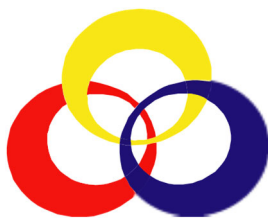


Audit Report
For the Years Ended
June 30, 2021 and 2020



Brookings Area

Habitat
for Humanity[®]



Kinner & Company Ltd
Certified Public Accountants
Taxes, QuickBooks & Investments

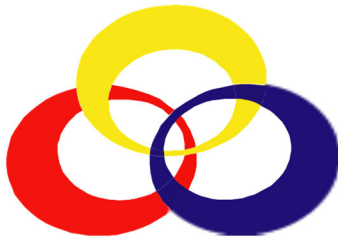
BROOKINGS AREA HABITAT FOR HUMANITY

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Independent Auditor's Report	2 – 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6 – 7
Statement of Cash Flows	8
Notes to Basic Financial Statements	9 – 18

**BROOKINGS AREA HABITAT FOR HUMANITY
BOARD OF DIRECTORS
JUNE 30, 2021**

<u>Name</u>	<u>Title</u>
Kay Norton	President
Julia Schaar	Vice President
Brad Ness	Treasurer
Chuck Bennis	Secretary
Andrea Carlile	Director Campus Chapter
Justin Fjeldos	Director
Justin Froiland	Director
Scott Parsley	Director
Jennifer Loomis	Director
Andrew Sloss	Director



Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Brookings Area Habitat for Humanity

We have audited the accompanying financial statements of the Brookings Area Habitat for Humanity (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 risk 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 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 8 to the financial statements, donated inventory is not consistently recorded in the financial statements. In our opinion, U.S. generally accepted accounting principles require that such inventory be recorded at its fair value at the date of receipt. It was not practicable to determine the effects of the unrecorded inventory on the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Brookings Area Habitat for Humanity as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

November 2, 2021

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and Cash Equivalents	\$ 903,658	\$ 247,430
Gift Cards	-	35
Accounts Receivable - ABWK	4,379	5,549
Land Held for Resale	22,551	22,551
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	<u>144,468</u>	<u>201,684</u>
Total Current Assets	<u>1,075,055</u>	<u>477,249</u>
Fixed Assets		
Land	142,749	142,749
Equipment	97,061	97,061
Buildings	323,939	323,939
Accumulated Depreciation	<u>(176,063)</u>	<u>(148,775)</u>
Total Fixed Assets	<u>387,686</u>	<u>414,973</u>
Other Assets		
Non-Interest Bearing Mortgage Loans Receivable	2,420,902	2,597,252
Less: Unamortized Discount	(1,034,824)	(1,084,661)
Less: Current Portion	(144,468)	(201,684)
Endowment Fund	126,967	48,587
Houses under Construction	453,862	394,175
Land Held for Development	<u>721,606</u>	<u>400,258</u>
Total Other Assets	<u>2,544,046</u>	<u>2,153,928</u>
Total Assets	<u>\$ 4,006,787</u>	<u>\$ 3,046,150</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accrued Liabilities	\$ 5,725	\$ 24,837
SD Habitats Due - LFF NRI Agency	17,725	247
Accrued Vacation Payable	25,091	16,891
Current Portion of Long-Term Debt	<u>46,517</u>	<u>131,337</u>
Total Current Liabilities	<u>95,058</u>	<u>173,311</u>
Long-Term Liabilities		
Notes Payable	300,162	546,420
Less: Unamortized Discount	(12,452)	(20,966)
Less: Current Portion	<u>(46,517)</u>	<u>(131,337)</u>
Total Long-Term Liabilities	<u>241,193</u>	<u>394,116</u>
Total Liabilities	<u>336,251</u>	<u>567,427</u>
Net Assets		
Without Donor Restrictions:		
Undesignated	2,466,151	2,379,755
Board Designated	124,539	48,082
With Donor Restrictions:		
	<u>1,079,847</u>	<u>50,886</u>
Total Net Assets	<u>3,670,536</u>	<u>2,478,723</u>
Total Liabilities and Net Assets	<u>\$ 4,006,787</u>	<u>\$ 3,046,150</u>

