



Financial Statements
June 30, 2022 and 2021

Lake Agassiz Habitat for Humanity, Inc.

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Independent Auditor's Report

The Board of Directors
Lake Agassiz Habitat for Humanity, Inc.
Moorhead, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lake Agassiz Habitat for Humanity, Inc. (Habitat), 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Habitat 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Habitat 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 these 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 Habitat's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 Habitat'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 Habitat'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.

Eide Sully LLP

Fargo, North Dakota
March 3, 2023

Lake Agassiz Habitat for Humanity, Inc.
 Statements of Financial Position - Assets
 June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 841,300	\$ 1,207,514
Prepaid expenses	1,783	1,404
Current portion of non-interest bearing mortgages receivable	173,864	173,318
Total current assets	1,016,947	1,382,236
Mortgages Receivable		
Non-interest bearing mortgages receivable	3,479,631	3,510,611
Less Discounts on non-interest bearing mortgages receivable	(1,243,438)	(1,269,497)
Current portion	(173,864)	(173,318)
Net non-interest bearing mortgages receivable	2,062,329	2,067,796
Investments	7,783	8,182
Property and Equipment		
Construction in progress	-	139,742
Trailer and tools	29,681	29,681
Office equipment	16,853	12,110
Build trucks	27,726	27,726
Land	85,000	85,000
Assets held for sale	160,000	-
Restore building and improvements	683,016	489,374
Property and equipment, cost	1,002,276	783,633
Less accumulated depreciation	(291,640)	(265,895)
Total property and equipment	710,636	517,738
Other Assets		
House projects in process	768,595	214,930
Total assets	\$ 4,566,290	\$ 4,190,882

Lake Agassiz Habitat for Humanity, Inc.
 Statements of Financial Position - Liabilities and Net Assets
 June 30, 2022 and 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 21,588	\$ 23,897
Accounts payable	149,410	253,677
Other accrued liabilities	32,980	50,738
	203,978	328,312
Long-Term Liabilities		
Refundable advance	-	79,755
Long-term debt, net of current maturities and unamortized debt issuance costs	428,666	456,692
	632,644	864,759
Net Assets		
Without donor restrictions		
Undesignated	2,195,206	2,273,228
Invested in property and equipment, net of related debt	710,636	517,738
Board designated for house projects in process	768,595	214,930
	3,674,437	3,005,896
With donor restrictions		
Purpose restricted	259,209	320,227
	3,933,646	3,326,123
Total liabilities and net assets	\$ 4,566,290	\$ 4,190,882

Lake Agassiz Habitat for Humanity, Inc.
Statements of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 454,483	\$ -	\$ 454,483
Grants	399,283	-	399,283
ReStore	586,004	-	586,004
Transfers to homeowners	199,624	-	199,624
In-kind contributions	71,692	-	71,692
Mortgage receivable discount amortization	159,925	-	159,925
Refundable advance forgiveness	79,755	-	79,755
Other	2,021	-	2,021
Fundraising	88,165	-	88,165
Less fundraising expenses	(2,582)	-	(2,582)
Net fundraising	85,583	-	85,583
Net assets released from restrictions			
Program restrictions	61,018	(61,018)	-
Total revenues, gains and other support	2,099,388	(61,018)	2,038,370
Expenses			
Program services	1,096,614	-	1,096,614
Management and general	258,263	-	258,263
Fundraising	75,970	-	75,970
Total expenses	1,430,847	-	1,430,847
Change in Net Assets	668,541	(61,018)	607,523
Net Assets, Beginning of Year	3,005,896	320,227	3,326,123
Net Assets, End of Year	\$ 3,674,437	\$ 259,209	\$ 3,933,646

