

**BEND-REDMOND HABITAT FOR HUMANITY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2021  
(With Comparative Totals for the Year Ended June 30, 2020)**



BEND-REDMOND HABITAT FOR HUMANITY  
CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021  
(With Comparative Totals for the Year Ended June 30, 2020)

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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, 2021, 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 Consolidated 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, 2021, and the changes in its net assets and its 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's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Jones & Roth, P.C.  
Bend, Oregon  
January 10, 2022

CONSOLIDATED FINANCIAL STATEMENTS

BEND-REDMOND HABITAT FOR HUMANITY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2021  
(With Comparative Totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 669,814	\$ 1,419,453
Investments	58,071	36,802
Grants and miscellaneous receivables	2,105	4,101
Current portion of pledge receivables	214,410	-
Construction in progress	5,113,576	3,157,255
ReStore inventory	174,753	148,770
Prepaid and other	23,633	18,450
Current portion of non-interest-bearing mortgage loan receivables, net of discount of \$31,862 for 2021	<u>43,181</u>	<u>47,027</u>
Total current assets	<u>6,299,543</u>	<u>4,831,858</u>
<b>Property and equipment, net</b>	<u>3,492,340</u>	<u>3,532,770</u>
<b>Other assets</b>		
Non-interest-bearing mortgage loan receivables, net of discount of \$113,271 and current portion for 2021	227,844	331,721
Non-current pledge receivables, net of discount of \$50,582 and current portion for 2021	432,020	-
Beneficial interest in assets held by OCF	<u>36,199</u>	<u>26,430</u>
Total other assets	<u>696,063</u>	<u>358,151</u>
<b>Total assets</b>	<u>\$ 10,487,946</u>	<u>\$ 8,722,779</u>

	<u>2021</u>	<u>2020</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 310,965	\$ 226,582
Escrow holding	71,413	80,106
Current portion of long-term debt	42,962	52,029
Line of credit	<u>-</u>	<u>500,582</u>
Total current liabilities	425,340	859,299
<b>Non-current liabilities</b>		
Long-term debt, net of current portion and unamortized discount	<u>2,621,285</u>	<u>1,976,730</u>
Total liabilities	<u>3,046,625</u>	<u>2,836,029</u>
<b>Net assets</b>		
Net assets without donor restrictions:		
Without donor restrictions	6,438,698	5,850,471
Board-designated	9,999	7,490
Board-designated OCF fund	<u>36,199</u>	<u>26,430</u>
Total net assets without donor restrictions	6,484,896	5,884,391
Net assets with donor restrictions	<u>956,425</u>	<u>2,359</u>
Total net assets	<u>7,441,321</u>	<u>5,886,750</u>
<b>Total liabilities and net assets</b>	<u>\$ 10,487,946</u>	<u>\$ 8,722,779</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, 2021  
(With Comparative Totals for June 30, 2020)

	2021			2020 Total
	Without Dono Restrictions	With Donor Restrictions	Total	
<b>Revenue, gains, and other support</b>				
Foundations and grants	\$ 757,374	\$ 458,580	\$ 1,215,954	\$ 915,194
Transfers to homeowners	1,016,239	-	1,016,239	2,061,600
Donations and contributions	209,976	1,008,335	1,218,311	294,397
ReStore donations and store sales	2,992,844	-	2,992,844	2,648,669
Special events revenue	4,789	-	4,789	58,120
Other income	65,144	-	65,144	33,096
Mortgage loan discount amortization	36,607	-	36,607	617,387
In-kind contributions	5,042	4,327	9,369	110,003
Gain on early payoff of mortgages	12,883	-	12,883	34,058
Loss on sale of mortgage receivables	-	-	-	(243,083)
Gain (loss) on sale of property and equipment	5,642	-	5,642	(8,909)
Investment income, net	22,913	-	22,913	2,894
	<u>5,129,453</u>	<u>1,471,242</u>	<u>6,600,695</u>	<u>6,523,426</u>
<b>Change in net asset restrictions</b>				
Satisfaction of usage restrictions	<u>517,176</u>	<u>(517,176)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
Program:				
Program services	1,888,117	-	1,888,117	3,427,307
ReStore program	2,452,553	-	2,452,553	2,550,375
Fundraising	200,329	-	200,329	225,817
Management and general	505,125	-	505,125	444,009
	<u>5,046,124</u>	<u>-</u>	<u>5,046,124</u>	<u>6,647,508</u>
<b>Change in net assets</b>	600,505	954,066	1,554,571	(124,082)
Net assets, beginning of year	<u>5,884,391</u>	<u>2,359</u>	<u>5,886,750</u>	<u>6,010,832</u>
Net assets, end of year	<u>\$ 6,484,896</u>	<u>\$ 956,425</u>	<u>\$ 7,441,321</u>	<u>\$ 5,886,750</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, 2021  
(With Comparative Totals for June 30, 2020)