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>
Support, Program, and Other Revenue						
Support						
Contributions	\$ 82,116	\$ 134,401	\$ 216,517	\$ 153,685	\$ 67,500	\$ 221,185
Grants	86,662	1,155,154	1,241,816	26,900	230,000	256,900
Net Assets Released from Restrictions	260,594	(260,594)	-	336,114	(336,114)	-
Total Support	<u>429,372</u>	<u>1,028,961</u>	<u>1,458,333</u>	<u>516,699</u>	<u>(38,614)</u>	<u>478,085</u>
Program Revenue						
Transfers to Homeowners	177,818	-	177,818	255,727	-	255,727
Mortgage Loan Discount Amortization	64,978	-	64,978	57,430	-	57,430
Discount Amortization Accelerated on Mortgage Payoff	32,996	-	32,996	47,900	-	47,900
ReStore Sales	196,969	-	196,969	185,000	-	185,000
Total Program Revenue	<u>472,761</u>	<u>-</u>	<u>472,761</u>	<u>546,057</u>	<u>-</u>	<u>546,057</u>
Other Revenue						
PPP Loan Forgiveness	126,500	-	126,500	-	-	-
Gain/Loss on Investment	(1,467)	-	(1,467)	1,169	-	1,169
Special Events - Fundraising	26,521	-	26,521	25,312	-	25,312
Insurance Proceed	-	-	-	12,660	-	12,660
Miscellaneous	-	-	-	268	-	268
Interest Earnings	478	-	478	569	-	569
Total Other Revenue	<u>152,032</u>	<u>-</u>	<u>152,032</u>	<u>39,978</u>	<u>-</u>	<u>39,978</u>
Total Support, Program, and Other Revenue	<u>1,054,165</u>	<u>1,028,961</u>	<u>2,083,126</u>	<u>1,102,734</u>	<u>(38,614)</u>	<u>1,064,120</u>
Expenditures						
Program Services	773,072	-	773,072	825,068	-	825,068
Fundraising	13,079	-	13,079	9,210	-	9,210
General and Administration	105,162	-	105,162	94,981	-	94,981
Total Expenditures	<u>891,313</u>	<u>-</u>	<u>891,313</u>	<u>929,259</u>	<u>-</u>	<u>929,259</u>
Change in net assets	<u>162,852</u>	<u>1,028,961</u>	<u>1,191,813</u>	<u>173,476</u>	<u>(38,614)</u>	<u>134,862</u>
Net Assets - Beginning of Year	<u>2,427,838</u>	<u>50,886</u>	<u>2,478,723</u>	<u>2,254,362</u>	<u>89,500</u>	<u>2,343,862</u>
Net Assets - End of Year	<u>\$ 2,590,690</u>	<u>\$ 1,079,847</u>	<u>\$ 3,670,536</u>	<u>\$ 2,427,838</u>	<u>\$ 50,886</u>	<u>\$ 2,478,723</u>

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Fundraising	General and Administration	Total Fundraising and General and Administration	Total Expenses
	Homes	ReStore	Total Program Expense				
Bank Charges	\$ 551	\$ 4,635	\$ 5,186	\$ -	\$ 117	\$ 117	\$ 5,303
Training	4,005	667	4,672	-	472	472	5,143
Insurance	26,028	7,229	33,257	-	2,153	2,153	35,410
Advertising	4,892	27,297	32,190	-	4	4	32,194
Construction Supply	7,318	-	7,318	-	-	-	7,318
Home Costs	211,941	-	211,941	-	-	-	211,941
Purchase for Resale	-	2,111	2,111	-	-	-	2,111
Depreciation	19,647	5,457	25,104	-	2,183	2,183	27,287
Dues and Membership	6,359	1,671	8,030	-	963	963	8,993
Professional Fees	5,217	984	6,201	-	397	397	6,598
Office Supply	12,119	5,582	17,701	-	2,529	2,529	20,229
Postage	859	176	1,035	-	326	326	1,361
Repair and Maintenance	1,704	2,980	4,685	-	186	186	4,871
Telephone	2,153	-	2,153	-	563	563	2,716
Fuel	1,611	1,024	2,635	-	79	79	2,714
Utilities	2,646	1,779	4,425	-	529	529	4,954
Tithe	-	-	-	-	17,496	17,496	17,496
Wages and Taxes	247,567	121,649	369,216	-	66,887	66,887	436,103
Property Taxes	2,980	366	3,346	-	-	-	3,346
Miscellaneous	20,623	2,550	23,173	-	1,872	1,872	25,045
Interest	1,253	7,441	8,694	-	8,407	8,407	17,101
Fundraising Expenditures	-	-	-	13,079	-	13,079	13,079
Total	\$ 579,474	\$ 193,598	\$ 773,072	\$ 13,079	\$ 105,162	\$ 118,241	\$ 891,313

