

**BEND-REDMOND HABITAT FOR HUMANITY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)**



BEND-REDMOND HABITAT FOR HUMANITY  
CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bend-Redmond Habitat for Humanity  
Bend, Oregon

We have audited the accompanying consolidated financial statements of Bend-Redmond Habitat for Humanity (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bend-Redmond Habitat for Humanity and affiliate as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Bend-Redmond Habitat for Humanity and affiliate's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Jones & Roth, P.C.*

Jones & Roth, P.C.  
Bend, Oregon  
April 8, 2020

## CONSOLIDATED FINANCIAL STATEMENTS

BEND-REDMOND HABITAT FOR HUMANITY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2019  
(With Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 583,983	\$ 764,703
Investments	37,821	-
Grants and miscellaneous receivables	2,593	5,000
Unconditional promises to give receivable	-	14,940
Construction in progress	2,467,235	700,799
ReStore inventory	204,407	107,945
Prepaid and other	4,726	1,763
Current portion of non-interest-bearing mortgage loan receivables, net of discount of \$68,187 for 2019	<u>111,537</u>	<u>118,496</u>
Total current assets	<u>3,412,302</u>	<u>1,713,646</u>
<b>Property and equipment, net</b>	<u>2,569,053</u>	<u>2,627,972</u>
<b>Other assets</b>		
Non-interest-bearing mortgage loan receivables, net of discount of \$725,459 and current portion for 2019	1,183,758	1,151,499
Beneficial interest in assets held by OCF	<u>26,567</u>	<u>25,000</u>
Total other assets	<u>1,210,325</u>	<u>1,176,499</u>
<b>Total assets</b>	<u><u>\$ 7,191,680</u></u>	<u><u>\$ 5,518,117</u></u>

	<u>2019</u>	<u>2018</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 223,329	\$ 179,895
Escrow holding	83,738	81,800
Current portion of long-term debt	<u>58,831</u>	<u>63,331</u>
Total current liabilities	365,898	325,026
<b>Non-current liabilities</b>		
Long-term debt, net of current portion and unamortized discount	<u>814,950</u>	<u>768,496</u>
Total liabilities	<u>1,180,848</u>	<u>1,093,522</u>
<b>Net assets</b>		
Net assets without donor restrictions:		
Without donor restrictions	5,984,265	3,907,647
Board-designated	-	491,948
Board-designated OCF fund	<u>26,567</u>	<u>25,000</u>
Total net assets without donor restrictions	<u>6,010,832</u>	<u>4,424,595</u>
<b>Total liabilities and net assets</b>	<u>\$ 7,191,680</u>	<u>\$ 5,518,117</u>

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

BEND-REDMOND HABITAT FOR HUMANITY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019  
(With Comparative Totals for June 30, 2018)

	2019			2018 Total
	Without donor restrictions	With donor restrictions	Total	
<b>Revenue, gains, and other support</b>				
Foundations and grants	\$ 27,402	\$ 504,180	\$ 531,582	\$ 508,971
Transfers to homeowners	1,199,782	-	1,199,782	1,192,396
Donations and contributions	689,566	643,817	1,333,383	133,242
ReStore donations and store sales	2,833,911	-	2,833,911	2,371,264
Special events revenue	461,141	-	461,141	119,827
Other income	42,686	-	42,686	44,215
Mortgage loan discount amortization	172,986	-	172,986	214,103
In-kind contributions	9,548	33,109	42,657	60,150
Gain (loss) on sale of assets	(4,525)	-	(4,525)	3,000
Investment income, net	5,705	-	5,705	110
	<u>5,438,202</u>	<u>1,181,106</u>	<u>6,619,308</u>	<u>4,647,278</u>
<b>Change in net asset restrictions</b>				
Satisfaction of usage restrictions	<u>1,181,106</u>	<u>(1,181,106)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
Program:				
Program services	2,028,353	-	2,028,353	2,106,003
ReStore program	2,291,973	-	2,291,973	1,935,531
Fundraising	280,460	-	280,460	193,613
Management and general	432,285	-	432,285	399,212
	<u>5,033,071</u>	<u>-</u>	<u>5,033,071</u>	<u>4,634,359</u>
<b>Change in net assets</b>	1,586,237	-	1,586,237	12,919
Net assets, beginning of year	<u>4,424,595</u>	<u>-</u>	<u>4,424,595</u>	<u>4,411,676</u>
Net assets, end of year	<u>\$ 6,010,832</u>	<u>\$ -</u>	<u>\$ 6,010,832</u>	<u>\$ 4,424,595</u>

