

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
HFH of Douglas County, Minnesota, Inc.  
Alexandria, Minnesota

We have audited the accompanying financial statements of HFH of Douglas County, Minnesota, Inc. (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 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.

Board of Directors  
HFH of Douglas County, Minnesota, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HFH of Douglas County, Minnesota, Inc., 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
September 30, 2021

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 947,439	\$ 796,683
Accounts Receivable	24,250	12,000
Current Mortgages Receivable, Net of Current Discount	29,874	31,878
Pledges Receivable	75,214	47,926
Construction in Progress	786,054	323,427
Inventory	30,715	12,606
Prepaid Expenses	5,565	4,349
Total Current Assets	1,899,111	1,228,869
<b>MORTGAGES RECEIVABLE, Net of Current Portion and Discount</b>	323,585	485,597
<b>PROPERTY AND EQUIPMENT (at Cost)</b>		
Land	418,266	418,266
Building and Improvements	822,222	822,222
Equipment	96,075	84,053
Total Property and Equipment	1,336,563	1,324,541
Less: Accumulated Depreciation	(276,206)	(231,480)
Net Property and Equipment (at Depreciated Cost)	1,060,357	1,093,061
<b>OTHER ASSETS</b>		
Notes Receivable	5,691	8,184
Total Other Assets	5,691	8,184
Total Assets	\$ 3,288,744	\$ 2,815,711

See accompanying Notes to Financial Statements.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.  
STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
JUNE 30, 2021 AND 2020**

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 51,976	\$ 80,911
Payroll Liabilities	53,065	46,795
Accrued Expenses	29,607	12,489
PPP Loan	-	77,200
Current Long-Term Debt, Net of Discount	15,043	23,447
Total Current Liabilities	149,691	240,842
 <b>LONG-TERM DEBT, Net of Current Portion and Discount</b>	 268,825	 411,932
Total Liabilities	418,516	652,774
 <b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	2,465,228	1,757,937
Designated by the Board for Operating Reserve	375,000	375,000
Total Without Donor Restrictions	2,840,228	2,132,937
With Donor Restrictions	30,000	30,000
Total Net Assets	2,870,228	2,162,937
Total Liabilities and Net Assets	\$ 3,288,744	\$ 2,815,711

See accompanying Notes to Financial Statements.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Home Sales	\$ 889,381	\$ -	\$ 889,381	\$ 692,895	\$ -	\$ 692,895
ReStore Sales	332,270	-	332,270	241,540	-	241,540
Contributions and Grants	275,923	461,610	737,533	173,164	313,478	486,642
PPP Loan Forgiveness	77,200	-	77,200	-	-	-
Donated Materials	116,050	-	116,050	41,286	-	41,286
Contributed Services	61,587	-	61,587	55,880	-	55,880
Special Events	39,750	-	39,750	25,500	-	25,500
Interest Income	306	-	306	546	-	546
Mortgage Discount Revenue-Retired Loans	170,952	-	170,952	123,239	-	123,239
Mortgage Discount Amortization	36,070	-	36,070	44,997	-	44,997
Net Assets Released from Restrictions	461,610	(461,610)	-	287,136	(287,136)	-
Total Revenues and Support	2,461,099	-	2,461,099	1,686,183	26,342	1,712,525
<b>EXPENSES</b>						
Program Services:						
Affordable Housing Costs	1,377,819	-	1,377,819	1,191,186	-	1,191,186
ReStore	217,736	-	217,736	193,710	-	193,710
Total Program Services	1,595,555	-	1,595,555	1,384,896	-	1,384,896
Supporting Services:						
Management and General	73,920	-	73,920	70,511	-	70,511
Fundraising	84,333	-	84,333	31,777	-	31,777
Total Supporting Services	158,253	-	158,253	102,288	-	102,288
Total Expenses	1,753,808	-	1,753,808	1,487,184	-	1,487,184
<b>TOTAL CHANGE IN NET ASSETS</b>	707,291	-	707,291	198,999	26,342	225,341
Net Assets - Beginning of Year	2,132,937	30,000	2,162,937	1,933,938	3,658	1,937,596
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,840,228</u>	<u>\$ 30,000</u>	<u>\$ 2,870,228</u>	<u>\$ 2,132,937</u>	<u>\$ 30,000</u>	<u>\$ 2,162,937</u>

