



FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

with

Independent Auditors' Report

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

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Independent Auditors' Report

The Board of Directors
Willamette West Habitat for Humanity, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Willamette West Habitat for Humanity, Inc. (Habitat), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 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 auditors' 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 Willamette West Habitat for Humanity, Inc. as of June 30, 2020 and 2019, 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.

Emphasis of a Matter

As discussed in *Note 1* to the financial statements, Willamette West Habitat for Humanity, Inc. has adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
November 5, 2020

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Statements of Financial Position

Years Ended June 30,	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,198,721	\$ 981,310
Certificate of deposit	207,409	205,102
Current portion of mortgages receivable (Note 2)	84,850	109,230
Current portion of pledge receivable (Note 3)	200,000	200,000
Other receivables	28,841	49,693
Current portion of prepaid expenses and deposits	23,094	12,804
Inventories (Note 4)	1,479,636	926,805
Total current assets	4,222,551	2,484,944
Mortgages receivable, net of current portion (Note 2)	1,184,637	1,773,328
Pledge receivable, net of current portion (Note 3)	193,332	389,969
Land held for development	1,510,616	1,573,045
Prepaid expenses and deposits, net of current portion	23,372	24,372
Property and equipment - net (Notes 5 and 6)	513,419	546,144
Total assets	\$ 7,647,927	\$ 6,791,802
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 120,180	\$ 118,172
Line of credit (Note 6)	250,000	-
Total liabilities	370,180	118,172
Commitment (Note 12)		
Net assets:		
Without donor restrictions	6,737,618	5,939,903
With donor restrictions (Note 8)	540,129	733,727
Total net assets	7,277,747	6,673,630
Total liabilities and net assets	\$ 7,647,927	\$ 6,791,802

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

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Sales - homes	\$ 969,003	\$ -	\$ 969,003
Amortization of discount on mortgages receivable	228,740	-	228,740
Contributions and grants <i>(Note 7)</i>	1,435,360	50,000	1,485,360
Donated services and materials	38,160	-	38,160
ReStore income <i>(Note 10)</i>	165,823	-	165,823
Repair program income	4,933	-	4,933
Gain on sale of mortgages receivable <i>(Note 2)</i>	417,824	-	417,824
Other income	6,978	-	6,978
Net assets released from restrictions <i>(Note 8)</i>	243,598	(243,598)	-
Net revenue, gains, and other support	3,510,419	(193,598)	3,316,821
Expenses:			
Program services	2,315,748	-	2,315,748
Supporting services:			
Fundraising	149,633	-	149,633
Management and general	247,323	-	247,323
Total supporting services	396,956	-	396,956
Total expenses	2,712,704	-	2,712,704
Increase (decrease) in net assets	797,715	(193,598)	604,117
Net assets, beginning of year	5,939,903	733,727	6,673,630
Net assets, end of year	\$ 6,737,618	\$ 540,129	\$ 7,277,747

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

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Sales - homes	\$ 1,037,260	\$ -	\$ 1,037,260
Amortization of discount on mortgages receivable	120,918	-	120,918
Contributions and grants	730,598	671,969	1,402,567
Donated services and materials	28,333	-	28,333
Special events:			
Gross revenue	187,433	8,617	196,050
Less direct cost of donor benefits	(53,379)	-	(53,379)
	134,054	8,617	142,671
ReStore income (Note 10)	247,262	-	247,262
Repair program income	27,491	-	27,491
Gain from sale of mortgages receivable (Note 2)	104,374	-	104,374
Other income - net	15,947	-	15,947
Net assets released from restrictions (Note 8)	130,848	(130,848)	-
Net revenue, gains, and other support	2,577,085	549,738	3,126,823
Expenses:			
Program services	2,218,524	-	2,218,524
Supporting services:			
Fundraising	120,851	-	120,851
Management and general	241,122	-	241,122
Total supporting services	361,973	-	361,973
Total expenses	2,580,497	-	2,580,497
Increase (decrease) in net assets	(3,412)	549,738	546,326
Net assets, beginning of year	5,943,315	183,989	6,127,304
Net assets, end of year	\$ 5,939,903	\$ 733,727	\$ 6,673,630

