

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2022 AND 2021

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Snohomish County as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Snohomish County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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.

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Snohomish County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Snohomish County's ability to continue as a going concern for a reasonable period of time.

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

### **Other Matter - Prior Period Financial Statements**

The financial statements of Habitat for Humanity of Snohomish County as of and for the year ended June 30, 2021, were audited by Jones & Associates PLLC, whose partners and professional staff joined Jacobson Jarvis & Co PLLC as of September 1, 2022, and has subsequently ceased operations. Jones & Associates expressed an unmodified opinion on those statements in their report dated January 14, 2022.



Jacobson Jarvis & Co, PLLC  
Seattle, Washington  
February 27, 2023

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

<u>ASSETS</u>		
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 585,521	\$ 548,164
Accounts and pledges receivable, current	-	102,707
Mortgages receivable, current	21,051	49,499
Store inventory	166,395	146,127
Prepaid expenses and deposits	<u>57,049</u>	<u>55,269</u>
Total Current Assets	830,016	901,766
Mortgages receivable, less current portion	1,255,321	1,544,530
Property and equipment, net	81,971	99,244
Property held for development	<u>946,211</u>	<u>949,916</u>
	<u>\$ 3,113,519</u>	<u>\$ 3,495,456</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 25,978	\$ 26,986
Accrued payroll	61,170	86,241
Deferred rent	42,236	66,552
Line of credit	-	81,450
Forgivable debt, current	-	153,100
Debt, current	<u>32,144</u>	<u>38,365</u>
Total Current Liabilities	161,528	452,694
Long-term Debt, less current portion above	<u>716,889</u>	<u>786,766</u>
Total Liabilities	878,417	1,239,460
Net Assets		
Without donor restriction	2,204,400	2,125,294
With donor restriction	<u>30,702</u>	<u>130,702</u>
Total Net Assets	<u>2,235,102</u>	<u>2,255,996</u>
	<u>\$ 3,113,519</u>	<u>\$ 3,495,456</u>

See notes to financial statements.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Without Donor Restrictions						
Public Support						
Contributions	\$ 385,358	\$ -	\$ 385,358	\$ 288,026	\$ 27,995	\$ 316,021
Gain on debt forgiveness	153,100	-	153,100	133,400	-	133,400
In-kind donations for resale	1,133,567	-	1,133,567	1,219,033	-	1,219,033
Total Public Support	1,672,025	-	1,672,025	1,640,459	27,995	1,668,454
Revenue						
Store sales, net of cost of sales	2,355	-	2,355	-	-	-
Rental income	-	-	-	747	-	747
Early mortgage payoff	172,942	-	172,942	-	-	-
Interest income - mortgages	78,740	-	78,740	80,673	-	80,673
Total Revenue	254,037	-	254,037	81,420	-	81,420
Net Assets Released from Restrictions						
Satisfaction of time restriction	100,000	(100,000)	-	98,447	(98,447)	-
Total Support and Revenue	2,026,062	(100,000)	1,926,062	1,820,326	(70,452)	1,749,874
Expenses						
Program services	1,251,169		1,251,169	1,325,132		1,325,132
Management and general	519,751		519,751	477,387		477,387
Fundraising	176,036		176,036	217,953		217,953
Total Expenses	1,946,956		1,946,956	2,020,472		2,020,472
Change in Net Assets	79,106	(100,000)	(20,894)	(200,146)	(70,452)	(270,598)
Net Assets						
Net Assets - Beginning of Year	2,125,294	130,702	2,255,996	2,325,440	201,154	2,526,594
Net Asset - End of Year	\$ 2,204,400	\$ 30,702	\$ 2,235,102	\$ 2,125,294	\$ 130,702	\$ 2,255,996