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



BEND-REDMOND HABITAT FOR HUMANITY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2019  
(With Comparative Totals for June 30, 2018)

	2019				2019 Total	2018 Total
	Program			Management and General		
	Program Services	ReStore Program	Fundraising			
Salaries and benefits	\$ 468,944	\$ 594,146	\$ 126,484	\$ 324,255	\$ 1,513,829	\$ 1,271,275
Cost of homes transferred	1,298,161	-	-	-	1,298,161	1,532,697
Cost of goods sold	-	1,395,262	-	-	1,395,262	1,180,600
Interest expense	19,466	-	-	-	19,466	40,780
Rent and occupancy	-	46,009	1,242	5,245	52,496	41,959
Advertising	278	18,025	22,360	139	40,802	37,606
Office expense	30,177	59,640	16,748	18,981	125,546	111,760
Taxes and insurance	20,329	13,649	194	2,066	36,238	72,856
Internships	48,141	-	-	-	48,141	16,646
Merchant fees	-	25,107	-	-	25,107	20,759
Special events	-	-	81,854	-	81,854	39,696
Other expenses	14,352	26,936	31,115	20,369	92,772	71,825
Depreciation	20,336	67,036	-	-	87,372	72,272
Small tools	8,829	4,843	-	-	13,672	9,572
Repairs and maintenance	4,526	32,884	-	734	38,144	45,112
Professional fees	19,434	-	-	55,849	75,283	27,411
Travel	55,580	8,436	463	4,647	69,126	33,533
Habitat International allocation	19,800	-	-	-	19,800	8,000
<b>Total</b>	<b><u>\$ 2,028,353</u></b>	<b><u>\$ 2,291,973</u></b>	<b><u>\$ 280,460</u></b>	<b><u>\$ 432,285</u></b>	<b><u>\$ 5,033,071</u></b>	<b><u>\$ 4,634,359</u></b>

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

BEND-REDMOND HABITAT FOR HUMANITY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2019  
(With Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,586,237	\$ 12,919
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	87,372	72,272
Mortgage loan discount amortization	(172,986)	(214,103)
Long-term debt discount amortization	19,466	47,272
(Gain) loss on sale of property and equipment	4,525	(3,000)
Mortgage receivable forgiven in home buyback	-	93,023
Long-term debt assumed by homeowner	(59,130)	(53,287)
Contribution of mortgage loan receivables, net of discount	(298,904)	
Contribution of equipment	(17,609)	-
Contribution of construction in progress	(334,396)	-
Assumption of long-term debt	16,000	-
(Increase) decrease in operating assets:		
Grants, promises to give, and miscellaneous receivables	17,347	60
Construction in progress	(1,432,040)	299,046
ReStore inventory	(96,462)	(13,992)
Prepaid and other	(2,963)	(33)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	43,434	(123,610)
Escrow holding	1,938	(9,793)
	<u>(638,171)</u>	<u>106,774</u>
<b>Cash flows from investing activities</b>		
Mortgage payments received	446,590	427,516
Purchase of property and equipment	(16,369)	(348,305)
Proceeds from sales of property and equipment	1,000	3,000
Purchase of investments	(37,821)	-
Change in value of beneficial interest in assets held by OCF	(1,567)	-
Transfer to beneficial interest in assets held by OCF	-	(25,000)
	<u>391,833</u>	<u>57,211</u>
Net cash provided by investing activities		