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

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Cost of homes sold	\$ 1,214,448	\$ -	\$ -	\$ 1,214,448
Discounts granted on mortgages receivable	315,517	-	-	315,517
Repair corps program	33,783	-	-	33,783
Indirect construction costs	39,348	-	-	39,348
Homebuyer recruitment and management	5,327	-	-	5,327
Volunteer recruitment and management	5,701	-	-	5,701
Donated services	-	-	26,671	26,671
Tithing (Note 10)	37,753	-	-	37,753
Playground expenses	47,916	-	-	47,916
Depreciation	17,437	6,975	10,461	34,873
Salaries, payroll taxes, and benefits	507,378	116,965	95,653	719,996
Stipend - AmeriCorps	15,352	-	-	15,352
Travel, education, and meals	10,588	773	2,692	14,053
Printing, mailing, and publications	1,290	8,322	-	9,612
Insurance	23,625	-	-	23,625
Professional fees	1,643	-	50,900	52,543
Bank and collection service fees	-	-	24,434	24,434
Occupancy	20,415	4,900	1,905	27,220
Promotions	-	3,912	-	3,912
Office expense	194	-	20,423	20,617
Fees and licenses	100	-	6,717	6,817
Dues to affiliates (Note 10)	17,672	-	-	17,672
Dues and subscriptions	-	2,901	1,154	4,055
Interest	-	-	3,192	3,192
Other expenses	261	4,885	3,121	8,267
	<u>\$ 2,315,748</u>	<u>\$ 149,633</u>	<u>\$ 247,323</u>	<u>\$ 2,712,704</u>

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

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Cost of homes sold	\$ 940,232	\$ -	\$ -	\$ 940,232
Discounts granted on mortgages receivable	445,289	-	-	445,289
Repair corps program	113,805	-	-	113,805
Indirect construction costs	54,948	-	-	54,948
Homebuyer recruitment and management	466	-	-	466
Volunteer recruitment and management	6,970	-	-	6,970
Donated services	3,034	-	10,193	13,227
Tithing (<i>Note 10</i>)	79,800	-	-	79,800
Playground expenses	35,403	-	-	35,403
Depreciation	15,188	6,075	9,113	30,376
Salaries, payroll taxes, and benefits	407,859	84,235	97,211	589,305
Stipend - AmeriCorps	18,950	-	-	18,950
Travel, education, and meals	15,095	2,107	4,628	21,830
Printing, mailing, and publications	4,672	7,535	-	12,207
Insurance	30,852	-	-	30,852
Professional fees	-	-	67,752	67,752
Bank and collection service fees	-	-	19,750	19,750
Occupancy	22,741	5,458	2,122	30,321
Promotions	-	3,039	-	3,039
Office expense	-	-	19,855	19,855
Fees and licenses	1,360	-	3,992	5,352
Dues to affiliates (<i>Note 10</i>)	19,204	-	-	19,204
Dues and subscriptions	-	285	4,943	5,228
Other expenses	2,656	12,117	1,563	16,336
	<u>\$ 2,218,524</u>	<u>\$ 120,851</u>	<u>\$ 241,122</u>	<u>\$ 2,580,497</u>

