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St. Croix Valley Habitat for Humanity

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022 AND 2021

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.

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JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Croix Valley Habitat for Humanity, Inc.

Opinion
We have audited the accompanying financial statements of St. Croix Valley Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Croix Valley Habitat for Humanity, Inc. as of June 30, 2022 and 2021, 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.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
January 16, 2023

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	JUNE 30, 2022	JUNE 30, 2021
ASSETS		
Cash and cash equivalents	$ 410,963	$ 416,941
Assets limited to use - escrow accounts	60,919	74,103
Accounts receivable	-	2,164
A Brush With Kindness receivable	5,468	5,593
Promises to give, net	-	500
Security deposits	3,300	1,500
Prepaid expenses	4,645	3,641
Land held for future use	299,804	120,104
Property and equipment, net	3,792	2,573
Homes under construction	91,055	65,008
Mortgage receivables, net of of unamortized discount	301,675	314,835
TOTAL ASSETS	**$ 1,181,621**	**$ 1,006,962**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 22,375	$ 30,743
Escrow accounts payable	60,919	74,803
Accrued expenses	16,931	10,594
Notes payable, net of discounts	114,349	145,827
Mortgage servicing liability	28,044	31,635
TOTAL LIABILITIES	242,618	293,602
NET ASSETS		
Without donor restrictions	814,393	612,978
With donor restrictions	124,610	100,382
TOTAL NET ASSETS	939,003	713,360
TOTAL LIABILITIES AND NET ASSETS	**$ 1,181,621**	**$ 1,006,962**

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

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	YEAR ENDED JUNE 30, 2022			YEAR ENDED JUNE 30, 2021		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUES AND SUPPORT						
Contributions:						
Contributions of cash and other financial assets	$ 390,901	$ 60,000	$ 450,901	$ 299,504	$ 66,990	$ 366,494
Donor contributions of nonfinancial assets	131,450	-	131,450	8,057	-	8,057
United Way	-	-	-	-	500	500
ReStore sales	12,953	-	12,953	-	-	-
Other income	25,903	-	25,903	19,125	-	19,125
Net assets released from restrictions	35,772	(35,772)	-	87,123	(87,123)	-
TOTAL OPERATING REVENUES AND SUPPORT	596,979	24,228	621,207	413,809	(19,633)	394,176
OPERATING EXPENSES						
Program services	152,820	-	152,820	128,817	-	128,817
ReStore expenses	56,571	-	56,571	-	-	-
Management and general	234,633	-	234,633	175,552	-	175,552
Fundraising	54,361	-	54,361	27,557	-	27,557
TOTAL OPERATING EXPENSES	498,385	-	498,385	331,926	-	331,926
OPERATING CHANGE IN NET ASSETS	98,594	24,228	122,822	81,883	(19,633)	62,250
NON-OPERATING ACTIVITIES						
Interest income	579	-	579	107	-	107
Amortization of discount on mortgages	31,001	-	31,001	26,337	-	26,337
Gain (loss) on sale of homes	28,819	-	28,819	-	-	-
Gain (loss) on disposal of fixed assets and inventory	-	-	-	2,311	-	2,311
Gain (loss) on extinguishment of debt	-	-	-	78,063	-	78,063
Gain (loss) on mortgage services	42,422	-	42,422	132,466	-	132,466
NON-OPERATING CHANGE IN NET ASSETS	102,821	-	102,821	239,284	-	239,284
CHANGE IN NET ASSETS	201,415	24,228	225,643	321,167	(19,633)	301,534
NET ASSETS AT BEGINNING OF YEAR	612,978	100,382	713,360	291,811	120,015	411,826
NET ASSETS AT END OF YEAR	**$ 814,393**	**$ 124,610**	**$ 939,003**	**$ 612,978**	**$ 100,382**	**$ 713,360**

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

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	YEAR ENDED JUNE 30, 2022				
	PROGRAM SERVICES	RESTORE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES					
Cost of goods sold	$ 1,228	$ -	$ -	$ -	$ 1,228
Construction expenses	2,212	-	-	-	2,212
Salaries	59,107	20,460	119,353	28,418	227,338
Payroll taxes	4,419	1,530	8,921	2,125	16,995
Employee benefits	10,409	-	15,615	3,719	29,743
Professional fees and contract services	14,361	4,971	28,994	6,905	55,231
Supplies	8,495	2,682	22,350	11,180	44,707
Printing and publications	-	-	-	-	-
Postage, shipping, and delivery	543	35	652	527	1,757
Telephone	-	1,426	4,993	713	7,132
Occupancy	15,995	24,819	14,340	-	55,154
Taxes and licenses	9	-	110	-	119
Insurance	5,341	593	5,933	-	11,867
Travel	5,454	-	3,823	-	9,277
Membership dues and subscriptions	12,965	-	1,738	774	15,477
Repairs and maintenance	219	55	3,641	-	3,915
Advertising	4,176	-	376	-	4,552
Depreciation	1,837	-	44	-	1,881
Miscellaneous	1,776	-	2,665	-	4,441
Interest expense	4,274	-	1,085	-	5,359
TOTAL FUNCTIONAL EXPENSES	**$ 152,820**	**$ 56,571**	**$ 234,633**	**$ 54,361**	**$ 498,385**