See accompanying Notes to Financial Statements.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

2021

	Program Services			Supporting Services		Total Expenses
	Affordable Housing Costs	The ReStore	Program Services Total	Management and General	Fundraising	
Bad Debts	\$ -	\$ -	\$ -	\$ 750	\$ -	\$ 750
Conferences and Conventions	3,217	-	3,217	-	-	3,217
Construction Costs	875,616	-	875,616	-	-	875,616
Depreciation	9,765	40,151	49,916	2,684	1,073	53,673
Dues and Subscriptions	1,308	1,474	2,782	-	-	2,782
Employee Benefits	14,286	6,483	20,769	2,076	1,866	24,711
Equipment Lease	3,774	1,065	4,839	-	-	4,839
Fees	5,971	9,961	15,932	841	661	17,434
Insurance	24,539	10,517	35,056	-	-	35,056
Interest	10,285	3,448	13,733	-	-	13,733
Loan Discount Amortization	15,840	-	15,840	-	-	15,840
Miscellaneous	5,382	-	5,382	2,980	-	8,362
Occupancy	7,929	11,737	19,666	-	-	19,666
Office Expenses	21,782	6,144	27,926	-	-	27,926
Payroll	226,922	102,978	329,900	32,969	29,638	392,507
Payroll Taxes	20,609	9,353	29,962	2,994	2,692	35,648
Postage and Shipping	2,927	437	3,364	130	874	4,368
Printing and Publications	5,613	838	6,451	251	1,675	8,377
Professional Fees	169	224	393	27,803	169	28,365
Public Relations	22,427	-	22,427	-	-	22,427
Repairs and Maintenance	5,104	6,961	12,065	-	-	12,065
Special Events	26,591	-	26,591	-	45,465	72,056
Supplies	25,012	2,210	27,222	442	220	27,884
Telephone	3,237	3,237	6,474	-	-	6,474
Tithe to Habitat For Humanity International, Inc.	37,308	-	37,308	-	-	37,308
Travel	2,206	518	2,724	-	-	2,724
<b>Total</b>	<b>\$ 1,377,819</b>	<b>\$ 217,736</b>	<b>\$ 1,595,555</b>	<b>\$ 73,920</b>	<b>\$ 84,333</b>	<b>\$ 1,753,808</b>

See accompanying Notes to Financial Statements.



**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

2020

	Program Services			Supporting Services		Total Expenses
	Affordable Housing Costs	The ReStore	Program Services Total	Management and General	Fundraising	
Bad Debts	\$ -	\$ -	\$ -	\$ 5,340	\$ -	\$ 5,340
Conferences and Conventions	2,421	-	2,421	-	-	2,421
Construction Costs	779,079	-	779,079	-	-	779,079
Depreciation	8,355	36,785	45,140	2,427	971	48,538
Dues and Subscriptions	2,017	2,274	4,291	-	-	4,291
Employee Benefits	12,116	5,787	17,903	2,036	1,363	21,302
Equipment Lease	3,591	1,013	4,604	-	-	4,604
Fees	6,528	7,809	14,337	785	522	15,644
Insurance	16,797	7,198	23,995	-	-	23,995
Interest	10,827	3,534	14,361	-	-	14,361
Loan Discount Amortization	15,840	-	15,840	-	-	15,840
Miscellaneous	-	-	-	1,889	-	1,889
Occupancy	7,620	10,030	17,650	-	-	17,650
Office Expenses	8,316	2,346	10,662	-	-	10,662
Payroll	197,009	94,084	291,093	33,095	22,155	346,343
Payroll Taxes	17,194	8,211	25,405	2,888	1,934	30,227
Postage and Shipping	2,387	356	2,743	107	713	3,563
Printing and Publications	6,324	944	7,268	283	1,888	9,439
Professional Fees	7,363	1,384	8,747	21,450	2,125	32,322
Public Relations	19,112	-	19,112	-	-	19,112
Repairs and Maintenance	5,631	7,681	13,312	-	-	13,312
Special Events	18,244	-	18,244	-	-	18,244
Supplies	11,753	1,055	12,808	211	106	13,125
Telephone	2,044	2,045	4,089	-	-	4,089
Tithe to Habitat For Humanity International, Inc.	25,614	-	25,614	-	-	25,614
Travel	5,004	1,174	6,178	-	-	6,178
<b>Total</b>	<b>\$ 1,191,186</b>	<b>\$ 193,710</b>	<b>\$ 1,384,896</b>	<b>\$ 70,511</b>	<b>\$ 31,777</b>	<b>\$ 1,487,184</b>

