Bend-Redmond Habitat for Humanity®

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2022

with

Independent Auditors' Report

BEND-REDMOND HABITAT FOR HUMANITY

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Independent Auditors' Report

The Board of Directors
Bend-Redmond Habitat for Humanity

Opinion

We have audited the accompanying consolidated financial statements of Bend-Redmond Habitat for Humanity and its affiliate, BAHFH Company, LLC, (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of BAHFH Company, LLC were not audited in accordance with *Government Auditing Standards*

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022 on our consideration of the Bend-Redmond Habitat for Humanity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bend-Redmond Habitat for Humanity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bend-Redmond Habitat for Humanity's internal control over financial reporting and compliance.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
October 26, 2022

BEND-REDMOND HABITAT FOR HUMANITY

Consolidated Statement of Financial Position

June 30, 2022

ASSETS

Current assets:		
Cash and cash equivalents	$	2,438,251
Cash held for escrow and maintenance *(Note 2)*		67,689
Investments *(Notes 3 and 19)*		59,881
Current portion of contributions and grants receivable *(Note 4)*		668,936
Current portion of mortgages receivable - net *(Notes 5 and 9)*		42,455
Resale store inventory		226,351
Prepaid expenses and other assets		1,184
Total current assets		**3,504,747**
Cash restricted for a long-term purpose		766,647
Contributions and grants receivable - net of current portion (*Note 4)*		381,850
Mortgage receivable - net of current portion *(Notes 5 and 9)*		177,937
Construction in progress		3,046,349
Land held for development		1,203,886
Beneficial interest in investments held at Oregon Community Foundation *(Notes 6 and 19)*		34,185
Land leased to homeowners *(Note 7)*		928,000
Property and equipment - net *(Note 8)*		4,172,499
Total assets	**$**	**14,216,100**

The accompanying notes are an integral part of the consolidated financial statements.

BEND-REDMOND HABITAT FOR HUMANITY

Consolidated Statement of Financial Position - Continued

June 30, 2022

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses *(Note 2)*	$	123,629
Accrued payroll and payroll taxes		188,682
Refundable advances		46,752
Current portion of secured borrowing *(Note 9)*		82,122
Total current liabilities		**441,185**
Long-term debt *(Note 10)*		2,062,000
Secured borrowing - net of current portion *(Note 9)*		147,954
Total liabilities		**2,651,139**
Commitments and contingencies *(Notes 12, 14 and 15)*		
Net assets:		
Net assets without donor restrictions:		
Undesignated		10,201,021
Designated *(Note 6)*		34,185
Total net assets without donor restrictions		10,235,206
Net assets with donor restrictions *(Note 13)*		1,329,755
Total net assets		**11,564,961**
Total liabilities and net assets	**$**	**14,216,100**

The accompanying notes are an integral part of the consolidated financial statements.

BEND-REDMOND HABITAT FOR HUMANITY

Consolidated Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Sales of homes	$ 4,264,818	$ -	$ 4,264,818
Resale Store:			
Inventory sales	1,867,582	-	1,867,582
Less: Cost of goods sold	(1,860,411)	-	(1,860,411)
Resale Store - net	7,171	-	7,171
Noncash contributions - Resale Store	1,747,648	-	1,747,648
Contributions and grants	3,695,104	430,725	4,125,829
Noncash contributions - other	24,896	-	24,896
Amortization of discount on mortgages receivable	71,803	-	71,803
Net investment loss	(5,787)	-	(5,787)
Gain from forgiveness of long-term debt *(Note 10)*	1,158,000	-	1,158,000
Other - net	51,327	-	51,327
Net assets released from restrictions *(Note 13)*	57,395	(57,395)	-
Net revenue, gains, and other support	**11,072,375**	**373,330**	**11,445,705**
Expenses:			
Program services	6,507,588	-	6,507,588
Supporting services	814,477	-	814,477
Total expenses	**7,322,065**	**-**	**7,322,065**
Increase in net assets	**3,750,310**	**373,330**	**4,123,640**
Net assets, beginning of year	6,484,896	956,425	7,441,321
Net assets, end of year	**$ 10,235,206**	**$ 1,329,755**	**$ 11,564,961**

The accompanying notes are an integral part of the consolidated financial statements.