Lake Agassiz Habitat for Humanity, Inc.
 Statements of Activities
 Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 220,417	\$ 280,047	\$ 500,464
Grants	146,569	-	146,569
ReStore	587,182	-	587,182
Transfers to homeowners	213,988	-	213,988
In-kind contributions	10,984	-	10,984
Mortgage receivable discount amortization	134,973	-	134,973
Refundable advance forgiveness	98,900	-	98,900
Other	5,994	-	5,994
Fundraising	131,402	-	131,402
Less fundraising expenses	(3,928)	-	(3,928)
Net fundraising	127,474	-	127,474
Net assets released from restrictions			
Program restrictions	9,718	(9,718)	-
Total revenues, gains and other support	1,556,199	270,329	1,826,528
Expenses			
Program services	818,378	-	818,378
Management and general	218,415	-	218,415
Fundraising	68,619	-	68,619
Total expenses	1,105,412	-	1,105,412
Change in Net Assets	450,787	270,329	721,116
Net Assets, Beginning of Year	2,555,109	49,898	2,605,007
Net Assets, End of Year	\$ 3,005,896	\$ 320,227	\$ 3,326,123

Lake Agassiz Habitat for Humanity, Inc.
Statements of Functional Expenses
Year Ended June 30, 2022

	Supporting Services			Total
	Program Services	Management & General	Fundraising	
Projects Completed	\$ 333,490	\$ -	\$ -	\$ 333,490
Costs Paid (Payments Received) on Behalf of Homeowners	90,375	-	-	90,375
Wages and Benefits	314,167	133,986	75,970	524,123
Telephone and Internet	14,224	1,072	-	15,296
Utilities	29,808	753	-	30,561
Repairs and Maintenance	33,107	4,608	-	37,715
Property Taxes	18,483	467	-	18,950
Grant Expense	97,684	2,466	-	100,150
Office Supplies and Materials	6,045	950	-	6,995
Printing	9,298	2,282	-	11,580
Insurance	32,199	598	-	32,797
Bank Charges	9,493	1,521	-	11,014
Dues and Subscriptions	3,163	5,942	-	9,105
Professional Development	866	1,006	-	1,872
Professional Fees	-	44,287	-	44,287
Postage and Delivery	1,870	478	-	2,348
Tithe	10,000	-	-	10,000
Rent	-	10,962	-	10,962
Marketing	21,769	4,856	-	26,625
Fundraising Expense	-	-	2,582	2,582
Travel and Entertainment	3,899	6,293	-	10,192
Interest and Amortization	13,149	10,846	-	23,995
Volunteer Recognition	7,552	-	-	7,552
Miscellaneous	10,797	13,044	-	23,841
Cost of Goods Sold - ReStore	21,277	-	-	21,277
	1,082,715	246,417	78,552	1,407,684
Total expenses before depreciation				
Depreciation	13,899	11,846	-	25,745
	1,096,614	258,263	78,552	1,433,429
Less Expenses Included with Revenues on the Statement of Activities				
Special event expense	-	-	(2,582)	(2,582)
Total expenses included in the expense section on the statement of activities	\$ 1,096,614	\$ 258,263	\$ 75,970	\$ 1,430,847

Lake Agassiz Habitat for Humanity, Inc.
 Statements of Functional Expenses
 Year Ended June 30, 2021

	Supporting Services			Total
	Program Services	Management & General	Fundraising	
Projects Completed	\$ 336,223	\$ -	\$ -	\$ 336,223
Costs Paid (Payments Received) on Behalf of Homeowners	(25,438)	-	-	(25,438)
Wages and Benefits	282,065	120,296	68,207	470,568
Telephone and Internet	9,897	746	-	10,643
Utilities	22,249	562	-	22,811
Repairs and Maintenance	20,699	2,881	-	23,580
Property Taxes	18,848	476	-	19,324
Office Supplies and Materials	7,084	1,113	-	8,197
Printing	10,678	2,621	-	13,299
Insurance	39,167	727	-	39,894
Bank Charges	8,745	1,401	-	10,146
Dues and Subscriptions	2,954	5,549	-	8,503
Professional Development	327	380	-	707
Professional Fees	-	47,604	-	47,604
Postage and Delivery	2,068	529	-	2,597
Tithe	10,000	-	-	10,000
Marketing	16,880	3,766	-	20,646
Fundraising Expense	-	-	4,340	4,340
Travel and Entertainment	689	1,113	-	1,802
Interest and Amortization	15,664	12,921	-	28,585
Volunteer Recognition	7,571	-	-	7,571
Miscellaneous	5,652	6,828	-	12,480
Cost of Goods Sold - ReStore	15,912	-	-	15,912
	807,934	209,513	72,547	1,089,994
Total expenses before depreciation				
Depreciation	10,444	8,902	-	19,346
	818,378	218,415	72,547	1,109,340
Less Expenses Included with Revenues on the Statement of Activities				
Special event expense	-	-	(3,928)	(3,928)
	-	-	(3,928)	(3,928)
Total expenses included in the expense section on the statement of activities	\$ 818,378	\$ 218,415	\$ 68,619	\$ 1,105,412

Lake Agassiz Habitat for Humanity, Inc.