See accompanying Notes to Financial Statements.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributors and Grants	\$ 777,688	\$ 466,279
Cash Received from Sales and Special Events	1,263,365	914,405
Interest Received	306	546
Interest Paid	(13,733)	(14,361)
Cash Paid to Employees and Suppliers	(2,057,624)	(1,265,649)
Net Cash Provided (Used) by Operating Activities	(29,998)	101,220
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Principal Repayments From Homeowners	371,038	268,913
Purchases of Property and Equipment	(22,933)	(40,195)
Net Cash Provided by Investing Activities	348,105	228,718
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Short-Term Debt	-	77,200
Payments on Long-Term Debt	(167,351)	(45,034)
Net Cash Provided (Used) by Financing Activities	(167,351)	32,166
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	150,756	362,104
Cash and Cash Equivalents - Beginning of Year	796,683	434,579
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 947,439	\$ 796,683

See accompanying Notes to Financial Statements.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 707,291	\$ 225,341
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Amortization on Mortgage Discounts	(36,070)	(44,997)
Remaining Discount from Early Mortgage Payoffs - Receivable	(170,952)	(123,239)
Loss on Disposal of Equipment	1,964	-
Depreciation	53,673	48,538
Amortization on Note Discounts	15,840	15,840
Loan Forgiveness	(77,200)	-
(Increase) Decrease in Assets:		
Accounts Receivable	(12,250)	(435)
Pledges Receivable	(27,288)	(25,251)
Notes Receivable	2,493	5,323
Inventory	(18,109)	2,709
Construction in Progress	(462,627)	2,004
Prepaid Expenses	(1,216)	(1,455)
Increase (Decrease) in Liabilities:		
Accounts Payable	(28,935)	(20,591)
Payroll Liabilities	6,270	20,677
Accrued Expenses	17,118	(3,244)
Net Cash Provided (Used) by Operating Activities	\$ (29,998)	\$ 101,220
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and Equipment Purchased through Accounts Payable	\$ -	\$ 45,530

See accompanying Notes to Financial Statements.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Habitat for Humanity (HFH) of Douglas County, Minnesota, Inc. (the Organization) was incorporated January 31, 1997. The Organization is an affiliate of Habitat for Humanity International, Inc., an ecumenical Christian ministry that builds with people in need of decent, affordable housing regardless of race or religion, and welcomes volunteers and supporters from all backgrounds. The Organization seeks to help homeowners achieve the strength, stability, and independence they need to build a better life for themselves and their families. The Organization is supported primarily through donor contributions.

May 1, 2014, the Organization opened the ReStore. The ReStore is a nonprofit home improvement store/donation center that sells new and gently used building materials, furniture, and appliances. Profits support the construction of affordable housing in Douglas County.