BEND-REDMOND HABITAT FOR HUMANITY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services			Supporting Services			
	Home-ownership	Resale Store	Total	Development	Management and General	Total	Total
Cost of homes sold	$ 4,459,121	$ -	$ 4,459,121	$ -	$ -	$ -	$ 4,459,121
Cost of goods sold - Resale Store	-	1,860,411	1,860,411	-	-	-	1,860,411
Salaries and wages	478,026	738,032	1,216,058	102,972	348,990	451,962	1,668,020
Employee benefits and payroll taxes	95,840	121,449	217,289	26,323	82,469	108,792	326,081
Internships	70,262	-	70,262	-	-	-	70,262
Professional services	9,001	2,925	11,926	34,057	41,948	76,005	87,931
Advertising and promotion	672	7,782	8,454	11,803	205	12,008	20,462
Office expenses	19,173	19,710	38,883	3,986	6,863	10,849	49,732
Information technology	11,524	20,388	31,912	6,333	13,710	20,043	51,955
Occupancy	20,065	87,616	107,681	1,461	9,694	11,155	118,836
Travel	10,139	18,466	28,605	-	4,377	4,377	32,982
Depreciation	35,515	57,714	93,229	-	15,403	15,403	108,632
Insurance	21,852	18,821	40,673	1,666	2,283	3,949	44,622
Allocations to affiliates *(Note 11)*	8,500	-	8,500	-	-	-	8,500
Outreach and support	9,235	3,087	12,322	2,137	2,009	4,146	16,468
Small tools and equipment	18,887	25,673	44,560	1,414	1,445	2,859	47,419
Interest expense	-	-	-	-	37,168	37,168	37,168
Other expenses	44,194	73,919	118,113	10,162	45,599	55,761	173,874
Total expenses	5,312,006	3,055,993	8,367,999	202,314	612,163	814,477	9,182,476
Less: Expenses netted with revenue on the consolidated statement of activities	-	(1,860,411)	(1,860,411)	-	-	-	(1,860,411)
Total expenses per consolidated statement of activities	$ 5,312,006	$ 1,195,582	$ 6,507,588	$ 202,314	$ 612,163	$ 814,477	$ 7,322,065

The accompanying notes are an integral part of the consolidated financial statements.

BEND-REDMOND HABITAT FOR HUMANITY

Consolidated Statement of Cash Flows

Year Ended June 30, 2022	
Cash flows from operating activities:	
Cash receipts:	
Principal payments on mortgages receivable and proceeds received on sales of homes	$ 4,383,530
Resale Store	1,867,582
Contributions and grants	2,885,205
Other	52,689
	9,189,006
Cash disbursements:	
Land purchases and home construction costs	(4,591,132)
Payroll and related expenses	(1,985,609)
Allocations to affiliates	(8,500)
Other	(836,935)
	(7,422,176)
Net cash provided by operating activities	**1,766,830**
Cash flows from investing activities:	
Purchases of property and equipment	(788,791)
Net cash used by investing activities	**(788,791)**
Cash flows from financing activities:	
Proceeds from contributions restricted for a long-term purpose	695,304
Proceeds from notes payable	1,047,196
Payments on secured borrowing and notes payable	(110,820)
Net cash provided by financing activities	**1,631,680**
Net increase in cash and cash equivalents and restricted cash	**2,609,719**
Cash and cash equivalents and restricted cash, beginning of year	662,868
Cash and cash equivalents and restricted cash, end of year	**$ 3,272,587**

The accompanying notes are an integral part of the consolidated financial statements.

BEND-REDMOND HABITAT FOR HUMANITY

Consolidated Statement of Cash Flows - Continued

Year Ended June 30, 2022

Reconciliation to consolidated statement of financial position:	
Cash and cash equivalents	$ 2,438,251
Cash held for escrow and maintenance	67,689
Cash restricted for a long-term purpose	766,647
	$ 3,272,587

The accompanying notes are an integral part of the consolidated financial statements.