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

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	YEAR ENDED JUNE 30, 2021				
	PROGRAM SERVICES	RESTORE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES					
Cost of goods sold	$ 1,951	$ -	$ -	$ -	$ 1,951
Construction expenses	27,428	-	-	-	27,428
Salaries	46,115	-	69,173	16,470	131,758
Payroll taxes	3,883	-	5,824	1,387	11,094
Employee benefits	4,263	-	6,395	1,523	12,181
Professional fees and contract services	1,102	-	37,855	-	38,957
Supplies	5,505	-	11,007	5,506	22,018
Printing and publications	118	-	288	774	1,180
Postage, shipping, and delivery	329	-	371	300	1,000
Telephone	472	-	8,031	945	9,448
Occupancy	7,231	-	18,092	-	25,323
Taxes and licenses	138	-	1,613	-	1,751
Insurance	2,255	-	2,254	-	4,509
Travel	2,033	-	1,425	-	3,458
Membership dues and subscriptions	10,917	-	1,463	652	13,032
Repairs and maintenance	400	-	5,314	-	5,714
Advertising	784	-	71	-	855
Depreciation	2,372	-	57	-	2,429
Miscellaneous	2,723	-	4,085	-	6,808
Interest expense	8,798	-	2,234	-	11,032
TOTAL FUNCTIONAL EXPENSES	**$ 128,817**	**$ -**	**$ 175,552**	**$ 27,557**	**$ 331,926**

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	JUNE 30, 2022	JUNE 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 225,643	$ 301,534
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,881	2,429
Notes payable discount amortization	5,272	6,142
Mortgage loan discount amortization	(31,001)	(26,337)
Mortgage servicing liability amortization	(3,591)	(7,144)
Loss (gain) on disposal of fixed assets and inventory	-	(2,311)
Loss (gain) on extinguishment of debt	-	(78,063)
Accrued interest forgiven	-	357
Loss (gain) on mortgage services	(42,422)	(132,466)
Changes in operating assets and liabilities:		
Assets limited to use - escrow funds	(700)	2,137
Accounts receivable	2,289	7,229
Promises to give	500	5,000
Security deposits	(1,800)	-
Prepaid expenses	(1,004)	(3,641)
Inventory - building materials and supplies	-	10,158
Accounts payable	(8,368)	20,570
Accrued expenses	6,337	5,568
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	153,036	111,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from home and lot sales	241,141	218,525
Purchase of land held for future use	(179,700)	-
Purchase of materials for homes under construction	(227,052)	(60,370)
Purchase of capital assets	(3,100)	-
Mortgage payments received	46,447	42,616
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(122,264)	200,771
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	48,249
Payments on long-term debt	(36,750)	(210,822)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(36,750)	(162,573)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,978)	149,360
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	416,941	267,581
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 410,963**	**$ 416,941**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 5,359	$ 11,032

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

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies

Nature of Organization – St. Croix Valley Habitat for Humanity, Inc. ("Habitat"), a non-profit organization, is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. 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.

Basis of Accounting – The financial statements of Habitat have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation – Habitat's financial statements are prepared in accordance with professional standards. Under generally accepted accounting principles (GAAP), Habitat is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restriction consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of Habitat and include those expendable resources which have been designated for special use by Habitat's Board of Directors.

Net assets with donor restrictions consist of net assets that are subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit Habitat's choices of when to use these resources.

Income Tax Status – Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

In accordance with professional standards, Habitat follows the statutory requirements of their income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to Habitat's tax-exempt status would not have a material effect on the accompanying financial statements.

Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

Cash and Cash Equivalents – All liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Concentrations of Credit Risk – The Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) currently insure up to $250,000 of substantially all depository accounts held at each financial institution. Occasionally, the cash balances of Habitat may exceed that amount. At June 30, 2022 and 2021, Habitat had uninsured balances of $145,249 and $190,350, respectively. Habitat has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies – Continued

Assets Limited to Use - Escrow Accounts – Assets limited to use consist of cash in escrow fund accounts held on behalf of clients. Habitat requires all homeowners to deposit into escrow cash to be applied to the current year's real estate taxes and homeowner's insurance. The resulting cash accounts are not considered cash held by Habitat and are offset by escrow accounts payable in the statements of financial position.

