

**HABITAT FOR HUMANITY
OF SNOHOMISH COUNTY**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2021 AND 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Snohomish County
Lynnwood, Washington

We have audited the accompanying financial statements of Habitat for Humanity of Snohomish County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Snohomish County as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Jones & Associates PLLC, CPAs".

Jones & Associates PLLC, CPAs
January 14, 2022

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HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 548,164	\$ 568,164
Accounts and pledges receivable, current	102,707	101,334
Mortgages receivable, current	49,499	48,892
Property held for sale	-	114,194
Store inventory	146,127	153,683
Prepaid expenses and deposits	55,269	53,642
Total current assets	901,766	1,039,909
Accounts and pledges receivable, less current portion	-	100,000
Mortgages receivable, less current portion	1,544,530	1,590,552
Property and equipment, net	99,244	72,090
Property held for development	949,916	913,409
	\$ 3,495,456	\$ 3,715,960
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other	\$ 26,986	\$ 17,163
Accrued payroll	86,241	65,530
Deferred rent	66,552	99,060
Line of credit	81,450	25,705
Forgiveable debt, current	153,100	62,633
Debt, current	38,365	30,992
Total current liabilities	452,694	301,083
Forgiveable debt, less current portion	-	70,767
Debt, less current portion	786,766	817,516
Total liabilities	1,239,460	1,189,366
 NET ASSETS		
Without donor restrictions	2,125,294	2,325,440
With donor restrictions	130,702	201,154
	2,255,996	2,526,594
	\$ 3,495,456	\$ 3,715,960

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donors Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Public Support			
Grants and contributions	\$ 288,026	\$ 27,995	\$ 316,021
Gain on debt forgiveness	133,400	-	133,400
In-kind donations for resale	1,219,033	-	1,219,033
	<u>1,640,459</u>	<u>27,995</u>	<u>1,668,454</u>
Revenues			
Interest income - mortgages	81,840	-	81,840
Rental income	747	-	747
Investment and other	(1,167)	-	(1,167)
	<u>81,420</u>	<u>-</u>	<u>81,420</u>
Net assets released from restrictions			
Satisfaction of time restrictions	98,447	(98,447)	-
	<u>98,447</u>	<u>(98,447)</u>	<u>-</u>
 Total support and revenues	 <u>1,820,326</u>	 <u>(70,452)</u>	 <u>1,749,874</u>
EXPENSES			
Program services	1,325,132	-	1,325,132
Management and general	477,387	-	477,387
Fundraising and development	217,953	-	217,953
	<u>2,020,472</u>	<u>-</u>	<u>2,020,472</u>
 CHANGE IN NET ASSETS	 (200,146)	 (70,452)	 (270,598)
NET ASSETS			
Beginning of the year	<u>2,325,440</u>	<u>201,154</u>	<u>2,526,594</u>
End of the year	<u>\$ 2,125,294</u>	<u>\$ 130,702</u>	<u>\$ 2,255,996</u>

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donors Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Public Support			
Grants and contributions	\$ 1,292,845	\$ 1,154	\$ 1,293,999
In-kind donations for resale	846,486	-	846,486
	<u>2,139,331</u>	<u>1,154</u>	<u>2,140,485</u>
Revenues			
Interest income - mortgages	85,308	-	85,308
Rental income	(268,769)	-	(268,769)
Investment and other	78,427	-	78,427
	<u>(105,034)</u>	<u>-</u>	<u>(105,034)</u>
Net assets released from restrictions			
Satisfaction of time restrictions	100,000	(100,000)	-
	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
 Total support and revenues	 <u>2,134,297</u>	 <u>(98,846)</u>	 <u>2,035,451</u>
EXPENSES			
Program services	1,094,670	-	1,094,670
Management and general	464,284	-	464,284
Fundraising and development	104,023	-	104,023
	<u>1,662,977</u>	<u>-</u>	<u>1,662,977</u>
 CHANGE IN NET ASSETS	 471,320	 (98,846)	 372,474
NET ASSETS			
Beginning of the year	<u>1,854,120</u>	<u>300,000</u>	<u>2,154,120</u>
End of the year	<u>\$ 2,325,440</u>	<u>\$ 201,154</u>	<u>\$ 2,526,594</u>