1. Significant Accounting Policies

Organization - Bend-Redmond Habitat for Humanity is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian not-for-profit organization whose purpose is to create decent, simple housing for those in need, and to make decent shelter a matter of conscience everywhere. Although Habitat International assists with information, resources, training, publications, and in other ways, Bend-Redmond Habitat for Humanity is primarily and directly responsible for the legal, organizational, fundraising, family selection and nurture, financial, and construction aspects of the work. Bend-Redmond Habitat for Humanity, through its many volunteers, constructs affordable housing in the Bend-Redmond metropolitan area.

Bend-Redmond Habitat for Humanity operates a Resale Store located in Bend, Oregon, which is an outlet for selling donated building materials.

Basis of Accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Bend-Redmond Habitat for Humanity and its wholly owned subsidiary, BAHFH Company, LLC (collectively, the Organization). The sole purpose of BAHFH Company, LLC, is to acquire and hold mortgage loans and related documents originated by the Organization to comply with the terms of an agreement between BAHFH Company, LLC and Umpqua Bank. All intercompany balances and transactions have been eliminated upon consolidation.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's Board of Directors may designate certain net assets without donor restrictions for specific purposes.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

1. Significant Accounting Policies - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant estimates made by management include the valuation of donated Resale Store inventory, discounts on mortgages receivable, and the allocation of certain expenses by functional classification.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Cash restricted for a long-term purpose consists of funds received from donors that are restricted for the acquisition of a Resale Store building in Redmond, Oregon.

Investments - Investments consist of mutual funds and are valued at their fair values in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Certificates of deposit are stated at amortized cost plus accrued interest, which approximates fair value.

Fair Value Measurements - GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

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

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

1. Significant Accounting Policies - Continued
Fair Value Measurements - Continued

In determining the fair value of its investments, the Organization uses appropriate valuation techniques based on available inputs. The Organization maximizes its use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Accordingly, when available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. If market data is not readily available, fair value is based upon other significant unobservable inputs such as inputs that reflect the Organization's own assumptions about the inputs market participants would use in valuing the investment. As required, investments valued using unobservable inputs are classified to the lowest level of any input that is most significant to the valuation. Thus, a valuation may be classified as Level 3 even though the valuation may include significant inputs that are readily observable.

Resale Store Inventory - The Organization's Resale Store sells predominantly donated materials to the public. Donated inventories on hand at year end are valued at estimated fair market value. Purchased inventories are valued at the lower of cost or net realizable value.

Construction In Progress - Construction in progress represents costs incurred to build or rehabilitate homes for eventual sale to qualifying families. Once completed, the homes will be sold, and the cost of homes sold will be recorded.

Land Held for Development - Land held for development represents the cost of land purchased by the Organization as a future site for home construction. As the land is developed and home construction begins, it is transferred to construction in progress.

Property and Equipment - Property and equipment are recorded at cost, if purchased, and at estimated fair market value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 7 years for personal property, and 30 years for real property. Maintenance and repairs are charged to expense when incurred; major renewals and betterments are capitalized.

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

The Organization has received grants from governmental agencies that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At June 30, 2022, conditional grants of approximately $627,816 have not been recognized as revenue in the accompanying consolidated financial statements. Of this amount, $581,064 is conditioned upon the incurrence of allowable expenses. The remaining $46,752 (which had been received and reported on the consolidated statement of financial position as a refundable advance) is conditioned upon certain performance requirements.

1. Significant Accounting Policies - Continued
Contributions and Grants - Continued

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

The Organization reports contributions of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when acquired long-lived assets are placed in service.

Noncash Contributions - Contributions of assets other than cash are recorded at their estimated fair value. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, and are recorded at their estimated fair values in the period received.

During the year ended June 30, 2022, noncash contributions consisted of the following:

Donated goods - Resale Store	$ 1,747,648
Donated legal services	17,510
Donated construction services	7,246
Other	140
	$ 1,772,544

The Organization estimates the value of donated goods received at the Resale Store based on their expected selling price. Legal and construction services are valued at standard hourly rates charged for those services. The services were utilized by the Organization’s in its programs and supporting services.

1. Significant Accounting Policies - Continued

Noncash Contributions - There were no donor-imposed restrictions associated with the donated services or items sold at the Resale Store.

A substantial number of volunteers donate significant amounts of their time to the Organization for general construction and office labor. However, as these services do not require specialized skills or materially enhance the value of nonfinancial assets, the value of such services is not recorded in the consolidated financial statements.