	2021					2020 Total
	Program		Fundraising	Management and General	2021 Total	
	Program Services	ReStore Program				
Salaries and benefits	\$ 609,374	\$ 684,142	\$ 120,310	\$ 392,679	\$ 1,806,505	\$ 2,063,456
Cost of homes transferred	905,088	-	-	-	905,088	2,322,115
Cost of goods sold	-	1,501,221	-	-	1,501,221	1,376,662
Interest expense	23,884	-	-	-	23,884	31,227
Rent and occupancy	2,298	24,819	1,343	2,993	31,453	87,354
Advertising	125	15,819	18,343	-	34,287	41,554
Office expense	30,463	55,639	6,904	30,458	123,464	131,367
Taxes and insurance	20,472	18,305	1,747	7,623	48,147	64,793
Internships	95,131	-	-	-	95,131	58,497
Merchant fees	-	29,235	-	-	29,235	20,435
Special events	-	-	224	-	224	11,621
COVID-19 support expenses	61,875	-	-	-	61,875	-
Other expenses	45,830	22,828	51,355	17,157	137,170	133,129
Depreciation	43,755	50,447	-	6,556	100,758	105,753
Small tools	7,674	7,079	-	-	14,753	21,563
Repairs and maintenance	17,071	37,047	-	2,602	56,720	59,608
Professional fees	3,120	-	-	42,808	45,928	34,050
Travel	6,457	5,972	103	2,249	14,781	56,011
Habitat International allocation	15,500	-	-	-	15,500	28,313
<b>Total</b>	<b>\$ 1,888,117</b>	<b>\$ 2,452,553</b>	<b>\$ 200,329</b>	<b>\$ 505,125</b>	<b>\$ 5,046,124</b>	<b>\$ 6,647,508</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, 2021  
(With Comparative Totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,554,571	\$ (124,082)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	100,758	105,753
Mortgage loan discount amortization	(36,607)	(617,387)
Long-term debt discount amortization	1,960	20,953
Realized (gain) loss on investments	(10,181)	1,019
(Gain) loss on sale of property and equipment	(5,642)	8,909
Loss on sale of mortgage receivables	-	243,083
Long-term debt assumed by homeowner	(130,000)	(117,832)
(Increase) decrease in operating assets:		
Grants, pledge, and miscellaneous receivables	(644,434)	(1,508)
Construction in progress	(1,809,468)	(690,020)
ReStore inventory	(25,983)	55,637
Prepaid and other	(5,183)	(13,724)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	84,383	3,253
Escrow holding	(8,693)	(3,632)
Net cash used by operating activities	<u>(934,519)</u>	<u>(1,129,578)</u>
<b>Cash flows from investing activities</b>		
Mortgage payments received	144,330	290,208
Purchase of property and equipment	(64,436)	(1,082,079)
Proceeds from sales of property and equipment	9,750	3,700
Proceeds from sale of mortgage receivables	-	1,000,643
Purchase of home (BuyBack)	(146,853)	-
Purchase of investments	(11,088)	-
Change in value of beneficial interest in assets held by OCF	(9,769)	137
Net cash provided (used) by investing activities	<u>(78,066)</u>	<u>212,609</u>
<b>Cash flows from financing activities</b>		
Proceeds from new debt incurred	1,518,426	1,352,093
Change in line of credit, net	(500,582)	500,582
Repayment of long-term debt	(754,898)	(100,236)
Net cash provided by financing activities	<u>262,946</u>	<u>1,752,439</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(749,639)	835,470
Cash and cash equivalents, beginning of year	<u>1,419,453</u>	<u>583,983</u>
Cash and cash equivalents, end of year	<u>\$ 669,814</u>	<u>\$ 1,419,453</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.