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services			Support Services		
	Construction	Store	Total	Management & General	Fundraising	Total
Salaries and wages	\$ 75,732	\$ 503,436	\$ 579,168	\$ 264,309	\$ 137,026	\$ 980,503
Occupancy	-	421,561	421,561	67,929	-	489,490
Office expenses	12,350	85,082	97,432	14,314	13,310	125,056
Professional services	8,065	3,121	11,186	36,844	34,084	82,114
Taxes and fees	8,895	48,100	56,995	8,588	20	65,603
Second mortgages forgiven	64,654	-	64,654	-	-	64,654
Advertising	934	12,105	13,039	1,865	23,697	38,601
Insurance	11,537	16,122	27,659	10,284	-	37,943
Dues and subscriptions	757	632	1,389	29,508	985	31,882
Equipment	2,498	22,731	25,229	1,265	-	26,494
Interest	-	-	-	20,740	-	20,740
Volunteer recognition	469	8,980	9,449	601	8,781	18,831
Depreciation	-	-	-	16,684	-	16,684
Building materials	15,905	-	15,905	-	-	15,905
Travel and training	569	521	1,090	2,989	-	4,079
Miscellaneous	-	29	29	957	50	1,036
Rental bad debt	-	-	-	500	-	500
Licenses and permits	118	229	347	10	-	357
Total expenses	202,483	1,122,649	1,325,132	477,387	217,953	2,020,472
Cost of sales	-	1,218,612	1,218,612	-	-	1,218,612
Total functional expenses	\$ 202,483	\$ 2,341,261	\$ 2,543,744	\$ 477,387	\$ 217,953	\$ 3,239,084

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services			Support Services		
	Construction	Store	Total	Management & General	Fundraising	Total
Salaries and wages	\$ 67,945	\$ 370,175	\$ 438,120	\$ 254,585	\$ 27,055	\$ 719,760
Occupancy	262	437,343	437,605	76,831	-	514,436
Office expenses	1,234	29,973	31,207	7,714	5,193	44,114
Professional services	600	6,925	7,525	37,663	12,790	57,978
Taxes and fees	13,717	30,371	44,088	3,197	16	47,301
Second mortgages forgiven	57,653	-	57,653	-	-	57,653
Advertising	-	2,375	2,375	139	13,220	15,734
Insurance	25,041	11,192	36,233	13,210	-	49,443
Dues and subscriptions	577	4,457	5,034	19,063	2,264	26,361
Equipment	-	2,748	2,748	166	1,377	4,291
Interest	-	-	-	28,140	-	28,140
Volunteer recognition	327	11,132	11,459	3,115	-	14,574
Depreciation	-	-	-	14,195	-	14,195
Travel and training	4,714	415	5,129	244	2,024	7,397
Miscellaneous	45	2,928	2,973	731	4,711	8,415
Rental bad debt	-	-	-	-	1,000	1,000
Printing and publication	-	5,475	5,475	2,102	20,446	28,023
Meetings	5,572	1,022	6,594	2,047	910	9,551
Postage and shipping	-	452	452	1,142	5,788	7,382
Special events	-	-	-	-	7,229	7,229
Total expenses	177,687	916,983	1,094,670	464,284	104,023	1,662,977
Cost of sales	-	769,088	769,088	-	-	769,088
Total functional expenses	\$ 177,687	\$ 1,686,071	\$ 1,863,758	\$ 464,284	\$ 104,023	\$ 2,432,065