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

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Statements of Cash Flows

Years Ended June 30,	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 604,117	\$ 546,326
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	34,873	30,376
Discounts granted on mortgage receivable	315,517	445,289
Amortization of discount on mortgages receivable	(228,740)	(120,918)
Issuance of mortgages	(893,072)	(989,260)
Loss on sale of equipment	2,454	-
Gain from sale of mortgages receivable	(417,824)	(104,374)
Net change in:		
Mortgages receivable	202,483	269,959
Pledge receivable - net	196,637	(589,969)
Inventories and land held for development	(78,984)	164,209
Prepaid expenses and deposits	(9,290)	(3,936)
Other receivables	20,852	(3,920)
Accounts payable and accrued expenses	2,008	(29,893)
Deferred revenue	-	(45,049)
Net cash used by operating activities	(248,969)	(431,160)
Cash flows from investing activities:		
Net proceeds from sale of mortgages receivable	1,473,289	707,150
Repurchase of mortgage receivable	-	(88,974)
Addition to certificate of deposit	(2,307)	(205,102)
Proceeds from withdrawal of certificate of deposit	-	500,701
Purchases of property and equipment	(5,152)	(5,878)
Proceeds from sale of equipment	550	-
Net cash provided by investing activities	1,466,380	907,897
Net increase in cash and cash equivalents	1,217,411	476,737
Cash and cash equivalents, beginning of year	981,310	504,573
Cash and cash equivalents, end of year	\$ 2,198,721	\$ 981,310

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

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Statements of Cash Flows - Continued

Years Ended June 30,	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,192	\$ -
Supplemental disclosure of non-cash activities:		
Inventory acquired in exchange for outstanding mortgage receivable and proceeds from a line of credit	\$ 411,418	\$ 52,800

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

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

1. Significant Accounting Policies

Organization - Willamette West Habitat for Humanity, Inc. (Habitat) is a nonprofit organization incorporated in Oregon in 1989. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nonprofit, ecumenical, Christian organization dedicated to eliminating substandard housing worldwide and to making adequate, affordable shelter a matter of conscience and action.

Habitat is founded on the conviction that every man, woman, and child should have a simple, decent, affordable place to live in dignity and safety. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat voluntarily tithes 10 percent of donations, except those restricted by donor or grant, to Habitat International to support its global mission.

Habitat builds houses utilizing volunteer labor and donated materials, in addition to paid services and materials. The houses are sold to qualified homebuyers at no profit with non-interest bearing mortgages. Prospective homeowners must have a need for housing, the ability to pay the mortgage, and are required to contribute 500 sweat-equity hours into building homes or working in the local resale store, ReStore.

Habitat's activities are primarily focused in the suburbs west of Portland, Oregon (i.e., Beaverton, Aloha, and Hillsboro), but also cover Lake Oswego, West Linn, Tualatin, Sherwood, and other unincorporated areas of Washington County, Oregon (Washington County).

Habitat partners with two other Habitat affiliates in sharing the revenue generated by three ReStores operating in the Portland-metro area.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Habitat and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Amounts designated for specific purposes by the Board of Directors are reported as net assets without donor restrictions. Gifts of land, buildings, and equipment are recorded as net assets without donor restrictions unless the donor explicitly stipulates how the donated assets must be used or how long they must be held.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of Habitat and/or the passage of time.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Expenses - Expenses are reported as decreases in net assets without donor restrictions. 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. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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

Significant estimates made by management include the discounts on mortgages receivable and pledge receivable, the allowance for doubtful accounts, and depreciation expense (based on the estimated useful lives of the underlying assets).

Cash and Cash Equivalents - Habitat considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Inventories - Inventories consist of construction in process, completed homes available for sale, and construction supplies. All direct material, labor, and equipment costs are recorded as construction in process as they are incurred. Inventories are stated at the lower of cost or net realizable value for purchased items or at estimated fair market value at the date of donation for donated items (all determined on the first-in, first-out method).

Land Held for Development - Land held for development consists of purchased or donated land and is stated at the lower of cost or fair market for purchased land or at estimated fair market value at the date of donation for donated land. Land held for development is transferred to construction in process once construction activity has begun on the respective properties.

Certificate of Deposit and Other Investments - Certificates of deposit are recorded at cost plus accumulated interest, which approximates fair value. At times, Habitat receives donated stock from individuals. These investments are recorded at fair value based on quoted market prices upon receipt and are typically sold shortly thereafter.

