2021 and 2020, were 7.23% and 7.38%, respectively. From time to time, the Organization may sell mortgages rather than hold them to term. In this situation, the gain or loss on the sale of mortgages is recorded in the year in which the mortgage is sold.

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

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 5-39 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.

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 1: Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

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 years ended June 30, 2021 and 2020.

Recognition of Revenue and Support

Operating Revenues: Revenue 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 to in exchange for those services. All revenues from contracts with customers is recognized at a point-in-time.

ReStore sales revenues are primarily from customers in Durango and surrounding communities, 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 from qualified low-income individuals and families in the greater Durango, Colorado area. Homes are sold at the appraised or fair market value of the home and funded primarily through financing provided by the Organization or the U.S. Department of Agriculture Rural Housing Service. 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 considerations.

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

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 1: Summary of Significant Accounting Policies (Continued)

Recognition of Revenue and Support (Continued)

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

	Mortgages Receivable, at Face Value
July 1, 2019	\$ 1,397,967
June 20, 2020	1,422,428
June 30, 2021	\$ 1,272,394

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

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

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

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

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

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 years ended June 30, 2021 and 2020.

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 1: Summary of Significant Accounting Policies (Continued)

Recognition of Revenue and Support (Continued)

Special Event Revenues: The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment of the direct costs of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct benefit to donor in the accompanying statements of activities.

Donated Goods and 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 were not met.

Advertising and Promotion

Advertising and promotion related expenditures are expensed as incurred. Advertising costs totaled \$6,115 and \$6,184, respectively, during the years ended June 30, 2021 and 2020.

Functional Allocation of Expenses

The Statements 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, printing, and publication, conferences, meals and entertainment, depreciation, dues and subscriptions, insurance, office expenses, rent, telephone and utilities, and vehicle expenses, which are allocated on the basis of estimated time and effort. Construction costs, interest, mortgage discount, mortgage fees, and tithe are considered direct program expenses.

Reclassification

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

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 1: Summary of Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

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

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 26, 2021, 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, that is, without donor or other restrictions limiting their use within one year of the Statement of Financial Position date, comprise the following:

<i>As of June 30,</i>	Mortgages Receivable, at Face Value	2020
Cash and Cash Equivalents	\$ 599,676	\$ 557,405
Grants and Other Receivables	15,000	4,929
Mortgages Receivable - Current	16,274	20,901
Total Financial Assets Available for General Expenditure	\$ 630,950	\$ 583,235

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, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 3: Property and Equipment

A summary of property and equipment, net of accumulated depreciation, is as follows:

<i>As of June 30,</i>	2021	2020
Land - Outlet Store	\$ 410,000	\$ 410,000
Building - Outlet Store	1,912,170	1,954,631
Building Improvements - Outlet Store	60,343	66,934
Vehicles	9,088	9,242
Equipment and Furniture	14,898	19,703
Property and Equipment - Net	\$ 2,406,499	\$ 2,460,510

Depreciation expense charged to operations for the years ended June 30, 2021 and 2020, was \$63,253 and \$63,069, respectively.

Note 4: Mortgages Receivable

Mortgages receivable are as follows:

<i>As of June 30,</i>	2021	2020
Mortgages Receivable at Face Value	\$ 1,272,394	\$ 1,422,428
Less: Unamortized Discount	757,308	822,499
Net Mortgages Receivable	515,086	599,929
Less: Current Portion - Net of Unamortized Discount	16,274	20,901
Long-Term Portion - Net of Unamortized Discount	\$ 498,812	\$ 579,028

The following are future maturities of mortgages receivable for the years ending June 30:

2022	\$ 53,536
2023	49,338
2024	48,349
2025	48,349
2026	48,349
Thereafter	1,024,473
Total	\$ 1,272,394

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 4: Mortgages Receivable (Continued)

At June 30, 2021 and 2020, the Organization had 18 and 19 outstanding mortgages receivable, respectively, with applicable discount rates ranging from 7.23% to 8.34%. The discount rates are set by Habitat for Humanity International based on the annual simple average of the rates published by the IRS under 2011-5 Section 42(B)(2) for buildings placed into service during the period. The rate in effect at the time the loan is made is the rate that is used to discount the mortgage.