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	\$ 414,648	\$ 383,299
Cash received from retail sales and rental income	1,218,613	702,508
Cash received from investment return and other	-	80,514
Cash paid related to employees and suppliers	(1,914,439)	(1,556,121)
Cash paid for interest	(20,740)	(28,140)
	(301,918)	(417,940)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of mortgages receivable	62,601	249,493
Proceeds from sale of property	114,194	-
Proceeds from sale of investments	-	739,664
Purchase of property and equipment	(43,838)	(9,421)
Capitalized expenditures for property held for development	(36,507)	(100,433)
	96,450	879,303
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit proceeds, net	55,745	(101,000)
Debt proceeds	153,100	264,172
Debt repayment	(23,377)	(76,370)
	185,468	86,802
NET CHANGE IN CASH AND EQUIVALENTS	(20,000)	548,165
CASH AND CASH EQUIVALENTS		
Beginning of the year	568,164	19,999
End of the year	\$ 548,164	\$ 568,164
Supplemental Cash Flow Information		
Non-cash financing activities		
Payroll protection loan forgiveness	\$ 133,400	\$ -

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Habitat for Humanity of Snohomish County (the Agency), a Washington nonprofit corporation, is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create affordable housing for those in need, and to make shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, publications and training, the Agency is directly responsible for conducting its own operations on a self-sustaining basis.

The Agency builds houses using primarily volunteer labor, together with purchased and donated materials and land. The houses are sold to qualified low-income homebuyers at a price determined by the Board of Directors which is generally cost or an amount below cost. Cost includes both direct expenditures and the fair value of in-kind contributions for materials, but excludes the value of volunteer labor. Prospective purchasers are required to meet certain minimum participation requirements in the construction of their homes.

The Agency operates a retail store at three locations in Snohomish County. These stores accept donations of home furnishings and building materials. The proceeds from store sales are used to support the ongoing activities related to the Agency's primary mission.

Basis of Accounting and Presentation – The financial statements of the Agency have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-restricted net assets of a perpetual nature at June 30, 2021 and 2020.

The Agency reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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 restriction. Gifts of property and equipment and contributions restricted for the acquisition or construction of property and equipment are released when the assets are placed in service.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Agency considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Agency maintains certain cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Agency has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Accounts and Pledges Receivable – Accounts and pledges receivables consist primarily of amounts due from donors and government agencies. Accounts and pledges receivable are stated at the amount management expects to collect from the outstanding balances. Receivables that are expected to be collected in more than one year have not been discounted to the present value of estimated cash flows based on the Agency’s determination that the discount would not be material to the financial statements. No allowance for uncollectible balances has established by management based upon the Agency’s historical experience in the collection of balances due.

Mortgages Receivable – Mortgages arise from the sale of homes to qualified low-income homebuyers, are secured by homes sold, and do not bear interest. The total payments to be received from homebuyers have been discounted using imputed interest rates as prescribed by generally accepted accounting principles. The resulting carrying value of the mortgages approximates fair value. The mortgages are due upon the earlier of the sale of the home, refinance or at maturity. Uncollectible mortgages are expected to be insignificant; accordingly, no provision for doubtful accounts has been included in the financial statements.

At the time the home is sold by the Agency, a first mortgage amount is determined with consideration to both the costs of construction and the homeowner’s income, and typically extend for terms of 20-30 years. The Agency records a second mortgage equal to the difference between the estimated fair market value of the home and the underlying first mortgage. Generally, no repayments are required on the second mortgage; rather, the mortgage may be forgiven ratably over terms of 15-25 years commencing with the sixth anniversary of the first mortgage.

A delinquent mortgage is considered non-performing if no payment has been received in the previous 90 days and no attempt has been made by the homeowner to contact the Agency to work out a payment plan. At that time, foreclosure procedures may begin.

Inventory – Inventory consists of donated building materials and furnishings held for re-sale at the Agency’s retail stores. The amount presented on the statements of financial position is estimated based on six weeks of store revenues for the year which is consistent with previous years. This method is not materially different from methods prescribed by generally accepted accounting principles and is determined to be a reasonable estimate of fair value.