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ 607,523	\$ 721,116
Adjustments to reconcile the change in net assets to net cash (used for) from operating activities		
Depreciation	25,745	19,346
Interest expense attributable to amortization of debt issuance costs	2,823	1,377
Amortization of mortgage receivable discounts	(159,925)	(134,973)
Transfers to homeowners	(199,624)	(213,988)
Refundable advance forgiveness income	(79,755)	(98,900)
Unrealized gain on investment	399	(4,466)
Donation of real property	62,182	-
Changes in assets and liabilities		
Payments received on mortgage loans	266,662	319,003
Prepaid expenses	(379)	440
House projects in process	(553,665)	(159,973)
Other accrued liabilities	(17,758)	2,334
Accounts payable	35,475	79,536
Net Cash (used for) from Operating Activities	<u>(10,297)</u>	<u>530,852</u>
Net Cash used for Investing Activity		
Purchase of property and equipment	<u>(322,759)</u>	<u>(3,735)</u>
Financing Activities		
Proceeds from refundable advance	-	79,755
Proceeds from issuance of long-term debt	-	401,953
Payment of debt issuance costs	-	(51,360)
Principal payments on long-term debt	<u>(33,158)</u>	<u>(295,916)</u>
Net Cash (used for) from Financing Activities	<u>(33,158)</u>	<u>134,432</u>
Net Change in Cash	(366,214)	661,549
Cash at Beginning of Year	<u>1,207,514</u>	<u>545,965</u>
Cash at End of Year	<u>\$ 841,300</u>	<u>\$ 1,207,514</u>

Lake Agassiz Habitat for Humanity, Inc.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	<u>\$ 21,258</u>	<u>\$ 27,523</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Issuance of mortgages receivable	\$ 333,490	\$ 336,223
Less mortgage discount	<u>(133,866)</u>	<u>(122,235)</u>
Amount transferred to the homeowner	<u>\$ 199,624</u>	<u>\$ 213,988</u>
Purchase of property and equipment from reduction of mortgage receivable	<u>\$ 97,808</u>	<u>\$ -</u>
Purchase of property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 139,742</u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Lake Agassiz Habitat for Humanity, Inc. (Habitat) is an affiliate of Habitat for Humanity International. The purpose of Habitat is to assist people in need of adequate housing through the purchase, remodeling, or construction of various housing units, and subsequent sale of those units to individuals who meet certain criteria.

Concentration of Credit Risk

Habitat maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Receivable and Credit Policy

Mortgages receivable are stated at the principal amount less the discount. They are collateralized by real estate and are non-interest bearing. Payments of mortgages receivable are applied to the unpaid principal amount. Management determines an allowance for uncollectable mortgages receivable based on historical experience, an assessment of economic conditions and a review of subsequent collections. There is no allowance for uncollectable mortgages receivable recorded.

Inventory

Habitat operates a thrift store know as Restore. Habitat accepts donations of household goods and supplies from individuals and businesses and then sells the items to the general public at thrift store prices. Materials donated for resale in the Restore are not valued until they are sold. These items are considered to have no value or indeterminable value until purchased by a Restore customer.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Habitat has determined there is no impairment of property and equipment as of June 30, 2022 and 2021.

Assets Held for Sale

When property is determined to be considered held for sale, the property is to be carried at the lower of its carrying amount or the fair value, less costs to sell. Habitat classifies assets as being held for sale in the period in which the requirements of the classification are met. As of June 30, 2022 and 2021, Habitat considers assets held for sale totaling \$160,000 and \$0, respectively.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the statement of financial position. Amortization of debt issuance costs is included in interest and amortization in the financial statements.