Property and Equipment - Acquisitions of property and equipment over \$2,500 are capitalized. Property and equipment are recorded at cost, if purchased, and at estimated fair market value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 20 years for personal property, and 40 years for real property. Maintenance and repairs are charged to expense when incurred; major renewals and betterments are capitalized.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Warranties - Habitat provides a one year warranty on all of its homes. The warranty is generally for defects in materials and workmanship. Warranty costs are expensed when incurred and included in cost of homes sold. Total cost of warranty work for the years ended June 30, 2020 and 2019, was \$6,452 and \$638, respectively.

Revenue Recognition - Habitat recognizes contributions when cash, securities or other assets; an unconditional promise to give (including grants); or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Habitat reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net asset with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Sales to homeowners are recorded at the time a home is sold and title passes to a qualified homebuyer. The amount of home sale revenue recorded equals the total of the cash due to Habitat at the time of the sale and the face value of the non-interest-bearing mortgage receivable. Mortgages issued on or after July 1, 2018, have been discounted at various rates ranging from 3.16 percent to 4.64 percent, and rates ranging between 7.47 to 8.34 percent for mortgages issued prior to June 30, 2018. For years ended June 30, 2018, and thereafter, the rates were based on the Freddie Mac 30 year fixed-rate mortgage rates and for years prior to June 30, 2018, rates were provided by Habitat International and were based on market rate data for low-income housing. Discounts are amortized on a straight-line basis over the lives of the mortgages, and the amortization of mortgage discount is recognized as revenue.

In-kind Contributions - Contributions of donated, non-cash assets are recorded at their estimated fair value in the period received. For the years ended June 30, 2020 and 2019, the estimated amount of in-kind contributions for donated construction supplies amounted to \$11,489 and \$15,106, respectively.

Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation (such as engineering, electrical, plumbing, etc.) are recorded at their estimated fair values in the period received. The estimated value of such services (primarily legal and other professional services) recognized in the financial statements for the years ended June 30, 2020 and 2019, totaled \$26,671 and \$13,227, respectively.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

In-kind Contributions - Continued - A substantial number of volunteers donate significant amounts of their time to Habitat for general construction and office labor. However, as these services do not require specialized skills or materially enhance the value of nonfinancial assets, the value of such services is not recorded in the financial statements.

Receivables - The receivables of Habitat primarily consist of pledge receivable and mortgages receivable. Other receivables are recognized as goods or services are provided. For other receivables, management may recognize an allowance for doubtful accounts based on various factors, including past history and current economic conditions. Other receivables are written off when they are determined to be uncollectible and management has exhausted all reasonable collection efforts. No allowance was deemed necessary by management for other receivables at June 30, 2020 and 2019.

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. Habitat considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or Habitat may accept a deed in lieu of foreclosure where homeowner mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished in partnership with, and sold to, other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgages receivable at June 30, 2020 and 2019.

In connection with the issuance of the original non-interest bearing mortgages, in some cases Habitat also issues a silent second mortgage. These silent second mortgages represent the difference between the original mortgage and the appraised value of the home and are due to Habitat either in part or in full, if the homeowner does not comply with the terms of the original mortgage. The second mortgage is to protect the value of the collateral. At June 30, 2020 and 2019, Habitat has not recorded any receivables related to these silent second mortgages as management has determined that no triggering events have occurred that would require they be recognized in the financial statements.

Income Taxes - Habitat is exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, Habitat qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes Habitat does not have any uncertain tax positions. Habitat files informational returns. Habitat has not paid any interest or penalties related to its income tax positions, and there are currently no audits of any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been allocated among the programs and supporting services benefitted. The statement of functional expenses presents the natural classification detail of expenses by function. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy costs and depreciation, which are allocated on a square-footage basis, and salaries and related expenses which are allocated on the basis of estimated time and effort.

Adoption of New Accounting Standard - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Habitat has implemented the provisions of ASU 2018-08 in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with its implementation of ASU 2018-08.