Property and Equipment – Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method, currently over a period of 5 years. The Agency capitalizes purchases of property and equipment over a certain value, generally in excess of \$1,000, and a useful life greater than one year.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Property Held for Development – Property held for development consists of land, buildings, and construction in progress. Property held for development is carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of 15 years for buildings which are rented during construction. No buildings were being rented at June 30, 2021 and 2020. The Agency capitalizes all expenditures related to construction.

Property Held for Sale – Property held for sale consists of land and buildings which are expected to be sold within one year. Amounts are reported at the lower of cost or fair market value.

Revenue Recognition – Revenue is recognized when earned. Grants and contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Retail store revenues are recognized at the time of sale.

Home Sales and Cost Recognition – At the time a home is sold to a qualified buyer, the sale is recorded as revenue and the cost of the home is removed from property held for development on the statements of financial position. Historically, the Agency financed a portion of the sale of homes by offering qualifying mortgages to low-income homeowners secured by a first deed of trust, followed by a no-interest loan secured by a second deed of trust on the related property. During the years ended June 30, 2021 and 2020, all sales were financed by third parties for first deed of trust mortgages. In accordance with generally accepted accounting principles, revenue is recognized by discounting the future payments to be received from the homeowners using an interest rate based on term loans collateralized by mortgages receivable.

In-kind Donations for Resale – The Agency estimates the value of donated goods received based upon net revenues generated from the sales of the donated goods. Using this method, management has estimated that the value of all goods donated to the Agency throughout the year is equal to revenues realized by the sale of these goods, as adjusted for year-end inventory.

In-kind Services – Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. The Agency receives significant donated services from unpaid volunteers who assist in home building, retail operations and administrative tasks. The value of these contributed services are not recognized as contributions in the financial statements as there is no objective basis to measure the value of such services and / or the recognition criteria are not met.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses – The statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the program and supporting services benefited. Payroll expenses are allocated on the basis of estimates of time and effort spent. The administrative office shares a building with the Lynnwood Store and shares the building expenses of rent and utilities on a percent of square footage basis. Certain office expenses (including the office share of building expense), such as telephone, postage, and copies & prints are shared evenly by the departments that use the office. The Store Support function (donation coordination and truck operations) expenses are apportioned to the Stores based on each store’s projected percent of the total expected store group revenue.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status – The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Subsequent Events – Subsequent events were evaluated through January 14, 2022, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at June 30:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 548,164	\$ 568,164
Accounts and pledges receivable	102,707	201,334
Total financial assets	650,871	769,498
Less those unavailable for general expenditures within one year:		
Receivable balances to be collected in 2021 or later	-	(100,000)
Financial assets available within one year	\$ 650,871	\$ 669,498

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 2 – Liquidity and Availability (continued)

The Agency has some variation in revenues through the year, due to some seasonality of cash donations, timing of major grants and seasonality of store revenues. In some respects, these seasonalities balance each other. Summer is strong in store revenue, when cash donations tend to be weak. Calendar year-end giving is very strong while store revenue is weak through the holidays. To balance out these variations, the Agency maintains a \$150,000 line of credit to draw on and a money market savings account to hold short term cash balances.

Note 3 – Accounts and Pledges Receivable

Accounts and pledges receivable consist of the following at June 30:

	2021	2020
Receivable in less than one year	\$ 102,707	\$ 101,334
Receivable in one to five years	-	100,000
	<u>\$ 102,707</u>	<u>\$ 201,334</u>

Note 4 – Mortgages Receivable

Mortgages receivable consist of the following at June 30:

	2021	2020
First mortgages receivable, gross	\$ 1,201,266	\$ 1,257,904
Second mortgages receivable, gross	1,348,158	1,416,707
	<u>2,549,424</u>	<u>2,674,611</u>
Unamortized interest discount	(955,395)	(1,035,167)
Mortgages receivable, net	1,594,029	1,639,444
Less current portion	(49,499)	(48,892)
Mortgages receivable, long-term portion	<u>\$ 1,544,530</u>	<u>\$ 1,590,552</u>

As of June 30, 2021, there were 36 total mortgages receivable, comprised of 16 first mortgages and 20 second mortgages. As of June 30, 2020, there were 44 total mortgages receivable, comprised of 20 first mortgages and 24 second mortgages.

