

CENTRAL MINNESOTA HABITAT FOR HUMANITY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Minnesota Habitat for Humanity
St. Cloud, Minnesota

We have audited the accompanying financial statements of Central Minnesota Habitat for Humanity (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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
Central Minnesota Habitat for Humanity

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Minnesota Habitat for Humanity 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
October 15, 2020

CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 85,911	\$ 48,958
Accounts Receivable	143	130
Current Maturities of Pledges Receivable	11,530	23,206
Current Maturities of Mortgages Receivable	97,072	82,295
Construction in Progress	471,167	570,476
Inventory	6,977	10,327
Homeowner Escrows	29,566	19,538
Prepaid Expenses	5,117	13,133
Total Current Assets	707,483	768,063
MORTGAGES RECEIVABLE, Net of Current Portion and Discount	2,197,912	2,182,812
PROPERTY AND EQUIPMENT		
Equipment	22,093	32,792
Vehicles	8,499	8,499
Total Property and Equipment	30,592	41,291
Less: Accumulated Depreciation	(28,657)	(38,190)
Total Property and Equipment (at Depreciated Cost)	1,935	3,101
OTHER ASSETS		
Pledges Receivable, Net of Current Portion and Discount	5,522	14,377
Real Estate Available for Sale	583,932	580,460
Refundable Deposits	-	1,661
Total Other Assets	589,454	596,498
Total Assets	\$ 3,496,784	\$ 3,550,474

See accompanying Notes to Financial Statements.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019**

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 33,575	\$ 28,052
Accrued Payroll Liabilities	40,332	36,669
Homeowner Escrows	29,566	19,538
PPP Loan	84,763	-
Short-Term Debt	49,819	55,209
Current Maturities of Long-Term Debt	93,380	86,584
Total Current Liabilities	331,435	226,052
 Long-Term Debt, Net of Current Maturities and Discount	 1,329,452	 1,207,052
 Total Liabilities	 1,660,887	 1,433,104
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,772,303	2,026,152
With Donor Restrictions	63,594	91,218
Total Net Assets	1,835,897	2,117,370
 Total Liabilities and Net Assets	 \$ 3,496,784	 \$ 3,550,474

See accompanying Notes to Financial Statements.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
		Total		Total
REVENUES AND SUPPORT				
Home Sales	\$ 463,200	\$ 463,200	\$ 297,128	\$ 297,128
Grants and Contributions	205,139	465,470	147,748	330,258
In-Kind Donations	107,184	107,184	94,398	94,398
Special Events	79,228	79,228	94,312	94,312
Mortgage Discount Amortization	232,824	232,824	301,861	301,861
Mortgage Discount Revenue-Retired Loans	30,950	30,950	28,490	28,490
Loan Discount Revenue - New Loans	74,657	74,657	121,210	121,210
Other Income	1,273	1,273	1,186	1,186
Released from Restrictions	287,955	(287,955)	164,143	(164,143)
Total Revenues and Support	<u>1,482,410</u>	<u>1,454,786</u>	<u>1,250,476</u>	<u>1,268,843</u>
EXPENSES				
Program Services:				
Affordable Housing Costs	1,440,550	1,440,550	1,014,880	1,014,880
Total Program Services	<u>1,440,550</u>	<u>1,440,550</u>	<u>1,014,880</u>	<u>1,014,880</u>
Supporting Services:				
Management and General	138,962	138,962	131,937	131,937
Fundraising	156,747	156,747	157,617	157,617
Total Supporting Services	<u>295,709</u>	<u>295,709</u>	<u>289,554</u>	<u>289,554</u>
Total Expenses	<u>1,736,259</u>	<u>1,736,259</u>	<u>1,304,434</u>	<u>1,304,434</u>
TOTAL CHANGE IN NET ASSETS	<u>(253,849)</u>	<u>(281,473)</u>	<u>(53,958)</u>	<u>(35,591)</u>
Net Assets - Beginning of Year	2,026,152	2,117,370	2,080,110	2,152,961
NET ASSETS - END OF YEAR	<u>\$ 1,772,303</u>	<u>\$ 1,835,897</u>	<u>\$ 2,026,152</u>	<u>\$ 2,117,370</u>