	<u>2019</u>	<u>2018</u>
<b>Cash flows from financing activities</b>		
Proceeds from new debt incurred	165,776	-
Repayment of long-term debt	<u>(100,158)</u>	<u>(460,279)</u>
Net cash provided (used) by financing activities	<u>65,618</u>	<u>(460,279)</u>
<b>Net decrease in cash and cash equivalents</b>	(180,720)	(296,294)
Cash and cash equivalents, beginning of year	<u>764,703</u>	<u>1,060,997</u>
Cash and cash equivalents, end of year	<u>\$ 583,983</u>	<u>\$ 764,703</u>

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

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies**

**Organization and Nature of Activities**

Bend-Redmond Habitat for Humanity (Bend-Redmond Habitat) is a nonprofit organization incorporated under the laws of the state of Oregon. Bend-Redmond Habitat 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, Bend-Redmond Habitat is primarily and directly responsible for its own local operations.

Effective March 25, 2019, the assets and obligations of Redmond Habitat for Humanity were absorbed by Bend Area Habitat for Humanity, and the organization officially changed its name to Bend-Redmond Habitat for Humanity. Net assets of Redmond Habitat for Humanity in the amount of \$654,937 are represented as contribution revenue for Bend-Redmond Habitat for the period ended June 30, 2019.

Bend-Redmond Habitat operates two ReStores, which are outlets for selling donated building materials. Sales are included in unrestricted revenue and operating expenses are included in program expenses.

**Consolidation Policy**

The accompanying consolidated financial statements include the accounts of Bend-Redmond Habitat and those of its wholly owned subsidiary, BAHFH Company, LLC. The sole purpose of BAHFH Company, LLC is to acquire and hold mortgage loans and related documents originated by Bend-Redmond Habitat to comply with the terms of a certain agreement between BAHFH Company, LLC and Umpqua Bank. Any inter-company transactions and balances have been eliminated in consolidation.

**Basis of Accounting**

The consolidated financial statements of Bend-Redmond Habitat have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Bend-Redmond Habitat and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - net assets that are not subject to donor-imposed stipulations.

*Board-designated net assets* - net assets without donor restrictions, which the Board of Directors has designated for a specific future use. As of June 30, 2019, these assets consisted of investments held with the Oregon Community Foundation.

*Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that may or will be met, either by actions of Bend-Redmond Habitat and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as satisfaction of usage restrictions.

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies**, continued

**Recent Accounting Standard Adopted**

During the year ended June 30, 2019, Bend-Redmond Habitat adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. The standard was applied on a retrospective basis. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

The 2018 financial statements have been restated to conform to the presentation and disclosure requirements of ASU 2016-14. A summary of the net asset reclassifications for the year June 30, 2018 driven by the adoption of ASU 2016-14 are as follows:

**As originally stated:**

Unrestricted net assets, beginning of year	\$ 4,013,812
Temporarily restricted net assets, beginning of year	397,864
Unrestricted net assets, end of year	4,424,595
Temporarily restricted net assets, end of year	-

**As restated:**

Net assets without donor restrictions, beginning of year	\$ 4,013,812
Net assets with donor restrictions, beginning of year	397,864
Net assets without donor restrictions, end of year	4,424,595
Net assets with donor restrictions, end of year	-

It was determined the restricted deposits and funded reserves did not meet the definition of net assets with donor restrictions; and therefore, those amounts are classified as net assets without donor restrictions.

**Liquidity and Reserves**

Bend-Redmond Habitat's working capital and cash flows have seasonal variations during the year attributable to the building cycle of homes. Certain cash flow streams (i.e. ReStore revenues) are tracked to maintain adequate funds to cover operations when other liquid assets are not available. The Board of Directors closely monitors Bend-Redmond Habitat's cash and liquid assets to ensure operations continue without interruption.