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Fundraising	General and Administration	Total Fundraising and General Administration	Total Expenses
	Homes	A Brush With Kindness	ReStore	Total Program Expense				
Bank Charges	\$ 599	\$ -	\$ 4,028	\$ 4,627	\$ -	\$ 235	\$ 235	\$ 4,861
Training	1,461	723	580	2,763	-	704	704	3,467
Insurance	15,801	8,452	11,926	36,179	-	1,979	1,979	38,158
Advertising	1,611	401	5,949	7,961	-	-	-	7,961
Construction Supply	5,093	332	-	5,424	-	-	-	5,424
Home Costs	351,647	-	-	351,647	-	-	-	351,647
Depreciation	4,440	4,578	16,961	25,979	-	1,884	1,884	27,863
Dues and Membership	2,891	1,693	4,700	9,283	-	1,633	1,633	10,917
Professional Fees	6,297	980	980	8,257	-	990	990	9,247
Office Supply	3,917	3,895	8,706	16,518	-	3,743	3,743	20,261
Postage	492	370	160	1,022	-	634	634	1,657
Repair and Maintenance	1,962	2,257	3,335	7,554	-	343	343	7,897
Telephone	672	672	2,351	3,695	-	672	672	4,368
Fuel	5,901	462	1,268	7,632	-	434	434	8,066
Utilities	1,960	1,515	10,961	14,436	-	1,515	1,515	15,951
Tithe	-	-	-	-	-	6,115	6,115	6,115
Wages and Taxes	124,364	66,778	104,210	295,352	-	70,306	70,306	365,658
Property Taxes	1,314	-	-	1,314	-	-	-	1,314
Miscellaneous	12,552	299	1,600	14,451	-	1,761	1,761	16,212
Interest	-	-	10,974	10,974	-	2,032	2,032	13,006
Fundraising Expenditures	-	-	-	-	9,210	-	9,210	9,210
Total	\$ 542,973	\$ 93,407	\$ 188,688	\$ 825,068	\$ 9,210	\$ 94,981	\$ 104,190	\$ 929,259

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Cash Flows From Operations	2021	2020
Change in net assets	\$ 1,191,813	\$ 134,862
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,287	27,863
Change in assets and liabilities:		
(Increase) decrease in houses under construction	(59,687)	(36,838)
(Increase) decrease in land held for development	(321,348)	(154,176)
(Increase) decrease in other receivables	1,171	(984)
(Increase) decrease in gift cards	35	-
Increase (decrease) in accrued liabilities	6,567	23,490
Total adjustments	<u>(345,976)</u>	<u>(140,646)</u>
Net Cash Provided by Operations	<u>845,838</u>	<u>(5,784)</u>
 Cash Flows From Investing Activities		
New mortgages issued	(161,837)	(276,000)
Purchase of property and equipment	-	(19,726)
Proceeds from mortgage payments-net of discounts	288,350	237,461
Cash Used by Investing Activities	<u>126,513</u>	<u>(58,265)</u>
 Cash Flows From Financing Activities		
Proceeds of notes payable	-	212,600
Payments on notes payable	(237,743)	(29,319)
Proceeds from Endowment	(78,380)	-
Cash Used by Financing Activities	<u>(316,123)</u>	<u>183,281</u>
Net (decrease) increase in cash	656,228	119,232
Cash at beginning of year	247,430	128,198
Cash at end of year	<u>\$ 903,658</u>	<u>\$ 247,430</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 8,586	\$ 9,345
--	----------	----------

SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES

Interest expense on non-interest bearing loans	8,515	3,661
Loan Payable Substitute Proceed	-	60,750
Loan Payable Substitute Payment	-	(60,750)

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 – Summary of Significant Accounting Policies

A. Nature of Organization

The Brookings Area Habitat for Humanity was organized to work with God, people everywhere, from all walks of life, to develop communities with God's people in need by building and renovating houses so that there are decent houses in decent communities in which God's people can live and grow into all that God intended.