Mortgages receivable have been discounted at interest rates between 4 and 7 percent. The imputed interest recorded as revenue on these mortgages was \$81,840 and \$85,308 for the years ended June 30, 2021 and 2020, respectively. Mortgage amounts of \$64,654 and \$57,653 were forgiven for the years ended June 30, 2021 and 2020, respectively, in accordance with the terms of the agreements.

As of June 30, 2019, there was one delinquent mortgage considered non-performing with a gross balance due of \$132,752. In the year ended June 30, 2020 the related property was sold and the Agency received proceeds of \$180,503 to satisfy the outstanding delinquent first mortgage and the related second mortgage of \$40,000. There were no delinquent mortgages as of June 30, 2020.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 5 – Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
Furniture and equipment	\$ 135,715	\$ 97,781
Leasehold improvements	90,832	84,928
	226,547	182,709
Less accumulated depreciation	(127,303)	(110,619)
	\$ 99,244	\$ 72,090

Note 6 – Property Held for Development

Property held for development consists of the following at June 30:

	2021	2020
Land	\$ 551,468	\$ 551,468
Buildings	176,351	176,351
Construction in progress	251,489	214,982
	979,308	942,801
Less accumulated depreciation	(29,392)	(29,392)
	\$ 949,916	\$ 913,409

Note 7 – Net Assets With Donor Restriction

Net assets with donor restriction consists of the following at June 30:

	2021	2020
Restricted for use in a future period	\$ 102,707	\$ 201,154
Vehicle purchase	27,995	-
	\$ 130,702	\$ 201,154

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 – Line of Credit

The Agency has a line of credit with a bank which authorizes draws up to \$150,000 and bears interest at the Wall Street Journal prime rate plus 2.25% (7.75% at June 30, 2021 and 2020). The line of credit is collateralized by the Agency's mortgages receivable and matures June 2020. The balance on the line of credit was \$81,450 and \$25,705 at June 30, 2021 and 2020, respectively.

Note 9 – Notes Payable

In July 2015, the Agency purchased two contiguous parcels of property in Everett, Washington for \$700,000 (the Twin Creeks property). This purchase was financed, in part, by a \$603,000 loan from the Washington State Housing Commission. This loan bears interest at 1% and requires no payments of interest or principal until the loan becomes due in July 2023, and is collateralized by the property. The balance due on this loan, including principal and accrued interest, is \$639,738 and \$633,375 at June 30, 2021 and 2020, respectively.

In June 2015, the Agency obtained a ten-year term loan from Habitat International totaling \$254,700. The loan was used in part to finance of purchase of the Twin Creeks Property and additional construction, as well as for general operating purposes. The loan bears interest at 4.75% and is collateralized by certain mortgages receivable. The loan requires quarterly payments of \$8,036 including principal and interest and matures in June 2025. The balance due on this loan is \$129,742 and \$148,586 at June 30, 2021 and 2020, respectively.

In July 2019 the Agency obtained a loan from a bank totaling \$75,000. The loan bears interest of 7.75% and is collateralized by all business assets. The loan requires monthly payments of \$1,310 including principal and interest and matures June 2025. The balance due on this loan is \$55,651 and \$66,547 at June 30, 2021 and 2020, respectively.