Recent Accounting Pronouncement - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance under GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method, and will be effective for annual reporting periods beginning after December 15, 2019. Habitat is evaluating the impact that ASU 2014-09 will have on its financial statements and related disclosures. Habitat has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

2. Mortgages Receivable

Habitat directly finances all the homes it sells. Mortgages receivable consisted of the following as of June 30:

	2020	2019
Mortgages receivable at face value	\$ 2,508,710	\$ 4,035,190
Unamortized discounts	<u>(1,239,223)</u>	<u>(2,152,632)</u>
	<u>\$ 1,269,487</u>	<u>\$ 1,882,558</u>
 Current portion of mortgages receivable	 \$ 84,850	 \$ 109,230
Long-term portion of mortgages receivable	<u>1,184,637</u>	<u>1,773,328</u>
	<u>\$ 1,269,487</u>	<u>\$ 1,882,558</u>

Future collections on these mortgages, net of unamortized discounts are as follows as of June 30, 2020:

Years Ending June 30,	Amount
2021	\$ 84,850
2022	83,910
2023	83,429
2024	80,357
2025	78,017
Thereafter	<u>858,924</u>
	<u>\$ 1,269,487</u>

The current portion of mortgages receivable represents principal payments due within one year. Mortgage principal payments totaling \$2,232 were in arrears related to outstanding mortgages receivable totaling \$106,456 at June 30, 2020. A provision for impairment of mortgages receivable has not been recorded since Habitat holds the trust deed as security on the mortgages receivable.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

2. Mortgages Receivable - Continued

During the year ended June 30, 2020, mortgages receivable with a carrying value of \$1,003,073 (net of discounts) were sold without recourse for \$1,382,359. A gain of \$379,286 was recognized as a result of the sale. Also during the year ended June 30, 2020, one mortgage receivable with a carrying value of \$77,643 was sold and, at the same time, one mortgage with a carrying value \$25,251 was purchased. Net proceeds from this transaction totaled \$90,930 and a net gain of \$38,538 was recognized.

During the year ended June 30, 2019, mortgages receivable with a carrying value of \$602,776 (net of discounts) were sold without recourse for \$707,150. A gain of \$104,374 was recognized as a result of the sale.

3. Pledge Receivable

Habitat had unconditional promises to give expected to be collected as follows at June 30:

	2020	2019
Less than one year	\$ 200,000	\$ 200,000
One to five years	<u>200,000</u>	<u>400,000</u>
	400,000	600,000
Discount to present value (3 percent discount rate used)	<u>(6,668)</u>	<u>(10,031)</u>
	393,332	589,969
Less current portion	<u>(200,000)</u>	<u>(200,000)</u>
Long-term portion	<u><u>\$ 193,332</u></u>	<u><u>\$ 389,969</u></u>

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

4. Inventories

	2020	2019
Construction in process	\$ 994,995	\$ 899,462
Homes available for sale	466,297	-
Construction supplies	<u>18,344</u>	<u>27,343</u>
	<u>\$ 1,479,636</u>	<u>\$ 926,805</u>

Construction in process and homes available for sale reflect costs incurred to construct homes for program families. Once completed, the homes will be sold to qualified families, and the cost of homes sold will be recorded. At June 30, 2020, there were two homes available for sale and at June 30, 2019, there were no homes available for sale.

5. Property and Equipment - Net

	2020	2019
Building and improvements	\$ 675,060	\$ 677,002
Construction equipment	51,098	59,283
Office equipment	<u>15,131</u>	<u>12,145</u>
	741,289	748,430
Less accumulated depreciation	<u>(227,870)</u>	<u>(202,286)</u>
	<u>\$ 513,419</u>	<u>\$ 546,144</u>

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

6. Line of Credit

Habitat has a secured line of credit with Heritage Bank for borrowings up to \$250,000, bearing interest at the bank's prime rate plus 1.5 percent (4.75 percent at June 30, 2020). Draws on this line are secured by real property and improvements. This line of credit expires June 30, 2021. A balance of \$250,000 and \$-0- was outstanding on the line of credit at June 30, 2020 and 2019, respectively.

7. Paycheck Protection Program Revenue

On April 21, 2020, Habitat received loan proceeds of \$126,248 from Heritage Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied.

