

BEND-REDMOND HABITAT FOR HUMANITY

CONSOLIDATED FINANCIAL STATEMENTS

**For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**



BEND-REDMOND HABITAT FOR HUMANITY
CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

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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, 2020, 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, 2020, 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Jones & Roth, P.C.
Bend, Oregon
December 7, 2020

CONSOLIDATED FINANCIAL STATEMENTS

BEND-REDMOND HABITAT FOR HUMANITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,419,453	\$ 583,983
Investments	36,802	37,821
Grants and miscellaneous receivables	4,101	2,593
Construction in progress	3,157,255	2,467,235
ReStore inventory	148,770	204,407
Prepaid and other	18,450	4,726
Current portion of non-interest-bearing mortgage loan receivables, net of discount of \$28,154 for 2020	47,027	111,537
Total current assets	4,831,858	3,412,302
Property and equipment, net	3,532,770	2,569,053
Other assets		
Non-interest-bearing mortgage loan receivables, net of discount of \$153,585 and current portion for 2020	331,721	1,183,758
Beneficial interest in assets held by OCF	26,430	26,567
Total other assets	358,151	1,210,325
Total assets	\$ 8,722,779	\$ 7,191,680

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 226,582	\$ 223,329
Escrow holding	80,106	83,738
Current portion of long-term debt	52,029	58,831
Line of credit	<u>500,582</u>	<u>-</u>
Total current liabilities	859,299	365,898
Non-current liabilities		
Long-term debt, net of current portion and unamortized discount	<u>1,976,730</u>	<u>814,950</u>
Total liabilities	<u>2,836,029</u>	<u>1,180,848</u>
Net assets		
Net assets without donor restrictions:		
Without donor restrictions	5,850,471	5,977,344
Board-designated	7,490	6,921
Board-designated OCF fund	<u>26,430</u>	<u>26,567</u>
Total net assets without donor restrictions	5,884,391	6,010,832
Net assets with donor restrictions	<u>2,359</u>	<u>-</u>
Total net assets	<u>5,886,750</u>	<u>6,010,832</u>
Total liabilities and net assets	<u>\$ 8,722,779</u>	<u>\$ 7,191,680</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, 2020
(With Comparative Totals for June 30, 2019)

	2020			2019 Total
	Without donor restrictions	With donor restrictions	Total	
Revenue, gains, and other support				
Foundations and grants	\$ 418,975	\$ 496,219	\$ 915,194	\$ 531,582
Transfers to homeowners	2,061,600	-	2,061,600	1,199,782
Donations and contributions	270,233	24,164	294,397	1,333,383
ReStore donations and store sales	2,648,669	-	2,648,669	2,833,911
Special events revenue	58,120	-	58,120	461,141
Other income	33,096	-	33,096	42,686
Mortgage loan discount amortization	617,387	-	617,387	172,986
In-kind contributions	9,842	100,161	110,003	42,657
Gain on early payoff of mortgages	34,058	-	34,058	-
Loss on sale of mortgage receivables	(243,083)	-	(243,083)	-
Loss on sale of assets	(8,909)	-	(8,909)	(4,525)
Investment income, net	2,894	-	2,894	5,705
Total revenue, gains, and other support	<u>5,902,882</u>	<u>620,544</u>	<u>6,523,426</u>	<u>6,619,308</u>
Change in net asset restrictions				
Satisfaction of usage restrictions	<u>618,185</u>	<u>(618,185)</u>	<u>-</u>	<u>-</u>
Expenses				
Program:				
Program services	3,427,307	-	3,427,307	2,028,353
ReStore program	2,550,375	-	2,550,375	2,291,973
Fundraising	225,817	-	225,817	280,460
Management and general	444,009	-	444,009	432,285
Total expenses	<u>6,647,508</u>	<u>-</u>	<u>6,647,508</u>	<u>5,033,071</u>
Change in net assets	(126,441)	2,359	(124,082)	1,586,237
Net assets, beginning of year	<u>6,010,832</u>	<u>-</u>	<u>6,010,832</u>	<u>4,424,595</u>
Net assets, end of year	<u>\$ 5,884,391</u>	<u>\$ 2,359</u>	<u>\$ 5,886,750</u>	<u>\$ 6,010,832</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, 2020
(With Comparative Totals for June 30, 2019)