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022						2021					
	Program Services			Support Services			Program Services			Support Services		
	Construction	Store	Total	Management & General	Fundraising	Total	Construction	Store	Total	Management & General	Fundraising	Total
Salaries and wages	\$ 93,657	\$ 370,236	\$ 463,893	\$ 294,024	\$ 108,542	\$ 866,459	\$ 75,732	\$ 503,436	\$ 579,168	\$ 264,309	\$ 137,026	\$ 980,503
Occupancy	-	414,764	414,764	46,085	-	460,849	-	421,561	421,561	67,929	-	489,490
Office expenses	9,798	65,569	75,367	21,258	-	96,625	12,350	85,082	97,432	14,314	13,310	125,056
Professional services	15,614	6,072	21,686	63,608	59,272	144,566	8,065	3,121	11,186	36,844	34,084	82,114
Taxes and fees	7,203	37,816	45,019	4,899	-	49,918	9,013	48,329	57,342	8,598	20	65,960
Second mortgages forgiven	57,498	-	57,498	-	-	57,498	64,654	-	64,654	-	-	64,654
Advertising	754	10,018	10,772	-	-	10,772	934	12,105	13,039	1,865	23,697	38,601
Insurance	11,733	16,203	27,936	570	-	28,506	11,537	16,122	27,659	10,284	-	37,943
Dues and subscriptions	512	437	949	29,085	1,581	31,615	757	632	1,389	29,508	985	31,882
Equipment	2,183	19,644	21,827	1,149	-	22,976	2,498	22,731	25,229	1,265	-	26,494
Interest	-	-	-	13,407	-	13,407	-	-	-	20,740	-	20,740
Volunteer recognition	411	7,801	8,212	-	-	8,212	469	8,980	9,449	601	8,781	18,831
Depreciation	-	-	-	24,558	-	24,558	-	-	-	16,684	-	16,684
Building materials	57,704	-	57,704	12,589	-	70,293	15,905	-	15,905	-	-	15,905
Travel and training	1,827	1,687	3,514	8,302	4,151	15,967	569	521	1,090	2,989	-	4,079
Miscellaneous	-	42,028	42,028	-	-	42,028	-	29	29	957	50	1,036
Cost of sales - store	-	1,084,488	1,084,488	-	-	1,084,488	-	1,218,612	1,218,612	-	-	1,218,612
Rental bad debt	-	-	-	217	2,490	2,707	-	-	-	500	-	500
Total expenses	258,894	2,076,763	2,335,657	519,751	176,036	3,031,444	202,483	2,341,261	2,543,744	477,387	217,953	3,239,084
Less items reported in revenue												
Cost of sales	-	1,084,488	1,084,488	-	-	1,084,488	-	1,218,612	1,218,612	-	-	1,218,612
Total functional expenses	\$ 258,894	\$ 992,275	\$ 1,251,169	\$ 519,751	\$ 176,036	\$ 1,946,956	\$ 202,483	\$ 1,122,649	\$ 1,325,132	\$ 477,387	\$ 217,953	\$ 2,020,472

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from grants and contributions	\$ 488,065	\$ 414,648
Cash received from retail sales and rental income	1,086,843	1,218,613
Cash received for interest	251,682	-
Cash paid related to employees and suppliers	(1,932,355)	(1,914,439)
Cash paid for interest	<u>(13,407)</u>	<u>(20,740)</u>
Net Cash Provided (Used) by Operating Activities	(119,172)	(301,918)
<b>Cash Flows from Investing Activities</b>		
Receipts of mortgages receivable	144,715	62,601
Receipts from early payoff of mortgages receivable	172,942	-
Proceeds from sale of property	-	114,194
Purchase of property and equipment	(2,876)	(43,838)
Capitalized expenditures for property held for development	<u>(704)</u>	<u>(36,507)</u>
Net Cash Provided by Investing Activities	<u>314,077</u>	<u>96,450</u>
<b>Cash Flows from Financing Activities</b>		
Line of credit proceeds, net	-	55,745
Proceeds from issuance of long-term debt	-	153,100
Repayments on long-term debt	<u>(157,548)</u>	<u>(23,377)</u>
Net Cash (Used) Provided by Financing Activities	<u>(157,548)</u>	<u>185,468</u>
Changes in Cash and Cash Equivalents	37,357	(20,000)
Cash and Cash Equivalents - beginning of year	<u>548,164</u>	<u>568,164</u>
Cash and Cash Equivalents - end of year	<u>\$ 585,521</u>	<u>\$ 548,164</u>
<b>Supplemental Information</b>		
Non-cash financing activities		
Payroll protection loan forgiveness	<u>\$ 153,100</u>	<u>\$ 133,400</u>



# HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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 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.

Contributions restricted by donors are reported 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 restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

# HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

### NOTE A - ORGANIZATION AND 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 receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

#### 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.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021. 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.

# HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Home Sales and Cost Recognition

At the time a home is sold to a qualified buyer, the sale is recorded as revenue and 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, 2022 and 2021, 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.

#### 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.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

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).

No provision or benefit for income taxes has been included in these financial statements.

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.

Reclassifications

Certain prior year amounts and disclosures have been reclassified to conform to the current year presentation. There was no effect on prior year net assets as a result of these reclassifications.