**Financial Statement Presentation**

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. Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Designated amounts represent those revenues which the board has set aside for a particular purpose. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the nonprofit Organization. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Method of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Policy of the Habitat for Humanity International Affiliate Operations Manual.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers all liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of the following:

	2021	2020
Cash in Checking	\$ 872,435	\$ 596,675
Cash in Savings	75,004	200,008
Total Cash and Cash Equivalents	\$ 947,439	\$ 796,683

The Organization maintains its cash balances at local financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times the balance may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

**Inventory**

Inventory includes items held for sale or to use for construction and are valued at cost for purchased items or fair market value for donated items which is determined at the time of donation. Inventory consists of the following:

	2021	2020
Building Materials	\$ 30,715	\$ 12,606
Total Inventory	\$ 30,715	\$ 12,606

**Property and Equipment**

Property and equipment additions over \$2,500 are recorded at cost except those involving donations. Donated items are recorded at their estimated fair market value at the time of donation. Maintenance and repairs are charged to expense. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation expense for the years ended June 30, 2021 and 2020 was \$53,673 and \$48,538, respectively.

**Impairment or Disposal of Long-Lived Assets**

The Organization follows standards for, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2021.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pledges Receivable**

Unconditional promises to give are recognized as assets and revenue in the period in which the pledges are made. Pledges receivable are normally expected to be collected within one year and are uncollateralized. The Organization expects to collect all pledges, therefore, no allowance for uncollectible pledges has been accrued.

**Mortgages Receivable**

Mortgages receivable balances represent the amount charged to the homeowners for Habitat houses built and are to be paid back over an established and mutually agreed period of time. These mortgages are typically paid back on a monthly basis. At the same time the first mortgage is signed, a second lien mortgage is executed by the homeowner, reflecting the difference between the purchase price and the fair market value of the house. This second mortgage, also known as a "silent mortgage," is a legal document executed for protection against homeowners who may sell their house for a profit before the mortgage is paid off and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage.

The Organization's mortgages are noninterest-bearing and have been discounted to present value based upon prevailing market rates for low-income housing at the inception of the mortgages. Habitat For Humanity International, Inc. (HFHI) develops a discount rate once a year on June 30. The difference between the face amount of the mortgage and its present value is accounted for as a discount that is recorded on the statement of financial position as a contra account to Mortgages Receivable and amortized over the life of the mortgage using the straight-line method. The effect of discounting on the financial statements results in Mortgages Receivable being reduced by the discount amount as the expense is increased. HFHI recommends that mortgage discounts be charged as a program services expense to a Mortgage Discount Expense account and each year a ratable amount of the discount be amortized to a Mortgage Discount Amortization revenue account. For practical purposes, delinquent or prepaid mortgage payments are not adjusted in the annual amortization. However, mortgage payoffs or foreclosures do result in the remaining Unamortized Discount balance being closed and recorded to a Mortgage Discount Revenue account.

The Organization's policy for determining when mortgages are past due or delinquent is based on how recently payments have been received. Mortgages are considered past due 15 days after the due date.

**Construction in Progress and Land Held for Development**

Construction in progress and land held for development are stated at cost and include land under development, property taxes, and direct costs of housing construction. Indirect costs of housing construction are allocated when the house is complete.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Notes Payable**

Notes payable are at -0-% or below market interest rates and are discounted to net present value. These notes are secured by noninterest-bearing mortgages receivable that have also been discounted. The difference between the face amount of the note and its present value is accounted for as a discount and is amortized over the life of the note.

**Home Sales**

Homes are sold to qualified buyers at approximately the cost to build the home. Noninterest-bearing mortgages are accepted as payment for the homes sold. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages and revenue is recognized upon closing. Noninterest-bearing mortgages have been discounted at various rates based upon prevailing market rates for low-income housing at the inception of the mortgages. See Note 4. Revenue is recognized upon the home closing date.