Accounts Receivable – Accounts receivable are recorded at net realizable value. Habitat accounts for doubtful accounts receivable by the reserve method, based on management's best estimate and past history. All accounts receivable are due on demand. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. When all collection efforts have been exhausted, the accounts are written off against the related allowance. As of June 30, 2022, and 2021, no allowance for doubtful accounts was considered necessary for accounts receivable.

Promises to Give – Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions. If donor restrictions are satisfied in the year the contributions are received, the contribution is recorded as support without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a 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 statements of activities as net assets released from restrictions.

Home Construction Costs – Cost incurred in conjunction with home construction are capitalized as construction in process. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post settlement costs are expensed as incurred.

	2022	2021
Homes under construction as of July 1	1	1
Home construction started during the year	1	1
Homes transferred during the year	(1)	(1)
Homes under construction as of June 30	1	1

Inventories – Inventory consists of both supplies to be used during home construction and items for resale at Habitat's ReStore business.

Donated inventory, materials, and supplies are recorded at fair market value at the date when they are made available for sale. Prior to being offered for sale and included in inventory, donated items are not valued due to uncertainties concerning their value. Purchased merchandise inventory is valued at lower of cost or net realizable value.

Land Held for Future Use – Land held for future use consists of vacant lots to be used for future homes or to be sold. Land is valued at cost. The value of land held for future use is transferred to cost of homes sold at the time of sale to homeowners.

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies – Continued

Property and Equipment – Habitat capitalizes all expenditures in excess of $2,500 for property and equipment with an estimated useful life greater than one year. Purchases of property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Habitat reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-39 years
Equipment and furnishings	5-7 years
Vehicles	5-7 years

Depreciation expense for the years ended June 30, 2022 and 2021 was $1,881 and $2,429, respectively.

Mortgages Receivable – Mortgage notes receivable entered into at rates substantially below market rates are discounted to net present value. The discounts are charged directly to operations at the inception of the mortgage and amortized over the life of the contract. Discount amortization is reported as amortization of discount on mortgages on the statements of activities in the period amortized.

Valuation of Servicing Liability – Habitat recognized a liability for servicing costs that result from the sale of loans it originates (asset transfers) at fair value. Servicing liabilities from asset transfers are initially capitalized and recorded at fair value. Habitat determines the fair value of servicing rights using the present value of estimated future net servicing costs. Servicing liabilities are subsequently recorded using the amortization method which requires servicing liabilities to be amortized in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. The carrying value of servicing liability is included in the statements of financial position.

Servicing liabilities are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. The fair values of servicing liabilities are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Impairment is determined by assessing risk characteristics, such as interest rate and loan types. Habitat did not recognize any impairment on servicing liabilities for the years ended June 30, 2022 and 2021.

Allowance for Credit Losses – Habitat's allowance for credit losses is the amount considered adequate to absorb probable losses based on management's evaluations of the size and current risk characteristics of the mortgage loan portfolios. Such evaluations consider historical and current portfolio performance information and experience with homeowners. Specific allowances for credit losses are established for large impaired notes on an individual basis. A note is considered impaired when, based on current information and events, it is probable that Habitat will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral.

At June 30, 2022 and 2021, Habitat individually evaluated mortgage notes for impairment. Management believes all mortgages receivable are realizable through either collection or foreclosure proceeds if not collected.

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies – Continued

Contributed Nonfinancial Assets – Contributed nonfinancial assets consist of donated land, homes, materials, specialized labor, and discounts on office rent. Donated land is valued using independent appraisals, or if unavailable, comparative market analysis or tax appraisal values. Donated materials and specialized labor are valued at market value on the date of donation. Discounts on office rent are valued as a difference between the market rate for rent, and what Habitat is charged.

Home Sales – Nearly all sales to homeowners have been financed by Habitat and are recorded when the title is transferred. The amount of the first mortgage for homes Habitat developed is classified as operating revenues and the related discount is recorded at the same time as nonoperating activity. Noninterest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing the effective interest method, this discount will be recognized as income over the term of the mortgage. Interest-bearing mortgages are evaluated at inception for potential discount. No discount has been recognized on interest-bearing mortgages deemed to be at a market rate.

Presentation of Sales Taxes – Habitat collects sales taxes from nonexempt customers and remits these taxes to various state and local governments. Habitat's account policy is to exclude the tax collected and remitted to the state and local governments from both revenues and expenses.