Habitat has elected to account for the loan as a grant that is recognized as revenue as qualifying expenses are incurred. Between April 21, 2020 and June 30, 2020, Habitat incurred qualifying expenses in excess of the PPP loan amount. As such, the entire PPP loan has been recognized as revenue for the year ended June 30, 2020, in the accompanying statement of activities as a component of contributions and grants.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Construction of homes	\$ 393,332	\$ 609,901
Land acquisition	50,000	-
Funds for playground	86,695	100,419
Other program support	10,102	23,407
	<u>\$ 540,129</u>	<u>\$ 733,727</u>

During the years ended June 30, 2020 and 2019, net assets of \$243,598 and \$130,848 were released from restrictions due to the specific actions of Habitat and/or the passage of time.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

9. Liquidity and Availability of Financial Assets

Habitat's financial assets available for general expenditure within one year of the statements of financial position date consist of the following:

	2020	2019
Cash and cash equivalents	\$ 2,198,721	\$ 981,310
Certificate of deposit	207,409	205,102
Current portion of mortgages receivable	84,850	109,230
Other receivables	<u>28,841</u>	<u>49,693</u>
Total financial assets available within one year	2,519,821	1,345,335
Less net assets with donor restrictions	<u>(146,797)</u>	<u>(143,758)</u>
	<u><u>\$ 2,373,024</u></u>	<u><u>\$ 1,201,577</u></u>

Habitat maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, Habitat has a line of credit through Heritage Bank for borrowings up to \$250,000.

10. Transactions with Affiliates

Habitat annually remits a portion of its contributions without donor restrictions (excluding in-kind contributions and grants) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$37,753 and \$79,800 for the years ended June 30, 2020 and 2019, respectively. In addition, Habitat paid dues to Habitat International and state affiliates of \$17,672 and \$19,204 for the years ended June 30, 2020 and 2019, respectively.

Habitat receives an allocation of net proceeds from the four resale stores operated by Habitat for Humanity Portland/Metro East. The total net proceeds from this activity paid to Habitat were \$165,823 and \$247,262 for the years ended June 30, 2020 and 2019, respectively.

WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

Notes to Financial Statements - Continued

11. Concentrations of Credit Risk

Financial instruments that potentially subject Habitat to concentration of risk consist primarily of cash and cash equivalents, certificate of deposit, and receivables. From time to time during the year, Habitat maintains cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. Mortgages receivable credit risk is limited through various monitoring procedures and liens placed on all homes.

At June 30, 2020 and 2019, the outstanding pledge receivable was due from one donor. For the year ended June 30, 2020, one donor accounted for 25 percent of total contributions and grants revenue. For the year ending June 30, 2019, one donor accounted for 43 percent of total contributions and grants revenue.

12. Retirement Plan

Habitat provides a SIMPLE IRA retirement plan for eligible employees. Habitat makes a matching contribution of eligible employee salary deferrals, up to a maximum of 3 percent of eligible compensation. For any calendar year, Habitat may elect to make a non-elective contribution equal to 2 percent of eligible compensation for each eligible employee instead of the matching contribution. For the years ended June 30, 2020 and 2019, Habitat's contributions toward employee retirement were \$9,201 and \$8,392, respectively.

13. Subsequent Events

Management has evaluated subsequent events through November 5, 2020, the date the financial statements were available to be issued.

As of November 5, 2020, the date the financial statements were available to be issued, the impact of COVID-19 on Habitat's operational and financial performance cannot be predicted. The extent of the impact will depend on certain developments, including the duration and spread of the outbreak and its effect on program participants, donors, and employees, all of which are uncertain. As such, the extent to which COVID-19 may impact Habitat's financial position and results of operations cannot be reasonably estimated at this time.

On August 24, 2020, Habitat signed a Fund Availability Reservation Letter from the State of Oregon securing an \$800,000 conditional LIFT grant for the development of the Alder Commons site in Hillsboro, Oregon.