**ReStore Sales**

ReStore income is recognized at a point in time when the item is sold. There is only a single performance obligation and the transaction price is the price listed within the ReStore.

**Contributions**

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Contributions with donor restrictions are recorded as increases in net assets with donor restrictions as appropriate. When a time restriction is met or a purpose restriction 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 restriction.

**Functional Allocation of Expenses**

The cost of providing various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on specific identification and time studies. Other expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

**Line of Credit**

The Organization has an unsecured \$200,000 line of credit at a local bank with an interest rate of 6.5%, which matures on February 1, 2023. The Organization had no outstanding balances on the line of credit as of June 30, 2021 and 2020.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

HFH of Douglas County, Minnesota, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no expense has been recognized for income taxes in the accompanying financial statements. The Organization is not a private foundation and contributions to the Organization qualify as charitable deductions by the contributor.

The Organization follows the income tax standard for uncertain tax positions. The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2021 and 2020.

**Contributed Services**

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require specialized skills. However, certain other contributed services that require specialized skills, were provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation, are recognized as revenue and expense. Such amounts, which are included in the statements of activities, are as follows:

	2021			2020		
	Affordable Housing	Management and General	Total	Affordable Housing	Management and General	Total
Professional Services	\$ -	\$ 33,183	\$ 33,183	\$ -	\$ 9,885	\$ 9,885
Construction Costs	28,404	-	28,404	45,995	-	45,995
Total	<u>\$ 28,404</u>	<u>\$ 33,183</u>	<u>\$ 61,587</u>	<u>\$ 45,995</u>	<u>\$ 9,885</u>	<u>\$ 55,880</u>

**Change in Accounting Principle**

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (*Topic 606*). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning on July 1, 2020 using a modified retrospective approach. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.



**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 30, 2021, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Habitat for Humanity of Douglas County structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat for Humanity of Douglas County maintains a line of credit in the amount of \$200,000 which can be drawn upon. Further, Habitat for Humanity of Douglas County maintains an operating reserve included as part of cash and cash equivalents on the accompanying statements of financial position.

Habitat for Humanity of Douglas County's financial assets due within one year of the statements of financial position date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 947,439	\$ 796,683
Accounts Receivable	24,250	12,000
Current Maturities of Mortgages Receivable	29,874	31,878
Current Maturities of Pledges Receivable	<u>75,214</u>	<u>47,926</u>
Total Financial Assets	1,076,777	888,487
Donor-imposed Restrictions:		
Funds Subject to Purpose Restrictions	<u>(30,000)</u>	<u>(30,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 1,046,777</u>	<u>\$ 858,487</u>

**NOTE 3 PLEDGES RECEIVABLE**

Pledges Receivable were due as follows:

	<u>2021</u>	<u>2020</u>
Unconditional Promise to Give Expected to be Collected in:		
Less Than One Year	<u>\$ 75,214</u>	<u>\$ 47,926</u>
Total Unconditional Promises to Give	<u>\$ 75,214</u>	<u>\$ 47,926</u>

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
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**NOTE 4 MORTGAGES RECEIVABLE**

It is the Organization's policy to sell completed houses to individuals under payment terms that require no interest. Accounting principles generally accepted in the United States of America require that such transactions be discounted to more closely reflect current economic conditions.

These mortgages have been discounted to reflect interest at rates ranging from 7.23% to 8.48% as follows:

	<u>2021</u>	<u>2020</u>
Noninterest-Bearing Mortgages Receivable	\$ 817,940	\$ 1,188,978
Less: Current Portion of Mortgages Receivable	(62,838)	(81,630)
Less: Unamortized Mortgage Discount	(464,481)	(671,503)
Adjust for Current Portion of Unamortized Mortgage Discount	<u>32,964</u>	<u>49,752</u>
Mortgages Receivable, Net of Current Portion and Discount	<u>\$ 323,585</u>	<u>\$ 485,597</u>

As of June 30, 2021 and 2020, mortgages receivable (net of discount) of \$138,192 and \$194,140, respectively, are pledged as collateral for the Organization's notes payable. Management believes mortgages receivable to be fully collectible; therefore, no allowance has been recorded.