Habitat for Humanity owns and operates the Habitat for Humanity ReStore (ReStore), which accepts donations of new and used construction and home renovation products. While some donations are used in the construction of Habitat homes, the majority of the donations are sold to the public. ReStore profits support the administrative and operating expenses of Habitat. Restore revenues were approximately 9% and 17% of total revenues, respectively, for the years ended June 30, 2021 and 2020.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America under the *FASB Accounting Standards Codification*.

C. Basis of Presentation

Net asset classification has changed due to the implementation of FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to: a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; c) provide enhanced disclosures in the notes to the financial statements; d) report investment return net of external and direct internal investment expenses; e) provide enhanced disclosures of the amounts of expenses by both their natural classification and their functional classification; and f) utilize in the absence of explicit donor stipulations, the placed in service approach for reporting expirations of restrictions of gifts of cash or other assets to be used to acquire or construct a long-lived asset.

Net assets of the organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions.

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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. The Organization 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

D. Revenue Recognition

The Organization solicits and applies for different grants that are available to them during the year. The Organization's other major source of income is for sale of Home. These sources are recognized as revenue when they are earned.

E. Cash and Cash Equivalents

The Organization recognizes as cash, currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit which do not have penalties or terms with them which effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

The Organization recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

F. Accounts Receivable

Accounts Receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible accounts receivable to operations when determined to be uncollectible. The balance of accounts receivable has been determined to be collectible. Therefore, no allowance has been recorded.

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

G. Non-Interest-Bearing Mortgage Loans Receivable

Habitat records and accounts for non-interest-bearing loans using the discounted cash flow method based on Habitat's current incremental borrowing rates for similar types of borrowing arrangements. These rates vary from 5% to 7.25% based upon the prevailing market rate at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. The discounted carrying amount of these loans approximates their fair value. The mortgages are secured by the real estate and due in monthly installments over the life of the mortgages, which range from 20 to 30 years. Two notes are issued to every homeowner, one being the amount the board has set (the first note), the other being the difference between the amount of the first note and the appraised value of the home. After a period of time designated in the mortgage, the second note, which is not recorded by Habitat, is forgiven, annually, at a prorated amount designated in the mortgage such that before or at the maturity date of the first note, the second note would be forgiven in full. Habitat's policy is to work closely with homeowners to avoid defaulted mortgages.

Habitat has not recorded an allowance for uncollectible mortgages because it can reclaim houses through foreclosure. Though some of these mortgages may be foreclosed, Habitat believes the losses on foreclosure, if any, are immaterial in relation to these financial statements.

H. Houses under Construction

Houses under construction include costs associated with the construction and land used in construction of homes. Transfer to homeowner is recognized when the home is complete, and risk of ownership has transferred to the new homeowner.

I. Land Held for Development

Land costs are included in property development costs and are stated at the lower of cost or the fair value. Also, included in land costs are any costs incurred in development. When homes are sold, the corresponding costs are then added to the construction cost of the home.

J. Fixed Assets

All acquisitions and improvements of fixed assets in excess of \$5,000 are capitalized while all expenditures for repairs and maintenance and repairs that do not materially prolong the useful lives of assets are expensed. Items sold, retired, or otherwise disposed of are removed from the assets and accumulated depreciation accounts and any gains or losses are reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

K. Grant Revenues, Contributions, and Restrictions

The Organization receives some of its grant revenues from Federal, State, county, and city agencies. Revenue from grants is recognized upon performance of the granting activity and recognition of the related program expenditures. Amounts received from granting agencies in excess of expenditures incurred to date are recorded as deferred revenue.

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions.

L. Donated Services

Numerous volunteers donate their time to the Organization's program services and fundraising activities during the year. These services are not reflected in the financial statements since these services do not require specialized skills.

M. Transfers to Homeowners

Transfer to homeowners is recorded at the first note mortgage amount. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages, as provided by Habitat International. Utilizing the effective interest method, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

N. Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2021 and 2020 were \$32,194 and \$7,961, respectively.