	2020				2020 Total	2019 Total
	Program		Fundraising	Management and General		
	Program Services	ReStore Program				
Salaries and benefits	\$ 745,157	\$ 790,264	\$ 155,799	\$ 372,236	\$ 2,063,456	\$ 1,513,829
Cost of homes transferred	2,322,115	-	-	-	2,322,115	1,298,161
Cost of goods sold	-	1,376,662	-	-	1,376,662	1,395,262
Interest expense	31,227	-	-	-	31,227	19,466
Rent and occupancy	488	81,824	1,328	3,714	87,354	52,496
Advertising	200	27,612	13,742	-	41,554	40,802
Office expense	31,599	66,844	16,279	16,645	131,367	125,546
Taxes and insurance	33,303	25,490	2,034	3,966	64,793	36,238
Internships	58,497	-	-	-	58,497	48,141
Merchant fees	-	20,435	-	-	20,435	25,107
Special events	-	-	11,621	-	11,621	81,854
Other expenses	63,082	29,343	24,485	16,219	133,129	92,772
Depreciation	36,796	66,356	-	2,601	105,753	87,372
Small tools	14,253	7,310	-	-	21,563	13,672
Repairs and maintenance	10,820	48,788	-	-	59,608	38,144
Professional fees	6,920	1,131	-	25,999	34,050	75,283
Travel	44,537	8,316	529	2,629	56,011	69,126
Habitat International allocation	28,313	-	-	-	28,313	19,800
Total	<u>\$ 3,427,307</u>	<u>\$ 2,550,375</u>	<u>\$ 225,817</u>	<u>\$ 444,009</u>	<u>\$ 6,647,508</u>	<u>\$ 5,033,071</u>

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, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (124,082)	\$ 1,586,237
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	105,753	87,372
Mortgage loan discount amortization	(617,387)	(172,986)
Long-term debt discount amortization	20,953	19,466
Realized loss on investments	1,019	-
Loss on sale of property and equipment	8,909	4,525
Loss on sale of mortgage receivables	243,083	-
Long-term debt assumed by homeowner	(117,832)	(59,130)
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	(1,508)	17,347
Construction in progress	(690,020)	(1,432,040)
ReStore inventory	55,637	(96,462)
Prepaid and other	(13,724)	(2,963)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,253	43,434
Escrow holding	(3,632)	1,938
Net cash used by operating activities	(1,129,578)	(638,171)
Cash flows from investing activities		
Mortgage payments received	290,208	446,590
Purchase of property and equipment	(1,082,079)	(16,369)
Proceeds from sales of property and equipment	3,700	1,000
Proceeds from sale of mortgage receivables	1,000,643	-
Purchase of investments	-	(37,821)
Change in value of beneficial interest in assets held by OCF	137	(1,567)
Net cash provided by investing activities	212,609	391,833
Cash flows from financing activities		
Proceeds from new debt incurred	1,352,093	165,776
Borrowings on line of credit	500,582	-
Repayment of long-term debt	(100,236)	(100,158)
Net cash provided by financing activities	1,752,439	65,618
Net increase (decrease) in cash and cash equivalents	835,470	(180,720)
Cash and cash equivalents, beginning of year	583,983	764,703
Cash and cash equivalents, end of year	\$ 1,419,453	\$ 583,983

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.

Bend-Redmond Habitat operates one ReStore, which is an outlet 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, 2020, 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, 2020, Bend-Redmond Habitat adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities* (Topic 958) which clarifies accounting guidance about whether a transfer of assets is a contribution or exchange transaction. The standard effectively excludes contributions from the requirements of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Bend-Redmond Habitat adopted the new standard effective July 1, 2019, using a modified prospective approach in these consolidated financial statements. No change to previously recognized revenue was required as a result of adopting ASU No. 2018-08. Bend-Redmond Habitat elected to delay implementation of ASU No. 2014-09 pursuant to ASU No. 2020-05 which delayed the implementation date for Bend-Redmond Habitat to July 1, 2020.