**NOTE 5 LONG-TERM DEBT**

As of June 30, 2021 and 2020, long-term debt consists of the following:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Notes payable to Habitat for Humanity of Minnesota in monthly installments through March 2038 - stated rates of 0-3% interest, effective rates 7.39% to 8%; secured by mortgages receivable.	\$ 452,030	\$ 482,142
Mortgage payable - bank, 59 monthly installments of \$1,117 with interest calculated on the unpaid principal balances at 3.125% beginning January 1, 2018 and a balloon payment of \$115,822 due December 1, 2022; secured by real estate.	<u>-</u>	<u>137,239</u>
Total Long-Term Debt	452,030	619,381
Less: Current Portion of Long-Term Debt	(30,883)	(39,287)
Less: Unamortized Loan Discount	(168,162)	(184,002)
Adjust for Current Portion of Unamortized Loan Discount	<u>15,840</u>	<u>15,840</u>
Long-Term Debt, Net of Current Portion and Discount	<u>\$ 268,825</u>	<u>\$ 411,932</u>

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Future principal payments are as follows:

Fiscal Year Ending June 30,	Amount
2022	\$ 30,883
2023	30,956
2024	31,757
2025	32,336
2026	32,931
Thereafter	293,167
Total	\$ 452,030

**NOTE 6 CONDITIONAL PROMISES TO GIVE**

During the year ended June 30, 2021, the Organization received four promises to give totaling \$329,717 that contained donor conditions. Since these are conditional promises to give, they are not recorded as contribution revenue until the donor conditions are met. During 2021, some of the conditions were met and payment of \$149,613 was received and recognized as revenue.

On July 2019 and October 2019, the Organization received two promises to give totaling \$284,769 that contained donor conditions. Since these are conditional promises to give, they are not recorded as contribution revenue until the donor conditions are met. During 2020, some of the conditions were met and payment of \$130,841 was received and recognized as revenue.

**NOTE 7 RELATED PARTY TRANSACTIONS**

As summarized in Note 5, the Organization has notes payable due to Habitat for Humanity of Minnesota, Inc., an affiliate, of \$452,030 and \$482,143 for the years ended June 30, 2021 and 2020, respectively. The Organization also pays an annual fee of \$100 per home closed on during each year to Habitat for Humanity of Minnesota, Inc. The annual fee paid during 2021 and 2020 were \$400 and \$300, respectively.

The Organization contributes 10% of its contributions without donor restrictions (excluding in-kind contributions) to Habitat for Humanity International, Inc. for their international housing programs. Contributions for the years ended June 30, 2021 and 2020 were \$37,308 and \$25,614, respectively. The Organization also pays an annual fee of \$1,500 to Habitat for Humanity International, Inc.

**HFH OF DOUGLAS COUNTY, MINNESOTA, INC.**  
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**NOTE 8 NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or time specified by the donors as follow for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions	\$ 461,610	\$ 287,136
Total Released Net Assets With Donor Restrictions	<u>\$ 461,610</u>	<u>\$ 287,136</u>

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions:		
Brandon House	\$ 30,000	\$ 30,000
Total Net Assets With Donor Restrictions	<u>\$ 30,000</u>	<u>\$ 30,000</u>

**NOTE 10 COMMITMENTS**

The Organization offers a 10-year warranty on homes upon completion of construction at which they are liable for any costs related to items that fall under the warranty.

**NOTE 11 PAYCHECK PROTECTION LOAN**

In response to COVID-19, on April 10, 2020, the Organization received a loan from Bremer Bank in the amount of \$77,200 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum. On June 2, 2021, the U.S. Small Business Administration approved the forgiveness of the full outstanding PPP Loan balance of \$77,200.

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