Revenue Recognition - Sales of homes to homeowners is recognized at a point in time, which is the time a home is sold and title passes to a qualified homebuyer. Currently, most homeowners finance the purchase of their home by obtaining third-party financing, proceeds from which are paid to the Organization at closing. Previously, homeowners financed the purchase of their home with a non-interest-bearing mortgage receivable issued by the Organization. Mortgages issued were discounted at various rates ranging from 7.75 to 8.14 percent. Discounts are amortized using the effective interest method over the lives of the mortgages, and the amortization of mortgage discount is recognized as revenue.

Resale Store sales are also recognized at a point in time, which is when control is transferred to the customer. The amount recorded as revenue reflects the consideration the Organization receives in exchange for its inventory.

Receivables - The Organization’s receivables consist of contributions, grants, and mortgages. An allowance for uncollectible receivables is provided based on specific identification of accounts. The Organization will write-off any balance that remains after it has exhausted all reasonable collection efforts. At June 30, 2022, there was no allowance for doubtful accounts.

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. The Organization considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept a deed in lieu of foreclosure where homeowner mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished and sold to other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgages receivable at June 30, 2022.

In connection with the sale of homes, in some cases the Organization also issues a second mortgage. These second mortgages represent the difference between the original mortgage and the appraised value of the home. They are due to the Organization either in part or in full, only if the homeowner does not comply with the terms of the original mortgage. The second mortgage is to protect the value of the collateral. At June 30, 2022, the Organization has not recorded a receivable related to second mortgages that are due either in part or in full, if the homeowner does not comply with terms of the original mortgage, as management has determined that no triggering events have occurred that would require they be recognized in the consolidated financial statements.

1. Significant Accounting Policies - Continued

Transfers of Mortgages Receivable - The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 860, *Accounting for Transfers and Servicing of Financial Assets* and accounts for transfers of mortgages receivable as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Organization's continuing involvement with the mortgages transferred. Gains and losses from transfers reported as sales are included in net gain on sale of mortgages receivable in the accompanying consolidated statements of activities. There were no transfers of mortgages receivable that qualified as sales during the year ended June 30, 2022.

Transfers of mortgage receivables that do not qualify for sale accounting are reported as secured borrowings. Accordingly, the related assets remain on the Organization's consolidated statement of financial position and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions. The Organization has transferred mortgages receivable that qualified as secured borrowings as described in *Note 9.*

Warranties - The Organization provides a one-year warranty on all of its homes. The warranty is generally for defects in materials and/or workmanship. Warranty costs are expensed as incurred. The Organization has experienced minimal warranty costs and therefore does not believe an accrual for such costs is necessary.

Advertising Expense - Advertising costs are charged to expense when incurred.

Income Taxes - The Organization is exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). BAHFH Company, LLC is a disregarded entity for federal and state income tax purposes.

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. The consolidated statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square-footage basis, and salaries and wages and employee benefits and payroll taxes, which are allocated on the basis of estimated time and effort.

Subsequent Events - Management has evaluated subsequent events through October 26, 2022, the date the consolidated financial statements were available to be issued.

1. Significant Accounting Policies - Continued

Adoption of New Accounting Standard - Effective July 1, 2021, the Organization has adopted the provisions of FASB Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU, among other things, requires in-kinds to be separately listed in the statement of activities and enhanced disclosures about monetization of in-kind donations, valuation techniques, and donor restrictions. The adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure.

2. Escrow and Maintenance Accounts

The Organization maintains escrow and maintenance accounts on behalf of homeowners. These accounts are used to collect homeowner deposits to be used to pay escrow expenses (such as property taxes and homeowners' insurance premiums) and for the payment of maintenance expenses on properties that share common facilities. At June 30, 2022, the total balance of these accounts was $67,689. A corresponding liability is included with accounts payable and accrued expenses on the accompanying consolidated statement of financial position.

