

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

**ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Croix Valley Habitat for Humanity, Inc.
Roberts, Wisconsin

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, 2019 and 2018, 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 auditor's 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
St. Croix Valley Habitat for Humanity, Inc.

Opinion

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, 2019 and 2018 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

Eau Claire, Wisconsin
January 21, 2020

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 89,472	\$ 70,668
Assets Limited to Use - Escrow Accounts	87,695	16,540
Accounts Receivable	9,662	38,501
A Brush with Kindness Receivable	6,614	10,305
Promises to Give	3,000	2,750
Prepaid Expenses	4,737	5,171
Inventory	79,841	92,429
Land Held for Future Use	215,275	266,421
Property and Equipment	1,088,807	1,124,904
Homes Under Construction	34,926	19,601
Mortgage Receivables, Net of Unamortized Discount	424,647	482,431
	\$ 2,044,676	\$ 2,129,721
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 26,808	\$ 33,217
Escrow Accounts Payable	86,225	16,540
Accrued Expenses	7,027	11,257
Long-Term Notes Payable	1,538,693	1,658,827
Mortgage Servicing Liability	40,710	45,200
Total Liabilities	1,699,463	1,765,041
NET ASSETS		
Without Donor Restrictions	298,722	335,310
With Donor Restrictions	46,491	29,370
Total Net Assets	345,213	364,680
Total Liabilities and Net Assets	\$ 2,044,676	\$ 2,129,721

See accompanying Notes to Financial Statements.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT			
Contributions	\$ 193,342	\$ 17,971	\$ 211,313
United Way	-	3,000	3,000
In-Kind Contributions	13,800	-	13,800
ReStore Sales	237,577	-	237,577
Home Sales	10,061	-	10,061
Net Assets Released from Restriction	3,850	(3,850)	-
Total Operating Revenues and Support	458,630	17,121	475,751
OPERATING EXPENSES			
Program Services	86,626	-	86,626
ReStore Expenses	309,586	-	309,586
Management and General	151,830	-	151,830
Fundraising	13,069	-	13,069
Total Operating Expenses	561,111	-	561,111
OPERATING INCREASE (DECREASE) IN NET ASSETS	(102,481)	17,121	(85,360)
NONOPERATING ACTIVITIES			
Interest Income	672	-	672
Other Loss	(10,811)	-	(10,811)
Mortgage Discount Amortization	71,782	-	71,782
Gain on Disposal of Fixed Assets	4,250	-	4,250
NONOPERATING INCREASE IN NET ASSETS	65,893	-	65,893
INCREASE (DECREASE) IN NET ASSETS	(36,588)	17,121	(19,467)
Net Assets - Beginning of Year	335,310	29,370	364,680
NET ASSETS - END OF YEAR	\$ 298,722	\$ 46,491	\$ 345,213

See accompanying Notes to Financial Statements.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 217,697	\$ 32,500	\$ 250,197
Grants	5,500	2,750	8,250
In-Kind Contributions	22,435	-	22,435
Restore Sales	288,659	-	288,659
Interest Income	6,253	-	6,253
Home Sales	31,315	-	31,315
Other Income	9,484	-	9,484
Net Assets Released from Restriction	5,880	(5,880)	-
Total Revenues and Other Support	587,223	29,370	616,593
EXPENSES			
Program Services	52,940	-	52,940
ReStore Expenses	343,484	-	343,484
Management and General	228,033	-	228,033
Fundraising	6,180	-	6,180
Total Expenses	630,637	-	630,637
OPERATING INCREASE (DECREASE) IN NET ASSETS	(43,414)	29,370	(14,044)
NONOPERATING ACTIVITIES			
Interest Income	53	-	53
Mortgage Discount Amortization	70,831	-	70,831
Gain on Disposal of Fixed Assets	15,735	-	15,735
NONOPERATING INCREASE IN NET ASSETS	86,619	-	86,619
INCREASE IN NET ASSETS	43,205	29,370	72,575
Net Assets - Beginning of Year	292,105		292,105
NET ASSETS - END OF YEAR	\$ 335,310	\$ 29,370	\$ 364,680