Valuation of House Projects

In the absence of an independent market appraisal, house projects in process are reported in these financial statements at cost. It is part of Habitat's program to sell these projects for an amount that considers the income of the purchaser, and within a mortgage contract that ignores interest. As such, the discounted selling price of each individual project may be less than its final cost. Cost paid on behalf of homeowners relates to projects where the discounted selling price is less than the final cost. In certain agreements, Habitat retains the right to receive payments on second mortgages upon the sale of the house within a specified time period. Habitat received no payments on second mortgages for the years ended June 30, 2022 and 2021, respectively.

Refundable Advance

During 2021 and 2020 Habitat was granted a \$79,755 and \$98,900 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner, respectively. The refundable advance is uncollateralized and is fully guaranteed by the Federal government. Habitat initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. Habitat has recognized \$79,755 and \$98,900, respectively, as grant revenue for the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for House Projects in Process.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Habitat reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

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

Transfers to homeowners are recorded based on a gross selling price, less a discount applied to the price based on an imputed rate of interest. Non-interest-bearing mortgages have been discounted at various rates ranging from 3.25% to 7.75% based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages.

For performance obligations related to the sale of ReStore products control transfers to the customer at a point in time. Habitat's principal terms of sale are FOB shipping point and FOB destination and Habitat transfers control and records revenue for product sales either upon shipment or delivery to the customer, respectively.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to Habitat's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Habitat records donated professional services at the respective fair values of the services received (Note 8).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, office expenses, interest, insurance, and other administrative costs, which are allocated on the basis of estimates of time and effort.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred.

Sales Tax

Habitat has customers in states and municipalities in which governmental units impose a sales tax on certain sales. Habitat collects those sales taxes from its certain customers and remits the entire amount to various governmental units. Habitat's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Income Taxes

Lake Agassiz Habitat for Humanity, Inc. is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on change in net assets or ending net assets.

Note 2 - Change in Accounting Policy

As of July 1, 2021, Habitat adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Note 3 - 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:

	2022	2021
Cash	\$ 841,300	\$ 1,207,514
Current Portion of Non-Interest Bearing Mortgage Receivable	173,864	173,318
	<u>\$ 1,015,164</u>	<u>\$ 1,380,832</u>

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.

Habitat has a line of credit available to draw upon up to a maximum of \$150,000 at an interest rate of 5.00%.

Note 4 - Mortgages Receivable

It is Habitat's policy to sell projects to individuals under payment terms that require no interest. Generally accepted accounting principles require that in such case the gross amount to be collected is reduced by a "discount", which represents the unstated interest therein. As payments are received on the contracts, Habitat amortizes to income portion of the discount. At June 30, 2022 and 2021, Habitat had 45 and 46, respectively, mortgage loans outstanding totaling \$3,479,631 and \$3,510,611, respectively. Interest on the loans has been imputed at 3.25% to 7.75%.

Projects closed during the years ending June 30:

	2022	2021
Total Selling Price of the Project	\$ 333,490	\$ 336,223
Less Discount to present value	(133,866)	(122,235)
Estimated value of sales transaction	<u>\$ 199,624</u>	<u>\$ 213,988</u>

Mortgage receivable maturities are as follows:

Years Ending June 30,	Amount
2023	\$ 164,240
2023	161,627
2024	161,627
2025	161,627
2026	161,627
Thereafter	<u>2,668,883</u>
	<u>\$ 3,479,631</u>

Management reviews the mortgages receivable for their credit quality and has determined that an allowance for credit losses is not considered necessary.

Note 5 - Notes Payable and Long-Term Debt

The Company has a revolving line of credit with a bank. Borrowing on the line of credit is limited to \$150,000, and bears interest at a rate of 5.00% as of June 30, 2022. The line of credit expires January 2024. The Company did not have an outstanding balance on the line as of June 30, 2022 and 2021. The line of credit is secured by mortgages receivable.