Advertising – Habitat expenses advertising costs in the period the expense is incurred. Advertising expense during the years ended June 30, 2022 and 2021, was $4,552 and $855, respectively.

Functional Allocation of Expenses – Salaries and related expenses are allocated based on management's estimate of how individual employees spend their time. Expenses, other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on the historical usage rates.

Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

ReStore Revenue – The ReStore recognizes revenue when inventory is sold.

Reclassifications – Certain amounts have been reclassified in the prior year financial statements to conform with the current year presentation. The reclassifications have no effect on the total change in net assets for the prior year.

Subsequent Events – The Organization has evaluated subsequent events through January 16, 2023, the date which the financial statements were available to be issued.

Adopted Accounting Pronouncement – For the year ended June 30, 2022, Habitat adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

NOTE 2 – Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Equipment	$ 13,013	$ 13,013
Furniture and fixtures	14,298	14,298
Vehicles	25,470	22,370
Total	52,781	49,681
Less accumulated depreciation	(48,989)	(47,108)
Net property and equipment	**$ 3,792**	**$ 2,573**

NOTE 3 – Mortgages Receivable

A Habitat-developed home is considered sold when a formal closing transaction has been finalized. Homes are priced at fair market value based on an appraisal of the property. Contract periods span 20 to 30 years and monthly payments are no greater than 30% of the family's income at the time of the sale. At June 30, 2022 and 2021, Habitat had 12 and 12 mortgages outstanding, respectively.

When the first mortgage on each home is less than the market value, Habitat also provides a second mortgage for the difference between the first mortgage and market value. The second mortgage, which is forgiven at the end of the first mortgage term, is assumed to have no economic value and, accordingly, is not recognized in Habitat's financial statements unless such mortgage becomes collectible in accordance with the terms of the mortgage agreement.

The mortgage loans receivable are noninterest-bearing mortgages. At June 30, 2022 and 2021, the composition of mortgages receivable held are as follows:

	2022	2021
Mortgages receivable held	$ 780,341	$ 824,502
Less unamortized discount	(478,666)	(509,667)
TOTAL	**$ 301,675**	**$ 314,835**

The held mortgages receivable have been discounted in order to reflect their economic value. The interest rates used to determine the discount range from 7.48% to 8.38% based on prevailing market rates in the year the mortgage was originated. These original discounts and related amortization are reflected as nonoperating activity in the statements of activities.

There is no allowance for credit losses at June 30, 2022 and 2021.

The following table shows an aging analysis of the mortgages receivables by time past due for the year ended June 30, 2022:

	Current	30-89 Days past due	90 Days or more past due	Total
Mortgages Receivable	$ 257,909	$ -	$ 43,766	$ 301,675

NOTE 3 – Mortgages Receivable – Continued

The following table shows an aging analysis of the mortgages receivables by time past due for the year ended June 30, 2021:

	Current	30-89 Days past due	90 Days or more past due	Total
Mortgages Receivable	$ 266,554	$ -	$ 48,281	$ 314,835

Habitat has sold mortgages it originated to First National Bank of River Falls. These mortgages are not included in mortgages receivable above. However, the agreement requires Habitat to replace a nonperforming loan, which is defined as a loan delinquent by 90 days, with another mortgage from its portfolio.

NOTE 4 – Capitalized Lease Assets

Capitalized lease assets consist of the following at June 30:

	2022	2021
Equipment	$ 7,660	$ 7,660
Less accumulated depreciation	(6,894)	(5,362)
TOTAL	**$ 766**	**$ 2,298**

Depreciation expense on capitalized lease assets for the years ended June 30, 2022 and 2021, was $1,532 and $1,532, respectively.

NOTE 5 – Mortgage Servicing Liability

Habitat has mortgage servicing liabilities on mortgages that it originated and sold with servicing retained. The value of these rights is reported on the statements of financial position. The servicing liability for June 30, 2022 and 2021, was amortized using an interest rate of 1.58%.