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, 2021, 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

**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.

**Recent Accounting Standard Adopted**

During the year ended June 30, 2021, Bend-Redmond Habitat adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Bend-Redmond Habitat adopted the new standard effective July 1, 2020, using the full retrospective approach in these consolidated financial statements. No changes were required to previously reported revenues as a result of the adoption, and the adoption did not result in the recognition of additional assets or liabilities.

**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, 2021, 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	\$ 669,814
Grants, pledge, and miscellaneous receivables	648,535
Investments	<u>58,071</u>
	1,376,420
Less restricted cash held for escrow	(97,090)
Less net assets with donor restrictions	<u>(956,425)</u>
Financial assets available for general expenditure	<u>\$ 322,905</u>

**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, 2021. The management of Bend-Redmond Habitat considers all grants and miscellaneous receivables at June 30, 2021 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, 2021. 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.

**ReStore 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 and Pledge Receivables**

Pledge receivables consist of unconditional promises to give due in the next year which are recorded at their estimated net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The management of Bend-Redmond Habitat considers all grants and miscellaneous receivables at June 30, 2021 to be fully collectible; accordingly, no allowance for uncollectible receivables has been established.

Contributions, including 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.

**Revenue Recognition**

Bend-Redmond Habitat reports donations as support without restrictions unless they are received with donor restrictions. All contributions with donor restrictions are reported as an increase in net assets with donor restrictions, until restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished). Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Bend-Redmond Habitat reports homes sales and ReStore sales as income upon execution of the sale transaction. The revenue is recognized at a point in time and there are no ongoing performance obligations beyond the execution of the sale. Additionally, the sale price is set at fair market value and there are no variable considerations related to revenue from sales transactions.

**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.

**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. Bend-Redmond Habitat is not a private foundation.

**Advertising**

Advertising costs are expensed when incurred. Total advertising costs expensed during the year ended June 30, 2021, were \$34,287.

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**2. Cash and Cash Equivalents**

As of June 30, 2021, cash and cash equivalents consisted of the following:

Operating cash and cash equivalents	\$ 562,725
Board designated cash	9,999
Escrow account held on behalf of homeowners	<u>97,090</u>
 Total cash and cash equivalents	 <u>\$ 669,814</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, 2021, Bend-Redmond Habitat had mortgages receivable due from 16 individuals totaling \$416,158 before a present value discount of \$145,133. The net mortgage receivables after the discount equals \$271,025. Of the net mortgage receivable total, \$43,181 was estimated to be payable within one year.

**4. Property and Equipment**

As of June 30, 2021, property and equipment consisted of the following:

Land	\$ 2,133,461
Building and improvements	1,516,810
Equipment	72,413
Vehicles	278,441
Furniture	<u>22,989</u>
	4,024,114
Accumulated depreciation	<u>(531,774)</u>
 Property and equipment, net	 <u>\$ 3,492,340</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 \$36,199 at June 30, 2021.

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, 2021, 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	\$ 26,430	\$ -	\$ 26,430
Investment income	155	-	155
Realized gain	1,465	-	1,465
Unrealized gain	8,435	-	8,435
Investment expenses	<u>(286)</u>	<u>-</u>	<u>(286)</u>
Quasi-endowment investments, ending	<u>\$ 36,199</u>	<u>\$ -</u>	<u>\$ 36,199</u>

**6. Investments**

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

As of June 30, 2021, the investments are as follows:

Mutual funds	<u>\$ 58,071</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.



BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**7. Fair Value Measurement**, continued

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

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, 2021, 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, 2021			
	Level 1	Level 2	Level 3	Total
Mutual fund investments	\$ 58,071	\$ -	\$ -	\$ 58,071
Beneficial interest in OCF	-	-	36,199	36,199
<b>Total assets at fair value</b>	<b><u>\$ 58,071</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 36,199</u></b>	<b><u>\$ 94,270</u></b>

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, 2021:

Beneficial interest in OCF, beginning of year	\$ 26,430
Net investment return	<u>9,769</u>
Beneficial interest in OCF, end of year	<u><u>\$ 36,199</u></u>