NOTE B - LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 585,521	\$ 548,164
Accounts and pledges receivable	<u>1,276,372</u>	<u>1,696,736</u>
Total financial assets	1,861,893	2,244,900
Less those unavailable for general expenditures within one year:		
Long-term receivables	<u>1,255,321</u>	<u>1,544,530</u>
Net financial assets after donor-imposed restrictions	<u>\$ 606,572</u>	<u>\$ 700,370</u>

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.

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE C - MORTGAGES RECEIVABLE

Mortgages receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
First mortgages receivable, gross	\$ 857,722	\$ 1,201,266
Second mortgages receivable, gross	<u>1,123,376</u>	<u>1,348,158</u>
	1,981,098	2,549,424
Unamortized interest discount	<u>(704,726)</u>	<u>(955,395)</u>
Mortgages receivable, net	1,276,372	1,594,029
Less current portion	<u>(21,051)</u>	<u>(49,499)</u>
Mortgages receivable, long-term portion	<u>\$ 1,255,321</u>	<u>\$ 1,544,530</u>

As of June 30, 2022, there were 34 total mortgages, comprised of 15 first mortgages and 19 second mortgages. As of June 30, 2021, there were 36 total mortgages receivable, comprised of 16 first mortgages and 20 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 \$71,234 and \$81,840 for the years ended June 30, 2022 and 2021, respectively. Mortgage amounts of \$57,498 and \$64,654 were forgiven for the years ended June 30, 2022 and 2021, respectively, in accordance with the terms of the agreements.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Estimated <u>Useful Lives</u>	<u>2022</u>	<u>2021</u>
Furniture and equipment	2 - 7 years	\$ 143,755	\$ 135,715
Leasehold improvements	Lease term	<u>85,668</u>	<u>90,832</u>
		229,423	226,547
Less accumulated depreciation		<u>(147,452)</u>	<u>(127,303)</u>
		<u>\$ 81,971</u>	<u>\$ 99,244</u>

NOTE E - PROPERTY HELD FOR DEVELOPMENT

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

	<u>2022</u>	<u>2021</u>
Buildings	\$ 176,351	\$ 176,351
Less accumulated depreciation	<u>(33,801)</u>	<u>(29,392)</u>
	142,550	146,959
Land	551,468	551,468
Construction in progress	<u>252,193</u>	<u>251,489</u>
	<u>\$ 946,211</u>	<u>\$ 949,916</u>

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE F - NET ASSETS WITH DONOR RESTRICTION

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

	<u>2022</u>	<u>2021</u>
Restricted for use in a future period	\$ 2,707	\$ 102,707
Vehicle purchase	<u>27,995</u>	<u>27,995</u>
	<u>\$ 30,702</u>	<u>\$ 130,702</u>

NOTE G - 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 (4.75% at June 30, 2022) plus 2.25%. The line of credit is collateralized by the Agency's mortgages receivable and matures June 2023. The balance on the line of credit was \$0 and \$81,450 at June 30, 2022 and 2021, respectively.

NOTE H - 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 \$646,135 and \$639,738 at June 30, 2022 and 2021, 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 \$102,898 and \$129,742 at June 30, 2022 and 2021, respectively.

In July 2019 the Agency obtained a loan from a bank totaling \$75,000. The loan bears interest at 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 loan was paid in full in FY22. The balance due on this loan was \$55,651 at June 30, June 30, 2021.

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

2023	\$ 32,144
2024	678,279
2025	<u>38,610</u>
	<u>\$ 749,033</u>

HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE I - 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. The note was forgiven in the year ended June 30, 2022, and recognized as revenue on the statement of activities.

NOTE J - LEASE COMMITMENTS

The Agency has a noncancelable operating lease for its administrative offices and retail store in Lynnwood, Washington, which expires in August 2026; an operating lease for its retail store in Everett, Washington, which expires in February 2025 and may be terminated by the Agency upon six months' written notice; and a noncancelable operating lease for a third retail store located in Smokey Point, Washington, which expires in November 2026.

Rent expense is recognized on a straight-line basis and a related deferred rent liability is recorded. Rent expense under these leases was \$362,555 and \$387,980 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy expense.

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

2023	\$ 436,791
2024	448,334
2025	442,874
2026	420,423
2027	115,408
	<u>\$ 1,863,830</u>



HABITAT FOR HUMANITY OF SNOHOMISH COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2022 AND 2021

NOTE K - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2022 and 2021, the Agency made payments to Habitat for Humanity International and its Washington affiliate of \$28,000 and \$26,087, 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, 2022 and 2021, the Agency paid servicing fees to the affiliate of \$2,743 and \$2,743, respectively.