See accompanying Notes to Financial Statements.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	2020			
	Program Services	Management and General	Supporting Services	Total
	Affordable Housing Costs	General	Fundraising	Expenses
Community Awareness	\$ 12,319	-	\$ 14,128	\$ 26,447
Computer and Internet	12,404	3,101	5,168	20,673
Construction Costs	6,233	14	23	6,270
Cost of Homes Sold	673,333	-	-	673,333
Depreciation	700	175	291	1,166
Dues and Subscriptions	1,551	388	646	2,585
Fees and Licenses	49,880	12,470	20,784	83,134
Insurance	15,658	3,914	6,524	26,096
Interest	26,881	6,720	11,200	44,801
Miscellaneous	2,030	507	846	3,383
Mortgage Discount Expense - New Mortgages Issued	251,051	-	-	251,051
Payroll	268,168	81,964	52,711	402,843
Payroll Taxes	22,919	7,005	4,505	34,429
Postage and Freight	1,435	358	598	2,391
Printing and Publications	14,391	3,598	5,996	23,985
Professional Fees	29,882	7,470	12,451	49,803
Rent	28,692	7,173	11,955	47,820
Retirement	5,151	1,574	1,013	7,738
Special Events	-	-	3,692	3,692
Supplies	1,365	341	569	2,275
Telephone	5,203	1,301	2,167	8,671
Tithe to Habitat For Humanity International, Inc.	7,750	-	-	7,750
Training and Conferences	967	242	402	1,611
Travel	2,587	647	1,078	4,312
Total Functional Expenses	\$ 1,440,550	\$ 138,962	\$ 156,747	\$ 1,736,259

See accompanying Notes to Financial Statements.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	2019			
	Program Services	Supporting Services		Total
	Affordable Housing Costs	Management and General	Fundraising	
Community Awareness	\$ 24,791	-	\$ 13,182	\$ 37,973
Computer and Internet	13,690	3,423	5,704	22,817
Construction Costs	9,188	-	-	9,188
Cost of Homes Sold	372,673	-	-	372,673
Depreciation	700	175	291	1,166
Dues and Subscriptions	1,134	283	473	1,890
Fees and Licenses	34,123	8,531	14,218	56,872
Insurance	13,633	3,408	5,680	22,721
Interest	25,707	6,427	10,711	42,845
Miscellaneous	3,075	768	1,280	5,123
Mortgage Discount Expense - New Mortgages Issued	155,010	-	-	155,010
Payroll	239,697	78,400	45,537	363,634
Payroll Taxes	20,417	6,678	3,879	30,974
Postage and Freight	1,759	439	733	2,931
Printing and Publications	14,851	3,712	6,188	24,751
Professional Fees	35,068	8,767	14,612	58,447
Rent	27,369	6,842	11,404	45,615
Retirement	4,742	1,551	901	7,194
Special Events	-	-	18,603	18,603
Supplies	1,210	303	504	2,017
Telephone	3,833	958	1,597	6,388
Tithe to Habitat For Humanity International, Inc.	7,125	-	-	7,125
Training and Conferences	1,559	390	650	2,599
Travel	3,526	882	1,470	5,878
Total Functional Expenses	\$ 1,014,880	\$ 131,937	\$ 157,617	\$ 1,304,434

See accompanying Notes to Financial Statements.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributors and Grants	\$ 475,960	\$ 369,579
Cash Received from Sales and Special Events	525,274	630,347
Interest Paid	(44,801)	(42,845)
Cash Paid to Employees and Suppliers	(1,168,431)	(1,268,474)
Net Cash Used by Operating Activities	(211,998)	(311,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP Loan	84,763	-
Payments on Short-Term Debt	(90,153)	(5,390)
Proceeds from Long-Term Debt	400,000	417,684
Payments on Long-Term Debt	(145,659)	(219,143)
Net Cash Provided by Financing Activities	248,951	193,151
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,953	(118,242)
Cash and Cash Equivalents - Beginning of Year	48,958	167,200
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 85,911	\$ 48,958

See accompanying Notes to Financial Statements.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (281,473)	\$ (35,591)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	1,166	1,166
Mortgages Issued to Homeowners	(463,200)	(297,128)
Discount on Mortgages Receivable Originated	251,051	155,010
Accretion of Discounts on Mortgages Receivable	(232,824)	(301,861)
Discount on Long-Term Debt Originated	(74,657)	(121,210)
Amortization of Discounts on Long-Term Debt	34,275	31,118
Effect of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(13)	40
Pledges Receivable	20,531	35,268
Inventory	3,350	1,489
Construction in Progress	99,309	(420,246)
Homeowner Escrows - Assets	(10,028)	4,013
Mortgages Receivable	415,096	507,545
Prepaid Expenses	8,016	(7,546)
Real Estate Available for Construction	-	685,752
Real Estate Available for Sale	(3,472)	(547,686)
Refundable Deposits	1,661	-
Accounts Payable	5,523	(9,021)
Accrued Payroll Liabilities	3,663	11,508
Homeowner Escrows - Liabilities	10,028	(4,013)
Net Cash Used by Operating Activities	\$ (211,998)	\$ (311,393)

See accompanying Notes to Financial Statements.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Central Minnesota Habitat for Humanity (the Organization) is a 501 (c)(3) charitable organization and was incorporated in 1988 under the laws of the state of Minnesota and governed by a board of directors. The Organization became affiliated with Habitat for Humanity International in 1989. The Organization works with selected families and communities to build or renovate homes for qualifying families in need. The Organization provides the qualified families with a mortgage on their home.