Lake Agassiz Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Long-term debt consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
0% note payable to third party (imputed interest rate of 3.752%) due in monthly installments of \$1,972, to December 2050, secured by certain mortgage receivables	\$ 391,731	\$ 400,520
Unamortized debt issuance costs, based upon an effective interest rate of 2.79%	<u>(49,335)</u>	<u>(51,071)</u>
	<u>342,396</u>	<u>349,449</u>
0% note payable to third party (imputed interest rate of 4.698%) due in monthly installments of \$1,802, including interest, to November 2036, secured by certain mortgage receivables	121,177	145,546
Unamortized debt issuance costs, based upon an effective interest rate of 3.56%	<u>(13,319)</u>	<u>(14,406)</u>
	<u>107,858</u>	<u>131,140</u>
	450,254	480,589
Less current maturities	<u>(21,588)</u>	<u>(23,897)</u>
	<u>\$ 428,666</u>	<u>\$ 456,692</u>

Long-term debt maturities are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 21,588
2024	22,536
2025	21,158
2026	19,227
2027	18,368
Thereafter	410,031
Unamortized debt issuance costs	<u>(62,654)</u>
	<u>\$ 450,254</u>

Note 6 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that Habitat can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, Habitat develops inputs using the best information available in the circumstances.

A significant portion of investment assets are classified within Level 1 because they comprise common stock with readily determinable fair values based on daily redemption values.

Lake Agassiz Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

The following table presents assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Observable (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
June 30, 2022				
Operating Investments				
Common stock	<u>\$ 7,783</u>	<u>\$ 7,783</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2021				
Operating Investments				
Common stock	<u>\$ 8,182</u>	<u>\$ 8,182</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a non-recurring basis consist of the following:

Zero Interest Note Payables - Valued based on a weighted average percentage of the mortgages used to secure the notes (4.698% and 3.752% at June 30, 2022). The mortgage originations corresponded with disbursements on the notes between 2007 and 2012 and between 2016 and 2021. The value of the zero interest note payables was \$512,908 and \$546,066 as of June 30, 2022 and 2021, respectively.

Non-Interest-Bearing Mortgages Receivable - Valued based on the prime interest rate and the estimated future cash flows at the time the mortgage is closed (between 3.25% and 7.75%). The value of the non-interest-bearing mortgages receivable was \$2,236,193 and \$2,241,114 as of June 30, 2022 and 2021, respectively.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose		
Building project	<u>\$ -</u>	<u>\$ 40,000</u>
Subject to the Passage of Time		
Contributions not restricted by donors, but which are unavailable for expenditure until due	<u>\$ 259,209</u>	<u>\$ 280,227</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expiration of Time Restrictions	<u>\$ 61,018</u>	<u>\$ 9,718</u>

Note 8 - Donated Professional Services and Materials

Donated professional services and materials are as follows for the years ending June 30, 2022 and 2021:

<u>Non-Financial Contributions Category</u>	<u>Type of Contributions for Beneficiaries</u>	<u>Valuation Method</u>	<u>Monetized or Utilized</u>	<u>2022</u>	<u>2021</u>
Construction	Various products and services relating to the construction of houses.	Prices of identical or similar products, services and experiences	Monetized and Utilized	\$ 3,500	\$ 4,734
Real Property	Real property	Prices of identical or similar real property	Monetized	62,192	-
Professional Services	Annual audit services	Prices of identical or similar products, services and experiences	Utilized	<u>6,000</u>	<u>6,250</u>
				<u>\$ 71,692</u>	<u>\$ 10,984</u>

Note 9 - Employee Benefits

Effective March 1, 2018, Habitat sponsored a Simple IRA plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The plan provides that employees may voluntarily contribute up to the maximum contribution allowed by the IRS. Employer contributions are matched for each employee contribution for the first 3% of contributions made. During the years ended June 30, 2022 and 2021, Habitat had contributions to the plan of \$9,272 and \$7,605, respectively.

Note 10 - Warehouse Lease

Habitat has entered into a lease agreement with an unrelated third party, effective January 1, 2022 through December 31, 2023. The expected monthly payments are \$1,577, which includes common areas maintenance charges.

Note 11 - Subsequent Events

Subsequent to year-end Habitat entered into a sale agreement with a buyer for home that was held for sale as of June 30, 2022. The total sale price of the home was \$160,000 and was settled on August 4, 2022.

Habitat has evaluated subsequent events through March 3, 2023, the date which the financial statements were available to be issued.