At June 30, 2019, Bend-Redmond Habitat's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

Cash and cash equivalents	\$ 583,983
Investments	<u>37,821</u>
	621,804
Less restricted cash held for escrow	<u>(89,945)</u>
Financial assets available for general expenditure	<u>\$ 531,859</u>

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies, continued**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, Bend-Redmond Habitat considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents.

**Grants and Miscellaneous Receivables**

Grants and miscellaneous receivables consist of various awards due as of June 30, 2019. The management of Bend-Redmond Habitat considers all grants and miscellaneous receivables at June 30, 2019 to be fully collectible; accordingly, no allowance for uncollectible receivables has been established.

**Construction in Progress**

Construction in progress includes the direct costs related to undeveloped land, homes which are under construction, and the costs of homes which have been completed but have not been transferred to homeowners as of June 30, 2019. These homes are expected to be transferred to homeowners in the near term. Construction in progress is valued at the lower of cost or fair market value.

**Mortgage Loan Receivables**

Mortgage loans are stated at cost, net of discount for non-interest-bearing loans. Loans are discounted at market prevailing rates at the inception of each loan, ranging from 6.00 percent to 8.50 percent. Discounts are amortized using the effective interest method over the lives of the mortgages. All loans are collateralized by property and can be foreclosed and resold based on agreements with owners. Mortgage payments are past due based on the terms of each individual contract.

Management believes that an accrual for allowance for loan loss is not necessary due to the belief that the value of all properties is significantly in excess of their cost. Also taken into consideration is that Bend-Redmond Habitat has no history of loss on foreclosed properties in prior years and anticipates no loss on foreclosed properties based on current market conditions.

**Inventory**

Inventory consists primarily of property and merchandise held for resale and is stated at the lower of cost, on the first-in, first-out (FIFO) basis, or fair market value, but not greater than the net realizable value. Donated inventory is valued at estimated fair market value on the date of donation.

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies, continued**

**Property and Equipment**

Bend-Redmond Habitat capitalizes all property and equipment with a value greater than \$1,000 and a determinable useful life greater than one year to which it has title or other evidence of ownership. Property and equipment acquired by Bend-Redmond Habitat is recorded at cost and all donated property is valued at estimated fair market value. Building and improvements, furniture, and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

**Contributions**

Contributions, including unconditional promises to give, are recorded when awarded. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded when promised. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. An allowance for uncollectible pledges receivable has been recorded based on specific identification and historical collection experience.

**Income Tax Status**

Bend-Redmond Habitat qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, no provision for federal or state income taxes has been included in these consolidated financial statements.

**Functional Allocation of Expense**

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Bend-Redmond Habitat utilizes a simplified cost allocation method, whereby specifically identifiable costs are charged directly to the program or supporting services and indirect costs are allocated among program and supporting services through an allocation base. Bend-Redmond Habitat uses salary and benefit expense as the allocation base.

**Advertising**

Advertising costs are expensed when incurred. Total advertising costs expensed during the year ended June 30, 2019, were \$40,802.

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**2. Cash and Cash Equivalents**

As of June 30, 2019, cash and cash equivalents consisted of the following:

Operating cash and cash equivalents	\$ 494,038
Escrow account held on behalf of homeowners	<u>89,945</u>
Total cash and cash equivalents	<u>\$ 583,983</u>

**3. Mortgages Receivable**

Bend-Redmond Habitat builds houses for qualified families and sells the houses to the families for the cost of construction and land. Bend-Redmond Habitat holds a first trust deed on the property until the mortgage note is paid in full. As of June 30, 2019, Bend-Redmond Habitat had mortgages receivable due from 49 individuals totaling \$2,088,941 before a present value discount of \$793,646. The net mortgage receivables after the discount equals \$1,295,295. Of the net mortgage receivable total, \$111,537 was estimated to be payable within one year.