See accompanying Notes to Financial Statements.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	ReStore	Management and General	Fundraising	Total
Cost of Goods Sold	\$ 19,289	\$ 2,289	\$ -	\$ -	\$ 21,578
Construction Expenses	2,316	-	-	-	2,316
Salaries	36,815	108,688	48,384	9,012	202,899
Payroll Taxes	2,581	8,294	3,692	688	15,255
Employee Benefits	5,267	16,933	7,538	1,404	31,142
Professional Fees and Contract Services	1,396	170	52,350	-	53,916
Supplies	1,759	4,277	8,382	50	14,468
Printing, Publications, and Artwork	-	-	223	691	914
Membership and Direct Response Marketing	20	386	157	609	1,172
Postage, Shipping, and Delivery	-	24	164	515	703
Telephone	231	3,428	7,011	-	10,670
Occupancy	125	20,401	1,460	-	21,986
Taxes and Licenses	-	19,077	-	-	19,077
Insurance	4,131	7,028	6,591	-	17,750
Travel	271	2,822	302	-	3,395
Membership Dues and Subscriptions	323	300	8,587	100	9,310
Repairs and Maintenance	150	10,180	700	-	11,030
Advertising	-	1,614	29	-	1,643
Depreciation	1,444	32,487	2,166	-	36,097
Miscellaneous	3,343	-	849	-	4,192
Interest Expense	7,165	71,188	3,245	-	81,598
Total Functional Expenses	<u>\$ 86,626</u>	<u>\$ 309,586</u>	<u>\$ 151,830</u>	<u>\$ 13,069</u>	<u>\$ 561,111</u>

See accompanying Notes to Financial Statements.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	ReStore	Management and General	Fundraising	Total
Cost of Goods Sold	\$ 17,835	\$ 14,571	\$ 2,494	\$ -	\$ 34,900
Construction Expenses	1,243	-	-	-	1,243
Salaries	1,973	112,054	64,625	923	179,575
Payroll Taxes	157	8,921	5,145	73	14,296
Employee Benefits	448	25,395	14,646	209	40,698
Professional Fees and Contract Services	198	1,492	95,335	3,180	100,205
Supplies	8,600	5,923	5,482	-	20,005
Printing, Publications, and Artwork	-	399	302	888	1,589
Membership/Direct Response Marketing	-	470	636	41	1,147
Postage, Shipping, and Delivery	27	56	301	734	1,118
Telephone	1,121	2,678	3,076	-	6,875
Occupancy	3,595	21,294	13,576	-	38,465
Taxes and Licenses	-	21,947	-	-	21,947
Insurance	3,722	5,221	1,777	-	10,720
Travel	455	4,124	993	50	5,622
Meetings and Conferences	91	637	337	-	1,065
Membership Dues and Subscriptions	520	550	8,878	33	9,981
Repairs and Maintenance	625	9,346	100	-	10,071
Advertising	90	2,726	119	49	2,984
Depreciation and Amortization	1,907	38,705	2,394	-	43,006
Miscellaneous	180	-	2,689	-	2,869
Interest Expense	10,153	66,975	5,128	-	82,256
Total Functional Expenses	<u>\$ 52,940</u>	<u>\$ 343,484</u>	<u>\$ 228,033</u>	<u>\$ 6,180</u>	<u>\$ 630,637</u>

See accompanying Notes to Financial Statements.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS TO CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (19,467)	\$ 72,575
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation	36,097	43,006
Mortgage Loan Discount Amortization	(71,782)	(70,831)
Mortgage Servicing Liability Amortization	(4,490)	(2,052)
Gain on Sale of Fixed Assets	(4,250)	(15,735)
Gain on Homes Sold	(43,177)	(31,315)
Loss on Mortgages Traded	14,397	-
(Increase) Decrease in:		
Assets Limited to Use - Escrow Funds	(1,470)	-
Accounts Receivable	32,530	(24,577)
Promises to Give	(250)	(2,750)
Prepaid Expenses	434	(1,571)
Inventory	12,588	8,192
Land Held for Future Use	51,146	(1,055)
Increase (Decrease) in:		
Cash Overdraft	-	(4,545)
Accounts Payable	(6,409)	(11,895)
Accrued Expenses	(4,230)	(2,333)
Net Cash Used by Operating Activities	(8,333)	(44,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Homes Held for Sale	-	61,550
Purchase of Materials Homes Under Construction	(15,325)	(19,601)
Proceeds on Sale of Fixed Assets	4,250	40,908
Proceeds on Mortgage Sales	139,545	118,850
Mortgage Payments Received	87,169	58,313
Mortgages Traded Back	(68,368)	-
Net Cash Provided by Investing Activities	147,271	260,020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	40,000
Payments on Long-Term Debt	(120,134)	(184,466)
Net Cash Used by Financing Activities	(120,134)	(144,466)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,804	70,668
Cash and Cash Equivalents - Beginning of Year	70,668	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 89,472	\$ 70,668
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 81,598	\$ 82,256
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Fixed Assets Acquired with Long-Term Capital Lease	\$ -	\$ 7,660

See accompanying Notes to Financial Statements.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

St. Croix Valley Habitat for Humanity, Inc. (Habitat) is a 501c(3) nonprofit organization and is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit 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 Presentation

The financial statements have been prepared on the accrual basis of accounting, whereby all revenues are recorded when earned, and all expenses are recorded when incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of Habitat 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.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Nonoperating activities include all noncash activities relating to discounting mortgages receivable and debt and contributions for capital purposes.