3. Investments

A summary of investments by type is as follows at June 30, 2022:

Investments carried at fair value:	
Mutual funds:	
Domestic	$ 18,934
Fixed income	22,067
International	11,571
Money market fund	298
Total investments carried at fair value	52,870
Investments carried at cost plus accrued interest:	
Certificates of deposit	7,011
	$ 59,881

4. Contributions and Grants Receivable

At June 30, 2022, contributions and grants receivable are expected to be received as follows:

Less than one year	$ 822,206
One year to five years	240,381
	1,062,587
Less present value discount (discounted at a rate of 3 percent)	(11,801)
Net contributions and grants receivable	1,050,786
Less current portion	-
Long-term portion	$ 1,050,786

At June 30, 2022, contributions receivable totaling $381,850 are restricted for the acquisition of a Resale Store building in Redmond, Oregon. Since the contributions receivable are restricted for a long-term purpose, they have been classified as long-term.

5. Mortgages Receivable - Net

A summary of mortgages receivable is as follows at June 30, 2022:

Mortgages receivable	$ 293,722
Discount on mortgages receivable	(73,330)
Mortgages receivable - net of discount	220,392
Less current portion	(42,455)
Long-term portion	$ 177,937

At June 30, 2022, there were no mortgage principal payments in arrears.

At June 30, 2022, mortgages receivable (net of discounts) totaling $169,614 have been pledged to Umpqua Bank under the secured borrowing transaction described in *Note 9*.

6. Beneficial Interest in Investments Held by Oregon Community Foundation (OCF)

The Organization transferred funds to OCF and established an endowment fund (the fund). 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 Organization's Board of Directors, additional distributions may be made, even to the exhaustion of the fund, if in the sole judgement of the Board of Directors of OCF, the requested distribution is consistent with the objectives and purpose of the Organization. Accordingly, the fund is classified as net assets without donor restriction but have been designated by the Organization's Board of Directors as the fund functions as an endowment.

The Organization is eligible for distributions based on a percentage of the fund's fair value. During the year ended June 30, 2022, no distributions were made. The change in value of the fund has been reflected in net investment loss on the accompanying consolidated statement of activities.

During the year ended June 30, 2022, the changes in the fund were as follows:

Balance, beginning of year	$	36,199
Investment loss		(2,014)
Balance, end of year	$	34,185

7. Land Leased to Homeowners

To promote current and future affordability to homeowners, the Organization retained title to certain land as opposed to selling homes including the land. In lieu of selling the land, the Organization entered into a long-term land lease arrangement with the homeowners at a nominal annual rental amount. Concurrent with the recognition of the sale, the cost of the land was transferred from construction in progress to land leased to homeowners on the accompanying consolidated statement of financial position. At June 30, 2022, land leased to homeowners totaled $928,000.

8. Property and Equipment - Net

Land	$ 2,133,461
Building	1,516,810
Accessory dwelling units	600,000
Equipment	130,814
Vehicles	322,521
Furniture and fixtures	28,041
Construction in progress	81,258
	4,812,905
Less accumulated depreciation and amortization	(640,406)
Property and equipment - net	$ 4,172,499

At June 30, 2022, construction in progress included in property and equipment are capitalized pre-development costs associated with the acquisition of the Resale Store building.

9. Secured Borrowing

During the year ended June 30, 2013, the Organization entered into an agreement with Umpqua Bank to sell certain mortgages receivable. In accordance with the agreement, the Organization has the obligation to cure a default, and if it cannot do so, it shall, at its option, either repurchase the affected mortgage at the repurchase price, or provide a substitute mortgage. Accordingly, the sale was classified as a secured borrowing transaction.

When sold, the mortgages receivable were discounted at 3 percent. The difference between the cash proceeds and the aggregate unpaid principal balance of the mortgages sold was recorded as a discount and is being amortized over the life of the mortgages sold.

Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgages receivable that were sold.