Future principal payments due on these loans are as follows for the years ending June 30:

2022	\$	38,365
2023		40,601
2024		682,713
2025		47,465
2026		15,987
	<u>\$</u>	<u>825,131</u>

In the year ended June 30, 2020 the Agency obtained a short-term loan of \$50,000 bearing 0% interest from a company owned by a Board member. Proceeds were received in July 2019 and repaid in full in September 2019.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
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JUNE 30, 2021 AND 2020

Note 10 – Forgivable Note Payable

The Agency entered into a Small Business Administration Paycheck Protection Program Promissory Note with a bank on April 10, 2020 for \$133,400 with a maturity date of April 30, 2022, if conditions are not met. The outstanding principal balance is due in full on the maturity date, if conditions are not met. The note can be forgiven if the Agency meets certain criteria and applies for forgiveness with the Small Business Administration. The note was forgiven in the year ended June 30, 2021 and recognized as revenue on the statement of activities.

The Agency entered into a Small Business Administration Paycheck Protection Program Promissory Note with a bank on March 22, 2021 for \$153,100 with a maturity date of March 22, 2023, if conditions are not met. The note is unsecured with an interest rate of 1%. The note can be forgiven if the Agency meets certain criteria and applies for forgiveness with the Small Business Administration. Subsequent to year end the note was fully forgiven and thus the balance is presented as current on the statement of financial position.

Note 11 – Lease Commitments

The Agency has a noncancelable operating lease for its administrative offices and retail store in Lynnwood, Washington, which expires in August 2021, as well as an operating lease for its retail store in Everett, Washington, which expires in June 2025 and may be terminated by the Agency upon six months' written notice. Subsequent to year end, the Everett lease was extended to February 2025. In addition, in October 2017, the Agency entered into a noncancelable operating lease for a third retail store located in Smokey Point, Washington. The lease term is seven years and provides for a six-month rent abatement at the beginning of the lease. Monthly rent payments will commence six months after the location opens for business. The Smokey Point store opened for business in August 2019 and rent payments began in December 2019.

Rent expense is recognized on a straight-line basis and a related deferred rent liability is recorded. Rent expense under these leases was \$379,719 and \$356,490 for the years ended June 30, 2021 and 2020, respectively, and is included in occupancy expense.

Future minimum payments under these leases are as follows for the years ending June 30:

2022	\$	242,773
2023		213,964
2024		218,822
2025		206,477
2026		176,934
Thereafter		74,628
	<u>\$</u>	<u>1,133,598</u>

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY
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Note 12 – Retail Store Sales

Retail store sales is shown in the statements of activities net of cost of goods sold. The net sales revenue is as follows for the years ended June 30:

	2021	2020
Gross sales	\$ 1,218,162	\$ 769,086
Less cost of goods sold	(1,218,162)	(769,088)
	\$ -	\$ (2)

Note 13 – Related Party Transactions

During the years ended June 30, 2021 and 2020, the Agency made payments to Habitat for Humanity International and its Washington affiliate of \$26,087 and \$17,029, respectively.

Substantially all of the mortgages are serviced by a Habitat for Humanity affiliate in Michigan, Affiliate Mortgage Services. This affiliate collects all payments from specified homeowners, including escrow amounts. The net mortgage amount is remitted to the Agency to apply against the outstanding balance of the homeowner’s mortgage. During the years ended June 30, 2021 and 2020, the Agency paid servicing fees to the affiliate of \$2,743 and \$3,343, respectively.

As described in Note 9, in the year ended June 30, 2020 the Agency received a short-term loan of \$50,000 from a company owned by a Board member. The loan was paid off in September 2019.

Note 14 – Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was reported. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. The extent of the impact of COVID-19 on the Agency’s operations will depend on certain developments, including the duration and spread of the outbreak and the impact to clients and employees, all of which are uncertain and cannot be determined.

As discussed in Note 10, the Agency received a \$153,100 forgivable note payable under second round of the Small Business Administration Payroll Protection Program. This note was fully forgiven subsequent to year end. Overall, the Agency remains in strong financial position and does not project a cash shortfall in the next fiscal year.