Cash and Cash Equivalents

Habitat considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. At times, amounts may exceed Federal Deposit Insurance Corporation insured limits.

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.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, no allowance for doubtful accounts was necessary for accounts receivable.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All promises to give are expected to be collected within one year.

Home Construction Costs

Costs 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.

	2019	2018
Homes Under Construction as of July 1	1	-
New Homes Started During the Year	2	1
Homes Transferred During the Year	1	-
Homes Under Construction June 30	2	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 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. Inventory is transferred to cost of homes sold at time of sale to homeowners.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchased are stated at cost. Habitat capitalizes items over \$2,500. Donated items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows.

Buildings and Improvements	7 to 39 years
Equipment and Furnishings	5 to 7 years
Vehicles	5 to 7 years

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 recognizes a liability for servicing costs that result from the sale of loans it originates (asset transfers) at fair value in accordance with ASC 860. 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 cost. 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 statement of financial position.

Servicing liabilities are evaluated for impairment based upon the fair value of the rights as compared to 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 year ended June 30, 2019.

Allowance for Credit Losses

Habitat's allowance for credit losses is that 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 clients. 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.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

At June 30, 2019, Habitat has individually evaluated mortgage notes for impairment. Management believes all mortgages receivable are realizable through either collection or foreclosure proceeds if not collected.

In-Kind Contributions

In-kind contributions consist of donated land, homes, materials, and specialized labor. Donated land is valued using independent appraisals, or if unavailable, comparative market analysis or the tax appraisal values. Donated materials and specialized labor are valued at market value on the date of donation.

Home Sales

Nearly all sales to homeowners have been financed by Habitat and are recorded when 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. Interest-bearing mortgages have been deemed to be at a market rate thus far and no discount has been recognized on these mortgages.

Income Tax Status

Habitat is a nonprofit organizations exempt from paying corporate federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Habitat is also exempt from Wisconsin franchise or income taxes.

Habitat has evaluated their tax positions and determined they have no uncertain tax positions as of June 30, 2019.

Presentation of Sales Taxes

Habitat collects sales taxes from nonexempt customers and remits these taxes to various state and local governments. Habitat's accounting 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 was \$1,643 and \$2,984 during the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expense

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 best estimates of management.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Adoption of Accounting Principle

The Mission adopted Financial Accounting Standards Board (FASB) *ASU 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* in 2019. The adoption did not impact the Habitat's financial position as of June 30, 2019 and 2018 or the changes in its net assets for the years then ended.

Subsequent Events

In preparing these financial statements, Habitat has evaluated events and transactions for potential recognition or disclosure through January 21, 2020 the date the financial statements were available to be issued.

NOTE 2 INVENTORY

Inventory consists of the following at June 30:

	2019	2018
Supplies	\$ 7,847	\$ 7,847
ReStore Merchandise	71,994	84,582
Total Inventory	\$ 79,841	\$ 92,429

NOTE 3 PROPERTY AND EQUIPMENT

A summary of the property and equipment costs and related accumulated depreciation is as follows at June 30:

	2019	2018
Land	\$ 100,000	\$ 100,000
Buildings and Improvements	1,118,083	1,118,083
Equipment	26,466	26,466
Furniture and Fixtures	25,650	25,650
Vehicles	31,902	46,297
Total	1,302,101	1,316,496
Less: Accumulated Depreciation	(213,294)	(191,592)
Total Property and Equipment	\$ 1,088,807	\$ 1,124,904

Subsequent to year end, assets with value of \$1,252,419 and accumulated depreciation of \$183,698 were disposed of.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 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 sale. At June 30, 2019, Habitat had 18 mortgages outstanding.

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, 2019 and 2018, the composition of mortgages receivable held is as follows:

	2019	2018
Mortgages Receivable Held	\$ 1,076,124	\$ 1,220,841
Less: Unamortized Discount	(651,477)	(738,410)
Total	\$ 424,647	\$ 482,431

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 8.55% based on prevailing market rates in the year the mortgage was originated. These original discounts and related amortization are reflected as a nonoperating activity in the statement of activities.

There is no allowance for credit losses at June 30, 2019 and 2018.

The following tables show an aging analysis of the mortgages receivables by time past due:

	2019			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Mortgages Receivable	\$ 141,695	\$ 21,513	\$ 261,439	\$ 424,647
	2018			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Mortgages Receivable	\$ 175,174	\$ 183,147	\$ 124,110	\$ 482,431

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 loan delinquent by 90 days, with another mortgage from its portfolio.