The Organization closed its ReStore, a nonprofit home improvement store/donation center that sold new and gently used building materials, furniture, and appliances in September 2017.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. 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:

Without Donor Restrictions – Resources over which the board of directors (the board) has discretionary control. Designated amounts, if any, represent those revenues which the board has set aside for a particular purpose. There were no designated amounts for the years ended June 30, 2020 and 2019.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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.

Those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization. Generally, the donors of these resources permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization has no permanently restricted net assets.

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.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 cash held in checking, savings, and money market accounts.

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 to be 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.

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 both the years ended June 30, 2020 and 2019 was \$1,166.

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 2020.

Escrow Funds

Escrow funds include amounts set aside by the homeowners to pay for various costs of home ownership including insurance and real estate taxes.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 uncollateralized. The Organization expects to collect all pledges; therefore, no allowance for uncollectible pledges has been recorded.

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. In certain circumstances, 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 statements 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 one day after the due date, and a late fee is charged after 10 days.

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.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Available for Sale

The Organization has various real estate available for sale at both June 30, 2020 and 2019. The assets are recorded at the lower of the carrying amount of the asset or the fair value less cost to sell.

Notes Payable

Certain 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 fair market value. 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.

Contributions

All contributions are considered available for general 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 statements 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 statements 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.

Income Taxes

Central Minnesota Habitat for Humanity 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, 2020 and 2019.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services

A substantial number of volunteers have made significant contributions of goods as well as 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:

	2020	2019
Land, Buildings, and Equipment	\$ 92,559	\$ 63,855
Professional Services	5,245	10,955
Materials and Supplies	8,484	5,300
Community Awareness	896	14,288
Total Donated Goods and Services	\$ 107,184	\$ 94,398

Change in Accounting Principle

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*. The amendments in this update defer, for one year, the required effective date of Topic 606 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 606. As the Organization had not issued their financial statements as of the date of this ASU, they elected to defer and adopt the guidance for Topic 606 for annual reporting periods beginning after July 1, 2020.

For the year ended June 30, 2020, the Organization adopted FASB ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists Organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 15, 2020, the date the financial statements were available to be issued.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 85,911	\$ 48,958
Accounts Receivable	143	130
Current Maturities of Pledges Receivable	11,530	23,206
Current Maturities of Mortgages Receivable	97,072	82,295
Total	\$ 194,656	\$ 154,589

The Organization receives significant contributions and promises to give restricted by donors, and consider contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity practice to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a practice to target a year-end balance of reserves of undesignated net assets without donor restrictions to meet a minimum of 15 to 30 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows weekly, monitors its liquidity, and its reserves quarterly. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves was managed within these practice requirements.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable are due as follows:

	2020	2019
Unconditional Promise to Give Expected to be Collected in:		
Less: Than One Year	\$ 11,530	\$ 23,206
One to Five Years	6,700	17,015
More Than Five Years	-	-
Total Pledges Receivable	18,230	40,221
Less: Discount to Net Present Value	1,178	2,638
Total Unconditional Promises to Give	\$ 17,052	\$ 37,583

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 MORTGAGES RECEIVABLE

It is the Organization's policy to sell completed houses to individuals under payment terms that require no interest. U.S. generally accepted accounting principles 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 6.0% to 9.0% as follows:

	2020	2019
Mortgages Receivable	\$ 4,414,638	\$ 4,366,340
Less: Imputed interest	2,119,654	2,101,233
Less: Current Portion of Mortgages Receivable	97,072	82,295
Long-Term Mortgages, Net of		
Current Portion and Discount	\$ 2,197,912	\$ 2,182,812

As of June 30, 2020, mortgages receivable (net of discount) of \$2,199,517, are pledged as collateral for the Organization's notes payable. Management believes mortgages receivable to be fully collectible; therefore, no allowance has been recorded.

All mortgages are secured by liens on the homes sold. In certain circumstances, at the time the homes are sold, the Organization also receives a second mortgage plus a deed restriction from each qualifying new homeowner for an amount equal to the difference between the market value and the first mortgage less closing costs. The second mortgage requires no payment and is collectible only in the event the property is sold or refinanced prior to paying off the first mortgage. The second mortgage is fully forgiven once the first mortgage is paid in full. The deed restriction is reduced on a monthly prorated basis over the first five years. The receivables for the second mortgage and the deed restriction are not shown on the statements of financial position as an asset since they are not expected to be realized.