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, 2020, 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	\$ 1,419,453
Investments	<u>36,802</u>
	1,456,255
Less restricted cash held for escrow	(89,982)
Less net assets with donor restrictions	<u>(2,359)</u>
	<u>\$ 1,363,914</u>

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.

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Investments

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair market value. Investment income is recorded as earned. Unrealized gains and losses are included as changes in net assets in the accompanying consolidated statement of activities.

Grants and Miscellaneous Receivables

Grants and miscellaneous receivables consist of various awards due as of June 30, 2020. The management of Bend-Redmond Habitat considers all grants and miscellaneous receivables at June 30, 2020 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, 2020. 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.

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.

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

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, 2020, were \$41,554.

2. Cash and Cash Equivalents

As of June 30, 2020, cash and cash equivalents consisted of the following:

Operating cash and cash equivalents	\$ 1,321,981
Board designated cash	7,490
Escrow account held on behalf of homeowners	<u>89,982</u>
Total cash and cash equivalents	<u>\$ 1,419,453</u>

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2020, Bend-Redmond Habitat had mortgages receivable due from 16 individuals totaling \$560,487 before a present value discount of \$181,739. The net mortgage receivables after the discount equals \$378,748. Of the net mortgage receivable total, \$47,027 was estimated to be payable within one year.

Mortgage receivables totaling \$1,243,726 were sold to First Interstate Bank with cash proceeds of \$1,000,643. Bend-Redmond Habitat recorded a loss on the sale of receivables of \$243,083. Bend-Redmond Habitat retained servicing as a result of the sale of receivables.

4. Property and Equipment

As of June 30, 2020, property and equipment consisted of the following:

Land	\$ 2,133,461
Building and improvements	1,516,810
Equipment	69,547
Vehicles	226,571
Furniture	<u>22,989</u>
	3,969,378
Accumulated depreciation	<u>(436,608)</u>
Property and equipment, net	<u>\$ 3,532,770</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 \$26,430 at June 30, 2020.

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended June 30, 2020, investment activity related to the beneficial interest in the OCF quasi-endowment consisted of the following:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Quasi- <u>Endowments</u>
Quasi-endowment investments, beginning	\$ 26,567	\$ -	\$ 26,567
Investment income	182	-	182
Realized gain	101	-	101
Unrealized loss	(179)	-	(179)
Investment expenses	<u>(241)</u>	<u>-</u>	<u>(241)</u>
Quasi-endowment investments, ending	<u>\$ 26,430</u>	<u>\$ -</u>	<u>\$ 26,430</u>

6. Investments

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

As of June 30, 2020, the investments are as follows:

Mutual funds	<u>\$ 36,802</u>
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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, 2020, 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, 2020			
	Level 1	Level 2	Level 3	Total
Mutual fund investments	\$ 36,802	\$ -	\$ -	\$ 36,802
Beneficial interest in OCF	-	-	26,430	26,430
Total assets at fair value	\$ 36,802	\$ -	\$ 26,430	\$ 63,232

The principal input used in determining the fair value of the beneficial interest in OCF is based on the portion of the underlying investments as provided by OCF.

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, 2020:

Beneficial interest in OCF, beginning of year	\$ 26,567
Net investment return	(137)
Beneficial interest in OCF, end of year	\$ 26,430

8. Construction in Progress

For the year ended June 30, 2020, 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, 2019	30	\$ 492,000	\$ 1,975,235	\$ 2,467,235
New land acquired	27	1,011,000	167,000	1,178,000
CIP Land transferred to Land Held for Development		60,886	(60,886)	-
Construction costs incurred	-	-	1,834,135	1,834,135
Homes sold in fiscal year ended June 30, 2020	(11)	-	(2,322,115)	(2,322,115)
Lots unsold or under construction at June 30, 2020	46	\$ 1,563,886	\$ 1,593,369	\$ 3,157,255