Activity for servicing liabilities under the amortization method is as follows for the years ended June 30:

	2022	2021
Balance at beginning of year	$ 31,635	$ 38,779
Additions	-	-
Impairments	-	-
Amortization	3,591	7,144
Balance at end of year	**$ 28,044**	**$ 31,635**

NOTE 6 – Long-Term Notes Payable

Long-term notes payable consist of the following at June 30:

	2022	2021
0% note payable to the City of River Falls in monthly installments of $1,000 through January 2021; $2,011 from February 2021 through April 2027, with final payment due May 2027. If the above terms are not met, interest of 4% will be assessed from the origination date of May 2, 2012. Note is secured by a first mortgage on the Eco Village project.	$ 118,685	$ 142,817
Capital lease for copier with monthly payments of $138, including interest at imputed rate of 3%. Final payment due August 2022. Secured by copier equipment.	274	1,892
Note payable to Propel Nonprofits with monthly principal payments of $1,000 plus interest at 6.5%. Note is due April 2022.	-	11,000
0% unsecured note payable to Habitat for Humanity International with no repayment schedule.	60,000	60,000
	178,959	215,709
Less discount on note payable	(64,610)	(69,882)
TOTAL	**$ 114,349**	**$ 145,827**

Future minimum payments on long-term debt are as follows at June 30:

2023	$ 84,405
2024	24,132
2025	24,132
2026	24,132
2027	22,158
TOTAL	**$ 178,959**

NOTE 7 – Net Assets with Donor Restrictions

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

	2022	2021
Pledges - time restrictions	$ -	$ 500
Discount on note payable - time restriction	64,610	69,882
New home construction - use restriction	60,000	30,000
TOTAL	**$ 124,610**	**$ 100,382**

NOTE 8 – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statements of activities consist of the following at June 30:

	2022	2021
Supplies and materials	$ -	$ 857
Office rent	11,450	7,200
Land	120,000	-
TOTAL	**$ 131,450**	**$ 8,057**

Habitat recognized contributed nonfinancial assets within revenue, including office rent, and land.

NOTE 9 – Transactions with Habitat International

Habitat is committed to remit 10% of its contributions (excluding contributed nonfinancial assets) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. In each of the years ended June 30, 2022 and 2021, Habitat contributed $7,500 to Habitat International. These amounts are included in the statements of activities.

NOTE 10 – Retirement Plan

Habitat sponsors a SIMPLE plan for eligible full-time employees. Under the plan, Habitat contributes an amount on behalf of each eligible participant equal to 100% of their contribution up to 3% of the employee's compensation. Contributions to the plan by Habitat for the years ended June 30, 2022 and 2021, were $2,063 and $1,281, respectively.

NOTE 11 – Lease

In October 2020, Habitat entered into a three-year lease for office space at a cost of $1,200 per month. Future minimum lease payments are as follows:

Year Ending June 30,	
2023	$ 14,400
2024	3,600
	$ 18,000

NOTE 12 – Liquidity and Availability of Financial Assets

Habitat monitors its liquidity so that it is able to meet its operating needs. Financial assets are considered unavailable when not liquid or not convertible into cash within one year, are assets held for others, assets restricted by donors for specific uses, perpetual endowments and accumulated earnings net of appropriations within one year, or because the board of directors has designated funds for specific reserves or long-term investments such as board-designated quasi-endowments.

The following table reflects Habitat's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditure within one year.

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 410,963	$ 416,941
Assets limited to use - escrow accounts	60,919	74,103
Accounts receivable	-	2,164
A Brush With Kindness receivable	5,468	5,593
Promises to give, net	-	500
Mortgage receivables, net of of unamortized discount	301,675	314,835
Total financial assets	779,025	814,136
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions:		
Assets limited to use - escrow accounts	(60,919)	(74,103)
A Brush With Kindness receivable	(5,468)	(5,593)
New home construction	(60,000)	(30,000)
Time restrictions:		
Promises to give, net	-	(500)
Mortgage receivables, net of of unamortized discount	(301,675)	(314,835)
Financial assets available for general expenditure within one year	**$ 350,963**	**$ 389,105**

NOTE 13 – Habitat for Humanity ReStore

In October 2021, Habitat re-opened the ReStore in a hybrid format, using the available space in the St. Croix Valley Habitat for Humanity office building at 749 Ryan Drive in Hudson, Wisconsin as shopping/retail space, with online sales opportunities via the Habitat website. The ReStore is a thrift-store model, which accepts gently used building materials, furniture, and lawn/garden items as in-kind donations from the community. These items are then re-sold at discounted rates to help support operating expenses for both the store and affiliate as well as helping support the mission to help people with safe, affordable housing. The ReStore is owned by the Habitat affiliate and purchases are tracked through the retail register and Square purchasing portal. This ReStore was approved by both the board of directors and Habitat for Humanity International as a two-year test and will be re-evaluated in June 2023.

NOTE 14 – Effect of New Accounting Standards on Current-Period Financial Statements

The Financial Accounting Standards Board (FASB) has approved the following:

- Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the statement of net position. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021.

Habitat is evaluating the effect that this update will have on its financial statements and related disclosures. When it becomes effective, application of this standard may restate portions of these financial statements.