O. Income Taxes

The Organization is a not-for-profit organization, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code. In addition, the Organization has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been reflected in the financial statements.

P. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Significant estimates used in preparing these financial statements include those assumed in computing discounts on mortgages receivable and depreciation expense (based on the estimated useful lives of the underlying assets). It is at least reasonably possible that the significant estimate will change within the next year.

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Q. Program Services

The Organization provides four program services. The Homes program is the construction of affordable housing that is sold to eligible families in the Brookings County, SD area. The Restore program is a retail sales facility for donated building materials. The A Brush With Kindness (ABWK) is for the repair and painting of the exterior of home owner occupied homes that qualify with low income, elderly, or disabled, this is available in the Brookings and Lake Counties, SD areas. Deconstruction program utilizes volunteers to harvest used construction products by deconstructing buildings/structures either whole or partial; building goods, furnaces, appliances, etc. which are then sold at the Restore.

R. Subsequent Events

On October 12, 2021, the Organization entered into a \$84,700 note agreement with the South Dakota Housing Development Authority.

Subsequent events were evaluated through November 2, 2021, which is the date the financial statements were available to be issued.

Note 2 – Non-Interest-Bearing Mortgage Loans Receivable

Maturities of non-interest-bearing mortgage loans receivable as of June 30, 2021 are as follows:

Years Ending June 30	
2022	144,468
2023	144,468
2024	144,468
2025	144,468
2026 and thereafter	<u>\$ 1,843,030</u>
	2,420,902
Less Unamortized Discount	<u>\$ (1,034,824)</u>
	<u>\$ 1,386,078</u>

As of June 30, 2021, non-interest-bearing mortgage loans receivable are reported net of unamortized discounts of \$1,386,078.

The mortgages are attached to the residences that are sold to the families upon completion. Of the balance of \$2,420,902, \$107,926 is a mortgage payable to South Dakota housing authority that Brookings Area Habitat for Humanity acts as the loan servicing organization. The payments on these mortgages are received by the Organization; therefore, the loans are included in the Mortgages Receivable and the corresponding amounts due to the South Dakota Housing Development Authority and Habitat International are shown in Note 4, Notes Payable.

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 3 – Related Party Transactions

The Organization annually remits a portion of its contributions to Habitat International. Habitat International uses the funds to construct homes in economically depressed areas around the world. During the years ended June 30, 2021 and 2020 the Organization contributed \$8,748 and \$3,058 respectively, to Habitat International, reported as Tithe on the statement of functional expenses.

Note 4 – Notes Payable

Notes payable on June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
First Bank and Trust For the purchase of real estate to be used for the Restore and potential future office space. Monthly payments due of \$2,171 including interest at a variable rate based on .5% above the prime rate. Secured by real estate. Matures March 2028.	27,060	136,015
Habitat for Humanity International For the remodeling to the Restore. Monthly payments due of \$833 with an interest rate of zero (discount is based on imputed interest rate of 4.50%). Secured by real estate. Matures November 2027.	68,333	77,500
South Dakota Housing Development Authority Quarterly payments due of \$1,998 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures June 2022.	11,985	13,982
South Dakota Housing Development Authority Monthly payments due of \$280 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures December 2026.	16,829	20,186
South Dakota Housing Development Authority Monthly payments due of \$203 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures March 2032.	25,955	28,387

**BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

South Dakota Housing Development Authority annual payments due of \$3,000 with an interest rate of zero (Organization acts as servicing agent). Secured by a mortgage receivable.	-	57,750
US. Small Business Administration, EIDL loan Monthly payments due of \$ 641 with an interest rate of 2.75%. First payment will begin on May 2021. Matures in May 2060.	150,000	150,000
First Bank & Trust Paycheck Protection Program Loan. 17 Monthly payments due of \$3,524 with an interest rate of 1%. First payment will begin on 11/13/2020. Matures in April 2022. Loan has been forgiven.	-	62,600
First Bank & Trust Paycheck Protection Program Loan. 43 Monthly payments due of \$1,500 with an interest rate of 1%. Payments were to begin in February 2020. Loan has been forgiven.	-	-
Total	<u>\$300,162</u>	<u>\$546,420</u>

Maturities of notes payable consist of the following:

<u>Years Ending June 30</u>	
2022	46,517
2023	23,349
2024	21,584
2025	21,690
2026	21,798
Thereafter	165,224
Total	<u>\$ 300,162</u>

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 5 – Accumulated Paid Time Off

Employees are eligible to take paid PTO days in accordance with the PTO eligibility schedule below. PTO days accrue each month, and employees are credited with the full amount of time earned for the year on the anniversary of their hire date.