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 LONG-TERM NOTES PAYABLE

Long term notes payable consisted of the following at June 30:

<u>Description</u>	<u>2019</u>	<u>2018</u>
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. The note has a limit of \$400,000. Note is secured by a first mortgage on the Eco Village project.	\$ 171,872	\$ 183,872
0% unsecured note payable to Habitat for Humanity International in monthly installments of \$312, due December 1, 2020.	1,896	5,640
6.00% land contract payable to H&H Properties, LLC in monthly installments of \$8,927, including interest due to balloon on April 1, 2021. The contract is secured by the ReStore building in Roberts, WI and was terminated subsequent to year-end.	1,047,543	1,074,970
Note payable to Steiner Plumbing and Electric, Inc. The note is a conversion of accounts payable for Eco Village expenses incurred. The 3% note is payable in monthly installments of \$2,500 with the balance due December 1, 2019 and was refinanced subsequent to year-end to December 1, 2022.	204,396	227,881
Capital lease for copier with monthly payments of \$138, including interest at imputed rate of 3%. Final payment due in August 2022. Secured by copier equipment.	4,986	6,464
Note payable to Propel Nonprofits with monthly principal payments of \$1,000 plus interest at 6.5%. Note is due April 30, 2022.	33,000	45,000
Note payable to First National Bank of River Falls with a single payment of principal and unpaid interest at 5.0% due in June 2018. The loan was paid off in July 2018.	-	40,000
0% unsecured note payable to Habitat for Humanity International with no repayment schedule.	<u>75,000</u>	<u>75,000</u>
Long Term Liabilities	1,538,693	1,658,827
Less: Current Portion	<u>1,099,161</u>	<u>157,928</u>
Total Long Term Liabilities	<u>\$ 439,532</u>	<u>\$ 1,500,899</u>

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 LONG-TERM NOTES PAYABLE (CONTINUED)

Capitalized lease assets consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 7,660	\$ 7,660
Less: Accumulated Depreciation	2,298	766
Total	<u>\$ 5,362</u>	<u>\$ 6,894</u>

Depreciation expense on capitalized lease assets was \$1,532 and \$766 for the years ended June 30, 2019 and 2018, respectively.

Future payments on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,099,161
2021	55,560
2022	60,444
2023	153,975
2024	24,132
Thereafter	145,421
Total	<u>\$ 1,538,693</u>

NOTE 6 MORTGAGE SERVICING LIABILITY

Habitat has mortgage servicing liabilities on mortgages that it originated and sold with servicing retained. The value of these rights are reported on the statement of financial position. The servicing liability for June 30, 2019 and 2018 was amortized using a note rate of 1.58%.

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

	<u>2019</u>	<u>2018</u>
Balance at Beginning of the Year	\$ 45,200	\$ 47,252
Additions	-	-
Impairment	-	-
Amortization	4,490	2,052
Balance at End of the Year	<u>\$ 40,710</u>	<u>\$ 45,200</u>

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
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NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were comprised of the following:

	2019	2018
Time Restricted Pledges	\$ 3,000	\$ 2,750
Restricted for Air Exchanger	900	1,000
Restricted for New Home Construction	42,591	25,620
Total	<u>\$ 46,491</u>	<u>\$ 29,370</u>

NOTE 8 IN-KIND CONTRIBUTIONS

In-kind contributions and expenditures consisted of the following:

	2019	2018
Supplies and Materials	\$ 2,336	\$ 9,774
Labor and Services	11,464	12,661
Total	<u>\$ 13,800</u>	<u>\$ 22,435</u>

NOTE 9 TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat is committed to remit 10% of its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$7,600 to Habitat International for the years ended June 30, 2019 and 2018. Such amounts are included in the statement 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 employees' compensation. Contributions to this plan by Habitat was \$485 and \$2,065 for the years ended June 30, 2019 and 2018, respectively.

NOTE 11 MAJOR FUNDING SOURCES

Habitat received significant revenue from one funding sources, consisting of 14% and 12% of the Habitat's total revenues and support for the years ended June 30, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 12 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:

Cash and Cash Equivalents	\$ 89,472
Accounts Receivable	9,662
Promises to Give	<u>3,000</u>
Total Financial Assets	102,134
Less: Purpose Restricted Net Assets	(43,491)
Less: Time Restricted Net Assets	<u>(3,000)</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u><u>\$ 55,643</u></u>

As part of their liquidity management plan, Habitat invests cash in short-term investments, certificates of deposits, and money market funds.

NOTE 13 SUBSEQUENT EVENTS

In November 2019, Habitat terminated the land contract and returned ownership of the building to previous owner. Habitat also closed the ReStore store.

In November 2019, Habitat signed a business note agreement with First National Bank of River Falls for \$80,000. Loan has interest rate of 5% and single payment of unpaid principal and interest is due April 1, 2020.