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Long-term Debt

At June 30, 2020, 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.	\$ 310,000
Non-interest-bearing notes payable to the city of Redmond, Oregon, secured by property and building located in Redmond; loan payments are due as related property home sites are sold, matures June 2040.	130,000
Non-interest-bearing notes payable to the State of Oregon Housing and Community Services Department for the Local Innovation and Fast Track Housing Program, secured by real property and assignment of leases; the loan is due and payable in full on the maturity date or in the event of default; matures December 2041.	532,093
Notes payable to the State of Oregon Housing and Community Services Department for the land acquisition program, secured by real property; interest accrues at 1% and the loan is due and payable in full on the maturity date; matures December 2027.	630,000
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 \$69,414 as of June 30, 2020.	<u>496,080</u> 2,098,173
Current portion	(52,029)
Unamortized discount at 3%	<u>(69,414)</u>
Long-term debt, net of current portion and unamortized discount	<u>\$ 1,976,730</u>

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

Year Ending June 30,	
2021	\$ 52,029
2022	52,029
2023	52,029
2024	52,029
2025	52,029
Thereafter	<u>1,838,028</u>
Total	<u>\$ 2,098,173</u>

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 was an outstanding borrowing of \$500,582 on this line of credit as of June 30, 2020. The maximum borrowing capacity on the line of credit is \$2,500,000 and an interest rate of 3.25 percent. The line of credit is secured by real property, an assignment of rents, and business assets.

Bend-Redmond Habitat is subject to various debt covenants as stipulated in the line of credit agreement terms. Management is not aware of any noncompliance with debt covenants as of June 30, 2020.

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 \$110,003 have been reflected in the 2020 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, 2020, the ReStore of Bend-Redmond Habitat had the following activity:

Sales transactions	\$ 1,435,720
ReStore expenses	<u>(1,173,713)</u>
ReStore unadjusted net income	262,007
In-kind donations received	1,212,949
Cost of goods sold	<u>(1,376,662)</u>
ReStore adjusted net income	<u><u>\$ 98,294</u></u>

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Paycheck Protection Program Loan Forgiveness

In April 2020, to mitigate the effect of the COVID-19 outbreak, Bend-Redmond Habitat requested and was granted a loan under the Paycheck Protection Program by Summit Bank, administered through the United States Small Business Administration, in the amount of \$381,000. Allowable uses for the loan proceeds include payroll, rent, and other operating expenses in accordance with the provisions of the CARES Act. If certain conditions are met, the loan is forgivable by Summit Bank. As of the date of the independent auditor's report, the Organization has expended all of the funds and management believes the entire amount of the loan will be forgiven. As such, the funds are recognized as grant revenue on the consolidated statement of activities.

14. 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, 2020, Bend-Redmond Habitat contributed \$28,313 to Habitat International. Such amounts are included in program services expenses in the consolidated statement of activities.

15. 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, 2020, bank balances in excess of the Federal Deposit Insurance Corporation insured limit were \$555,498.

16. Supplemental Disclosures of Cash Flow Information

Cash paid for interest for the year ended June 30, 2020, was \$31,227.

17. Commitments and Contingencies

During the year ended June 30, 2020, Bend-Redmond Habitat entered into a contract with a financial institution to sell mortgage notes. Under this contract, the financial institution obtains legal title to the mortgage notes as described in the contract, while Bend-Redmond Habitat retains the obligation of servicing the payments of these mortgages by collecting and remitting mortgage payments on behalf of the financial institution. Bend-Redmond Habitat is also required to maintain a complete set of records for the mortgage notes. In the event of default, Bend-Redmond Habitat has the obligation to cure the default and if they cannot do so, they shall, at their option, either repurchase the affected mortgage notes at the repurchase price or provide substitute mortgage notes.

BEND-REDMOND HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments and Contingencies, continued

During the year ended June 30, 2020, Bend-Redmond Habitat received funding under the Land Acquisition Program (LAP) and the Local Innovation and Fast Track Housing Program (LIFT). The funding is required to be used for the purpose of developing homes which will be sold to qualified homebuyers based on applicable program criteria. The land acquired with the use of these program funds is subject to a land lease upon sale to the final homebuyer. The State of Oregon retains a lien on the land that the home is built on and Bend-Redmond Habitat services the land lease and remits payments to the State of Oregon. The funds under these programs are recorded as notes payable as of June 30, 2020. See Note 9 for disclosure of the terms of these notes.

18. 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.

19. 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, 2019, from which the summarized information is derived.

20. COVID-19 Pandemic

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact the Organization's financial condition and operating results. Other financial impacts could occur, though such potential impact and duration cannot be reasonably estimated at this time.

21. 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.