New hires who begin employment during the year will accrue their days each month. Regardless of the day of the month you are being employment you will receive full credit for the month. Partial days will be rounded up to the next half day.

Changes in accrual rates will begin the first day of the month following the employee’s anniversary date, based on length of service.

Paid Time Off Eligibility Schedule:

After 60 days to one year	10 days per year (80 Hours)
1 – 5 Years	15 days per year (120 hours)
5 – 10 Years	20 days per year (160 hours)
10+ years	25 days per year (200 hours)

Annual PTO must be taken with eighteen (18) calendar months following the date of eligibility anniversary of first day worked. At no time can an employee accumulate time that exceeds their annual eligibility.

As of June 30, 2021, and 2020, liabilities of \$25,091 and \$16,891 existed for accumulated unpaid leave balances calculated at the employees' June 30, 2021 and 2020 pay rates.

Note 6 – Concentration of Risk

The Organization holds cash balances at four financial institutions: three in Brookings, South Dakota and the other in Sioux Falls, South Dakota. Accounts held at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The organization has not experienced any loss in such accounts. As of June 30, 2021, and 2020 the cash balance that exceeded FDIC limits were \$425,503 and \$0.

The Organization relies on contributions from local organizations, grants, businesses, and individuals for a major portion of their revenue. If these contributions were to decrease, it would severely limit the activities of the Organization.

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of mortgages receivable due from homeowners. Although the Organization does not currently foresee a credit risk associated with the amounts due, repayment of the amounts is dependent upon the financial stability of the obligors and upon the overall local real estate market in Brookings, South Dakota.

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 7 – Risk Management

The Organization is exposed to various risks of loss related to torts; theft of damage to and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the organization managed its risks as follows:

Liability Insurance – The Organization purchases liability insurance for risks related to torts, theft and damage to vehicles and property.

Workmen's Compensation – The Organization purchases liability insurance for workmen's compensation from a commercial carrier.

Unemployment Benefits – The Organization provides coverage for unemployment benefits who have filed a claim by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 8 – Generally Accepted Accounting Principles Departure

The Organization does not record inventory for purchases or donations of items for the ReStore. The Organization is following Habitat for Humanity International policies and procedures.

However, amounts of inventory material to the financial statements may exist as of June 30, 2021 and 2020.

Note 9 – Methods used for Allocation of Expenses among Program and Supporting Services

Program services, management and general, and fundraising expenses have been recorded in the statements of activities and on the statements of functional expenses based on both a direct costing method for those expenses directly attributable to a particular program or on an allocation based on the salary percentage for each program to total salaries for joint costs attributable to all functions. The Organization's management allocated general and administrative expenses based upon management's best estimates.

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 10 – Liquidity and Availability of Financial Assets

The Organization’s working capital and cash flows have variations during the year attributable to the timing of houses being built and funding received. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of lender-imposed restrictions or internal designations. Amounts not available include assets set aside for long-term investing in operating reserves that could be drawn upon if the governing board approves that action.

	2021	2020
Cash and Cash Equivalents	\$ 903,658	\$ 247,430
Accounts Receivable - ABWK	4,379	5,549
Current Portion – Loan Receivables	144,468	201,684
Total financial assets	1,052,505	454,663
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,052,505	\$ 454,663

Note 11 – Net Asset Classifications

Net assets without donor restrictions were as follows for the year ended June 30:

	2021	2020
Board designated - endowment funds	\$ 124,539	\$ 48,082
Undesignated funds	2,466,151	2,379,755
	\$ 2,590,690	\$ 2,427,837

Net assets with donor restrictions were as follows for the year ended June 30:

	2021	2020
Balance beginning of the year	\$ 50,886	\$ 89,500
Specific purpose	1,209,708	297,500
Perpetual trust endowment	79,847	-
Release from restriction	(260,594)	(336,114)
Balance end of the year	\$ 1,079,847	\$ 50,886