NOTE 5 RISKS AND UNCERTAINTIES

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results, including restrictions on the Organization by the governor, additional costs to the Organization, investment performance, and potential loss of revenue due to reduction in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

In response to COVID-19, the Organization received a loan in the amount of \$84,763 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 LONG-TERM DEBT

As of June 30, 2020 and 2019, long-term debt consists of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Note payable to Habitat for Humanity of Minnesota in monthly installments of \$9,649, maturity dates from September 2020 through December 2044 - interest rate of 0.0%, secured by mortgages receivable.	\$ 1,823,084	\$ 1,638,299
Note payable to Habitat for Humanity of Minnesota in monthly installments of \$449 through October 2034 - interest rate of 2.25%, secured by pledged loans, homewoner notes, and mortgages receivable.	65,979	69,836
Note payable to Habitat for Humanity of Minnesota in monthly installments ranging from \$242-\$497 through January 2040 - interest rate of 3.0%, secured by pledged loans, homeowner notes, and mortgages receivable.	176,328	183,841
Note payable to Habitat for Humanity of Minnesota in monthly installments of \$554 through January 2020 - interest rate of 3.0%, secured by homeowner notes and mortgages receivable.	-	3,837
Total Long-Term Debt	<u>2,065,391</u>	<u>1,895,813</u>
Less: Current Portion of Long-Term Debt	93,380	86,584
Less: Imputed Interest	<u>642,559</u>	<u>602,177</u>
Long-Term Debt, Net of Current Portion	<u>\$ 1,329,452</u>	<u>\$ 1,207,052</u>

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 LONG-TERM DEBT (CONTINUED)

Future principal payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 93,380
2022	93,705
2023	94,039
2024	89,924
2025	84,416
Thereafter	<u>1,609,927</u>
Total	<u><u>\$ 2,065,391</u></u>

NOTE 7 SHORT-TERM DEBT

The Organization has a short-term debt with a bank for \$49,819 and \$55,209 at June 30, 2020 and 2019, respectively. The unpaid balance under the loan is collateralized by land and a mortgage and bears interest at a variable rate equal to the prime rate with a floor of 5.75% per annum. The outstanding balance was due August, 2020. Subsequent to the Organization's year-end but prior to the issuance of the financial statements, the short-term debt was extended to August, 2021.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

The Organization has the following net assets with donor restrictions:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions	\$ 46,542	\$ 53,636
Time Restrictions	<u>17,052</u>	<u>37,582</u>
Total Released Net Assets With Donor Restrictions	<u><u>\$ 63,594</u></u>	<u><u>\$ 91,218</u></u>

Net assets released from restriction were \$287,955 and \$164,143 for the years ended June 30, 2020 and 2019, respectively.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 RELATED PARTY TRANSACTIONS

As summarized in Note 5, the Organization has notes payable due to Habitat for Humanity of Minnesota, Inc., an affiliate, of \$2,065,391 and \$1,895,813 for the years ended June 30, 2020 and 2019, respectively. The Organization also paid annual fees and licenses of \$35,930 and \$41,800 in 2020 and 2019, respectively, to Habitat for Humanity of Minnesota, Inc.

The Organization contributes 10% of its Thrivent grant income to Habitat for Humanity International, Inc. for their international housing programs. Contributions for the years ended June 30, 2020 and 2019 were \$7,750 and \$7,125, respectively. The Organization also pays an annual fee of \$15,000 to Habitat for Humanity International, Inc.

The Organization also had contribution revenue of \$22,307 and \$28,592 from Habitat for Humanity Minnesota, Inc. and Habitat for Humanity International, Inc., respectively. The Organization had grant revenue of \$9,900 and \$1,000 from Habitat for Humanity Minnesota, Inc. and Habitat for Humanity International, Inc., respectively.

NOTE 10 OPERATING LEASE

The Organization leases its office building under an operating lease which originally expired in January 2018. In 2018, the Organization extended the lease for an additional five years through January 2023. Rent expense was \$41,820 and \$39,615 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 41,820
2022	41,820
2023	24,395
Total	<u>\$ 108,035</u>

NOTE 11 RETIREMENT PLAN

The Organization has a SIMPLE plan covering all employees who qualify as to age and length of service. The plan is a defined contribution plan, with all contribution amounts (if any) determined by management. Contributions to the plan total \$7,738 and \$7,194 for the years ended June 30, 2020 and 2019, respectively.

NOTE 12 COMMITMENTS

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