**4. Property and Equipment**

As of June 30, 2019, property and equipment consisted of the following:

Land	\$ 1,202,606
Building and improvements	1,516,810
Equipment	26,131
Vehicles	160,071
Furniture	<u>28,487</u>
	2,934,105
Accumulated depreciation	<u>(365,052)</u>
Property and equipment, net	<u>\$ 2,569,053</u>

**5. Beneficial Interest in Assets Held by the Oregon Community Foundation**

Contributions made to the Oregon Community Foundation (OCF), an Oregon nonprofit, become permanent funds of OCF under the Bend-Redmond Habitat Fund. Distributions made to Bend-Redmond Habitat are at the sole discretion of OCF. The agreement with OCF stipulates OCF maintains variance power over the fund and that the fund shall be held and owned by OCF. The agreement also provides that, upon written request from a majority of the Board of Directors of Bend-Redmond Habitat, additional distributions may be made from the fund assets, even to the exhaustion of the fund, if in the sole judgment of the Board of Directors of OCF the requested distribution is consistent with the objectives and purpose of Bend-Redmond Habitat. The OCF balance is shown as Board-designated net assets by Bend-Redmond Habitat and is considered a beneficial interest in the Fund. The outstanding interest in assets held by OCF was \$26,567 at June 30, 2019.



BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**6. Investments**

Changes in the value of the various investments held could occur due to market risk.

As of June 30, 2019 the investments are as follows:

Mutual funds	\$ 37,821
Beneficial Interest in OCF Endowment	<u>26,567</u>
Total investments	<u>\$ 64,388</u>

For the year ended June 30, 2019, investment activity related to the beneficial interest in the OCF quasi-endowment consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Quasi- Endowments</u>
Quasi-endowment investments, beginning	\$ 25,000	\$ -	\$ 25,000
Investment income	186	-	186
Realized gains (losses)	135	-	135
Unrealized gains (losses)	1,464	-	1,464
Investment expenses	<u>(218)</u>	<u>-</u>	<u>(218)</u>
Quasi-endowment investments, ending	<u>\$ 26,567</u>	<u>\$ -</u>	<u>\$ 26,567</u>

**7. Fair Value Measurement**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under professional standards are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Bend-Redmond Habitat has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**7. Fair Value Measurement, continued**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to their fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2019, the following table sets forth by level, within the fair value hierarchy, Bend-Redmond Habitat's assets at fair value:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual fund investments	\$ 37,821	\$ -	\$ -	\$ 37,821
Beneficial interest in OCF	-	-	26,567	26,567
<b>Total assets at fair value</b>	<b>\$ 37,821</b>	<b>\$ -</b>	<b>\$ 26,567</b>	<b>\$ 64,388</b>

The principal input used in determining the fair value of the beneficial interest in OCF is the value of the fund as provided by OCF, which is provided in their annual statement.

The following table sets forth a summary of changes in the fair value of Bend-Redmond Habitat's Level 3 assets for the year ended June 30, 2019:

Beneficial interest in OCF, beginning of year	\$ 25,000
Net investment return	1,567
Beneficial interest in OCF, end of year	\$ 26,567

**8. Construction in Progress**

For the fiscal year ended June 30, 2019, the summary of home building activity is as follows:

	No. of Lots	Land and Development Costs	Construction in Progress	Total Construction in Progress
Lots unsold or under construction at June 30, 2018	13	\$ 177,000	\$ 523,799	\$ 700,799
Land in process of acquisition	-	315,000	-	315,000
New land acquired	5	405,000	-	405,000
New land acquired through absorption of Redmond Habitat for Humanity	4	-	167,501	167,501
New land acquired – in-kind	9	550,000	-	550,000
Land transferred to construction in process	-	(550,000)	550,000	-
Construction costs incurred	-	-	1,627,096	1,627,096
Homes sold in fiscal year ended June 30, 2019	(6)	(405,000)	(893,161)	(1,298,161)
<b>Lots unsold or under construction at June 30, 2019</b>	<b>25</b>	<b>\$ 492,000</b>	<b>\$ 1,975,235</b>	<b>\$ 2,467,235</b>

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**9. Long-term Debt**

At June 30, 2019, long-term debt consisted of the following:

Non-interest-bearing notes payable to the city of Bend, Oregon, secured by property and building located in Bend; loan payments are due as related property home sites are sold, matures June 2040.	\$ 250,000
Non-interest-bearing notes payable to the city of Bend, Oregon, secured by property and building located in Bend; loan payments are due as related property home sites are sold, matures June 2040.	101,832
Non-interest-bearing note payable to the city of Bend, secured by property located in Redmond, Oregon; loan payments are due as related property home sites are sold; no maturity	16,000
Notes payable, pledged securities to Umpqua Bank, secured by mortgage loan receivables held by Bend-Redmond Habitat; due in monthly installments of \$6,024, matures February 2039. Associated unamortized discount, with imputed interest rate of 3.0%, totaled \$90,367 as of June 30, 2019.	<u>596,316</u>
Current portion	964,148
Unamortized discount at 3%	(58,831)
	<u>(90,367)</u>
Long-term debt, net of current portion and unamortized discount	<u>\$ 814,950</u>

Future minimum payments of long-term debt are as follows:

Year Ending June 30,		
2020	\$	58,831
2021		58,831
2022		58,831
2023		58,831
2024		58,831
Thereafter		<u>669,993</u>
Total	\$	<u>964,148</u>

**10. Revolving Line of Credit**

Bend-Redmond Habitat has a revolving line of credit with First Interstate Bank with a maturity of March 1, 2021. There were no outstanding borrowings on this line of credit as of June 30, 2019. The maximum borrowing capacity on the line of credit is \$2,500,000 and an interest rate of 4.6 percent.

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**11. In-kind Donations**

Donated services and materials are recognized as contributions if they (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Bend-Redmond Habitat.

In-kind services and materials in the amount of \$42,657 have been reflected in the 2019 consolidated financial statements. Bend-Redmond Habitat generally pays for services requiring specific expertise. Additionally, many individuals volunteer their time and perform a variety of tasks that assist Bend-Redmond Habitat with specific programs, fundraising activities, and various committee assignments. The services provided by these volunteers are not recognized as contributions in the consolidated financial statements since the recognition criteria was not met.

**12. ReStore Activity**

During the year ended June 30, 2019, the ReStore of Bend-Redmond Habitat had the following activity:

Sales transactions	\$ 1,413,484
ReStore expenses	<u>(896,711)</u>
ReStore unadjusted net income	516,773
In-kind donations received	1,420,427
Cost of goods sold	<u>(1,395,262)</u>
ReStore adjusted net income	<u>\$ 541,938</u>

**13. Transactions with Habitat for Humanity International**

Bend-Redmond Habitat annually remits a portion of its unrestricted cash contributions received to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2019, Bend-Redmond Habitat contributed \$19,800 to Habitat International. Such amounts are included in program services expenses in the consolidated statement of activities.

**14. Concentration of Credit Risk**

At various times during the year, cash in the bank may exceed the federally insured limit of \$250,000 per financial institution. At June 30, 2019, bank balances in excess of the Federal Deposit Insurance Corporation insured limit were \$106,972.

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**15. Supplemental Disclosures of Cash Flow Information**

Cash paid for interest for the year ended June 30, 2019, was \$19,466.

Net in-kind contributions received over liabilities assumed under the asset acquisition agreement with Redmond Habitat for Humanity totaled \$634,909.

**16. Reclassification of Prior Year Presentation**

Certain amounts within the consolidated financial statements were reclassified in the prior year summarized information. The purpose of the reclassifications is to give consistent representation of Bend-Redmond Habitat's records. The reclassifications had no effect on the reported change in net assets for either period presented.

**17. Prior Year Summarized Information**

The consolidated financial statements include certain prior year, summarized, comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Bend-Redmond Habitat's consolidated financial statements for the year ended June 30, 2018, from which the summarized information is derived.

**18. Subsequent Events**

Management evaluates events and transactions that occur after the consolidated statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report. The following has been identified.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact Bend-Redmond Habitat's financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.