In addition to the reported mortgages receivable described above, an additional second lien is established at the closing of each home for the difference between the affordability mortgage and the actual sales price of the home. The amount of the second lien is forgiven at the end of the term of the first mortgage; however, no amounts associated with the second lien are reflected in these financial statements. The second lien is collected only upon sale by the mortgagee. During the year ended June 30, 2021, the Organization recognized \$127,300 as revenue from the collection of second mortgages. No amounts were recognized during the year ended June 30, 2020.

Note 5: Notes Payable

The Organization has the following notes payable:

<i>As of June 30,</i>	2021	2020
United States Department of Agriculture (payable in monthly installments of \$9,468, including interest at 3.375%; matures March 1, 2058; secured by a real estate deed of trust)	\$ 2,322,916	\$ 2,357,585
U.S. Small Business Administration (payable in monthly installments of \$641, including interest at 2.75%, beginning in June 2021; matures June 2050; secured by essentially all assets of the Organization)	149,703	150,000
Others	-	2,539
	2,472,619	2,510,124
Less: Current Maturities Included in Current Liabilities	37,268	33,760
Notes Payable - Due After One Year	\$ 2,435,351	\$ 2,476,364

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 5: Notes Payable (Continued)

The following are future maturities of notes payable for the years ending June 30:

2022	\$	37,268
2023		38,522
2024		39,819
2025		41,159
2026		42,545
Thereafter		2,273,306
<hr/>		
Total	\$	2,472,619

Note 6: Line-of-Credit

The Organization maintains a line-of-credit with Wells Fargo, N.A. in the amount of \$100,000. The line bears interest at the prime rate plus 7.00% and is unsecured. There were no amounts outstanding on the line at June 30, 2021 and 2020.

Note 7: SBA Paycheck Protection Program Loan

In March 2020, the Coronavirus Aid, Relief, and Economic Securities (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. During the year ended June 30, 2020, the Organization applied for and received a PPP loan of \$53,400 under this program. The Organization applied for full loan forgiveness and received forgiveness notification from the SBA that the loan was fully forgiven on December 19, 2020. As such, the loan forgiveness income is being recognized in the financial statements for the year ended June 30, 2021.

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

<i>As of June 30,</i>	2021	2020
<hr/>		
Subject to the Passage of Time:		
Grants Receivable	\$ 15,000	\$ -
<hr/>		
Total Net Assets with Donor Restrictions	\$ 15,000	\$ -

Net assets totaling \$44,275 and \$16,060 were released from net assets with donor restrictions for the years ending June 30, 2021 and 2020, respectively, as a result of the Organization incurring expenditures satisfying the related restricted purposes.

Habitat for Humanity of La Plata County, Inc.

Notes to Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

Note 9: 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 years ended June 30, 2021 and 2020, the Organization contributed \$-0- and \$169, respectively, to Habitat for Humanity International. This amount is included in Program Services in the Statements of Activities.

In addition to the voluntary remittance noted above, the Organization also pays an annual stewardship fee in the amount of \$5,000 to Habitat for Humanity International. This expenditure is included in office expenses on the accompanying statements of functional expenses.

Note 10: Gain from Insurance Settlement

In May 2021, the Organization, as Plaintiff, entered into an Amended Statutory Offer of Settlement with JITA Contracting, Inc. for \$250,000. The settlement is a result of the Organization seeking damages caused by roof construction not being made according to manufacturer's standards, resulting in leaks that caused damages to the retail area of the Outlet Store. This settlement did not release JITA Contracting, Inc. from any other defects or warranties associated with the original construction contract.

Note 11: Risks and Uncertainties

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

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