**8. Construction in Progress**

For the year ended June 30, 2021, 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, 2020	46	\$ 1,563,886	\$ 1,593,369	\$ 3,157,255
New land acquired	3	266,853	-	266,853
CIP land transferred to land held for development		(1,166,853)	1,166,853	-
Construction costs incurred	-	-	2,594,556	[SH1]2,594,556
Homes sold in fiscal year ended June 30, 2021	<u>(4)</u>	<u>-</u>	<u>(905,088)</u>	<u>(905,088)</u>
Lots unsold or under construction at June 30, 2021	<u>45</u>	<u>\$ 663,886</u>	<u>\$ 4,449,690</u>	<u>\$ 5,113,576</u>

BEND-REDMOND HABITAT FOR HUMANITY  
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**9. Long-term Debt**

At June 30, 2021, 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.	\$ 370,000
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 October 2062.	60,000
Non-interest-bearing notes payable to the city of Bend, secured by property and building located in Bend, Oregon; loan payments are due as related property home sites are sold, matures December 2051.	187,715
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.	1,742,804
Notes payable, pledged securities to Umpqua Bank, secured by mortgage loan receivables held by Bend-Redmond Habitat; due in monthly installments of \$4,336, matures February 2039. Associated unamortized discount, with imputed interest rate of 3.0%, totaled \$67,454 as of June 30, 2021.	<u>371,183</u> 2,731,702
Current portion	(42,962)
Unamortized discount	<u>(67,455)</u>
Long-term debt, net of current portion and unamortized discount	<u>\$ 2,621,285</u>

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

Year Ending June 30,		
2022	\$	42,962
2023		40,562
2024		40,010
2025		40,010
2026		40,010
Thereafter		<u>2,528,148</u>
Total	\$	<u>2,731,702</u>

BEND-REDMOND HABITAT FOR HUMANITY  
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**10. Revolving Line of Credit**

Bend-Redmond Habitat has a revolving line of credit with First Interstate Bank with a maturity of January 15, 2022. There was an outstanding borrowing of \$-0- 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, 2021.

**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 \$9,369 have been reflected in the 2021 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, 2021, the ReStore of Bend-Redmond Habitat had the following activity:

Sales transactions	\$ 1,553,056
ReStore expenses	<u>(951,332)</u>
ReStore unadjusted net income	601,724
In-kind donations received	1,439,787
Cost of goods sold	<u>(1,501,221)</u>
ReStore adjusted net income	<u>\$ 540,290</u>

BEND-REDMOND HABITAT FOR HUMANITY  
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**13. Paycheck Protection Program Loan Forgiveness**

In January 2021, to mitigate the effect of the COVID-19 outbreak, Bend-Redmond Habitat requested and was granted a second loan under the Paycheck Protection Program by Summit Bank, administered through the United States Small Business Administration (SBA), in the amount of \$359,100. Allowable uses for the loan proceeds include payroll, rent, and other operating expenses in accordance with the provisions of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). If certain conditions are met, the loan is forgivable by the SBA. On August 10, 2021, Bend-Redmond Habitat received full forgiveness. 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, 2021, Bend-Redmond Habitat contributed \$15,500 to Habitat International. Such amounts are included in program services expenses in the consolidated statement of activities.

**15. Related Party Transactions**

In December 2020, Bend-Redmond Habitat sold a home to a qualifying program participant who is a member of the Bend-Redmond Habitat management team for \$340,000. As of June 30, 2021, no amounts were payable or receivable from this member of management. This transaction was executed at fair market value.

**16. Concentrations of risk**

At various times during the year, cash in the bank may exceed the federally insured limit of \$250,000 per financial institution. As of June 30, 2021, bank balances in excess of the Federal Deposit Insurance Corporation insured limit were \$218,108.

At June 30, 2020, pledge receivables due from three donors made up approximately 54 percent of total pledge receivables.

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

Cash paid for interest for the year ended June 30, 2021, was \$23,884.

BEND-REDMOND HABITAT FOR HUMANITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**18. 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. As of June 30, 2021, there were \$348,227 in mortgage notes under this agreement.

During the year ended June 30, 2021 and 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, 2021. See Note 9 for disclosure of the terms of these notes.

**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, 2020, 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 Bend-Redmond Habitat'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.

Subsequent to June 30, 2021, Bend-Redmond received full forgiveness of their 2<sup>nd</sup> PPP loan in the amount of \$359,100. See Note 13.