9. Secured Borrowing - Continued

Future principal payments of mortgages receivable associated with secured borrowing are as follows for years ending June 30:

Years Ending June 30,	Amount
2023	$ 82,122
2024	28,761
2025	28,761
2026	28,761
2027	21,872
Thereafter	70,085
	260,362
Less unamortized discount	(30,286)
	230,076
Less current portion	(82,122)
Long-term portion	$ 147,954

10. Long-Term Debt - Net

Notes payable to the City of Bend, Oregon, at zero percent interest, secured by certain homes included in construction in progress and land held for development, and due through October 2062. During the year ended June 30, 2022, $150,000 of the loan proceeds were forgiven. The remaining balance can be forgiven on a prorated basis per housing unit, provided each house is sold to a qualifying family.	$ 280,000
Notes payable to the Oregon Housing and Community Services Department (OHCS), with a maximum amount available of $2,205,000, at zero percent interest, secured by certain homes included in construction in progress and land held for development, and due through December 2041. During the year ended June 30, 2022, $1,008,000 of the loan proceeds were forgiven. The remaining balance can be forgiven on a prorated basis per housing unit, provided each house is sold to a qualifying family and other requirements specified in the loan agreement have been met.	1,782,000
	$ 2,062,000

11. Allocations to Affiliates

The Organization remits a portion of its unrestricted contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2022, the Organization contributed $8,500 to Habitat International. Such amounts are included in program services expenses in the consolidated statement of activities.

12. Line of Credit

The Organization has a $2,500,000 line of credit with First Interstate Bank bearing interest at 3.25 percent. The line of credit is secured by the Organization's property and matures January 2024. At June 30, 2022, there were no amounts outstanding.

The line of credit contains covenants regarding financial ratios. At June 30, 2022, the Organization believes it met these covenants.

13. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2022:

Resale Store building acquisition	$ 1,229,755
Construction materials	100,000
	$ 1,329,755

During the year ended June 30, 2022, net assets totaling $57,395 were released from donor restrictions by the incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors.

14. Contingency

The Organization has either acquired properties directly or received funding for properties from governmental agencies. These governmental agencies have imposed a restriction that requires the properties be occupied by low-income families for a period of 30 years, depending on the agreement with the governmental agency. Failure to comply with this restriction during the time-period specified in the agreement could require the Organization to return funding from the governmental agency. However, as of June 30, 2022, the Organization has complied with the aforementioned restriction, and has the intention and ability to continue to comply with the restriction. Accordingly, management believes risk of loss to the Organization under these agreements is remote.

15. Employee Retirement Plan

The Organization provides retirement benefits to employees through its SIMPLE IRA plan. The Organization matches employee contributions up to 3 percent of compensation. For the year ended June 30, 2022, total contributions by the Organization totaled $20,017.

16. Financial Instruments with Concentrations of Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents (including restricted cash), investments, and contributions and grants receivable. Concentrations of risk with respect to contributions and grants receivable are limited through various monitoring procedures. At June 30, 2022, and on occasion throughout the year, cash and cash equivalents exceeded federally insured limits.

The Organization’s investments (including its beneficial interest in investments held at OCF) are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these assets are sensitive to changes in economic conditions and may be adversely affected by shifts in the market’s perception of the issuers and changes in interest rates. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of such assets will occur in the near-term and such changes could materially affect account balances and amounts reported in the consolidated financial statements.

At June 30, 2022, 64 percent of contributions and grants receivable was due from one foundation and Deschutes County.

17. Revenue Concentration

During the year ended June 30, 2022, 73 percent of the Organizations contributions and grants was received from Deschutes County and the State of Oregon.

18. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date consist of the following at June 30, 2022:

Cash and cash equivalents	$ 2,438,251
Investments	59,881
Current portion of contributions and grants receivable	668,936
Current portion of mortgages receivable not pledged as collateral	7,204
Total financial assets available within one year	3,174,272
Less:	
Net assets restricted for construction materials or other specific program purposes	(100,000)
	$ 3,074,272

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Additionally, to help manage unanticipated liquidity needs, the Organization has a $2,500,000 line of credit with First Interstate Bank (*Note 12*).

19. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 3
Mutual funds and money market fund	$ 52,870	$ -
Beneficial interest in investments held at OCF	-	34,185
	$ 52,870	$ 34,185

Level 1 Measurements: Fair value of Level 1 assets described above is determined by reference to quoted market prices or other relevant market data as provided by the broker.

Level 3 Measurements: Beneficial interest in investments held at OCF represent the Organization's share of a pooled investment portfolio managed by OCF. The Organization's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs.

During the year ended June 30, 2022, there were no purchases, sales, or transfers into or out of the Level 3 classification.