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Habitat for Humanity of Minnesota, Inc.

Financial Statements

June 30, 2021 and 2020

Habitat for Humanity of Minnesota, Inc.

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June 30, 2021 and 2020

Independent Auditors' Report

To the Board of Directors of
Habitat for Humanity of Minnesota, Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Minnesota, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Minneapolis, Minnesota
November 18, 2021

Habitat For Humanity of Minnesota, Inc.

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 1,949,974	$ 947,476
Cash and cash equivalents, restricted	3,406,194	2,090,867
Interest receivable	29,067	41,532
Prepaid expenses and other assets	43,256	48,072
Property and equipment, net	7,804	8,363
Loans receivable	32,561,923	36,337,212
Allowance for loan losses	(148,843)	(154,356)
Unamortized discount on loans receivable	(6,353,511)	(7,092,831)
Net loans receivable	26,059,569	29,090,025
Total assets	$ 31,495,864	$ 32,226,335
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 12,946	$ 13,970
Assistance to affiliates payable	43,619	28,379
Accrued payroll expenses	43,246	49,905
Accrued vacation	31,711	22,262
Deferred fee income	370,705	353,485
Other accrued expenses	83,059	100,049
Deposits on loans receivable from affiliates	22,979	25,845
PPP forgivable loan	108,197	92,472
CRV recoverable grants	25,060	69,560
Revolving loans payable	21,157,927	21,157,927
Notes payable	13,457,581	15,102,381
Unamortized discount on revolving loan and notes payable	(6,788,294)	(7,292,820)
Net loans and notes payable	27,827,214	28,967,488
Total liabilities	28,568,736	29,723,415
Net Assets		
Net assets without donor restrictions	2,927,128	2,502,920
Total Net Assets	2,927,128	2,502,920
Total liabilities and net assets	$ 31,495,864	$ 32,226,335

See notes to financial statements

Habitat For Humanity of Minnesota, Inc.

Statements of Activities
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue						
Contributions	$ 442,169	$ -	$ 442,169	$ 301,594	$ -	$ 301,594
Program fees	162,965	-	162,965	172,829	-	172,829
Interest income	431,992	-	431,992	504,237	-	504,237
Habitat 500 revenue	28,780	-	28,780	89,486	-	89,486
Forgiveness of PPP loan	92,472		92,472	-		-
Other income	-	-	-	170	-	170
Total support and other revenue	1,158,378	-	1,158,378	1,068,316	-	1,068,316
Operating Expenses						
Program expenses	807,187	-	807,187	962,098	-	962,098
Support services:						
Management and general	94,706	-	94,706	123,009	-	123,009
Fundraising	67,071	-	67,071	67,557	-	67,557
Total support services	161,777	-	161,777	190,566	-	190,566
Total expense	968,964	-	968,964	1,152,664	-	1,152,664
Change in net assets, operating	189,414	-	189,414	(84,348)	-	(84,348)
Nonoperating						
Amortization of discounts on loans receivable	739,320	-	739,320	766,009	-	766,009
Amortization of discounts on revolving loan and notes payable	(504,526)	-	(504,526)	(784,153)	-	(784,153)
Change in net assets, nonoperating	234,794	-	234,794	(18,144)	-	(18,144)
Total change in net assets	424,208	-	424,208	(102,492)	-	(102,492)
Net Assets, Beginning	2,502,920	-	2,502,920	2,605,412	-	2,605,412
Net Assets, Ending	$ 2,927,128	$ -	$ 2,927,128	$ 2,502,920	$ -	$ 2,502,920

See notes to financial statements

Habitat For Humanity of Minnesota, Inc.

Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021				2020			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Operating Expenses								
Payroll expenses	$ 368,486	$ 54,962	$ 61,562	$ 485,010	$ 297,360	$ 74,818	$ 59,723	$ 431,901
Office expenses	36,283	3,703	1,958	41,944	32,986	11,476	1,711	46,173
Professional services	25,937	28,777	314	55,028	145,993	10,420	5,468	161,881
Meetings and training	6,300	1,527	2,345	10,172	23,915	884	182	24,981
Interest expense	314,334	-	-	314,334	332,515	-	-	332,515
Travel	763	780	-	1,543	8,436	1,648	175	10,259
Insurance	2,992	2,410	215	5,617	7,487	280	143	7,910
Equipment expense	-	-	-	-	936	-	-	936
Loan trustee fees	22,808	-	-	22,808	10,733	-	-	10,733
Advertising	1,066	506	46	1,618	667	-	80	747
Administrative	3,813	903	195	4,911	1,058	25	-	1,083
Other	6,000	920	65	6,985	12	659	75	746
Tithe	20,000	-	-	20,000	-	20,000	-	20,000
2020 second mortgage forgivable loan expense	-	-	-	-	100,000	-	-	100,000
Provisions for loan losses	(5,513)	-	-	(5,513)	-	(1,902)	-	(1,902)
Depreciation	3,918	218	371	4,507	-	4,701	-	4,701
Total operating	807,187	94,706	67,071	968,964	962,098	123,009	67,557	1,152,664
Nonoperating Expenses								
Amortization of discounts on revolving loan and notes payable	504,526	-	-	504,526	784,153	-	-	784,153
Total nonoperating	504,526	-	-	504,526	784,153	-	-	784,153
Total expenses	$ 1,311,713	$ 94,706	$ 67,071	$ 1,473,490	$ 1,746,251	$ 123,009	$ 67,557	$ 1,936,817

See notes to financial statements

Habitat For Humanity of Minnesota, Inc.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	$ 424,208	$ (102,492)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,507	4,701
Amortization of discounts on loans receivable	(739,320)	(766,009)
Amortization of discounts on revolving loan and notes payable	504,526	784,153
Provision for loan losses	(5,513)	98,098
Forgiveness of PPP Loan	(92,472)	-
Changes in operating assets and liabilities:		
Interest receivable	12,465	(280)
Prepaid expenses and other assets	4,816	(3,561)
Accounts payable	(1,024)	2,003
Assistance to affiliates payable	15,240	(65,792)
Accrued payroll expenses	(6,659)	25,463
Accrued vacation	9,449	14,806
Deferred fee income	17,220	5,804
CRV recoverable grants	(44,500)	(2,175)
Other accrued expenses	(16,990)	(10,673)
Net cash flows from operating activities	85,953	(15,954)
Cash Flows From Investing Activities		
Collections on loans receivable	5,298,696	2,667,666
Purchase of equipment	(3,948)	(2,262)
Loans receivable issued	(1,526,273)	(1,517,710)
Net cash flows from investing activities	3,768,475	1,147,694
Cash Flows From Financing Activities		
Loan proceeds	108,197	92,472
Payments on notes payable	(1,644,800)	(980,388)
Net cash flows from financing activities	(1,536,603)	(887,916)
Change in cash, cash equivalents and restricted cash	2,317,825	243,824
Cash, Cash Equivalents and Restricted Cash, Beginning	3,038,343	2,794,519
Cash, Cash Equivalents and Restricted Cash, Ending	$ 5,356,168	$ 3,038,343
Supplemental Cash Flow Disclosures		
Cash paid for interest	$ 331,830	$ 336,402

See notes to financial statements

1. Summary of Significant Accounting Policies

Nature of Activities

Habitat for Humanity of Minnesota, Inc. (the Organization) is a Minnesota not-for-profit organization that was incorporated in 1997. The Organization was created by the Habitat for Humanity affiliates in the State of Minnesota to help them be successful in achieving their goal of eliminating poverty housing from their service areas. At June 30, 2021, there were 25 affiliates providing housing solutions for approximately 300 families per year. The Organization manages programs which provide a broad range of support to the affiliates, primarily in the areas of resource development, training and building awareness. The main program provided by the Organization is a lending program designed to provide Habitat affiliates with a form of secondary market for their 0 percent interest long-term mortgage loans made to Habitat homeowners. Through the Organization's lending program, Habitat affiliates can generate more resources to build homes by converting their mortgages into cash, which provides them the opportunity to build more homes. Through the Organization's programs, Minnesota Habitat affiliates have quadrupled the number of families served annually since 1997. The Organization was certified by the U.S. Department of Treasury on December 7, 2000 as a Community Development Financial Institution (CDFI).

Net Asset Classifications

For the purposes of financial reporting, the Organization classifies resources into two net asset categories pursuant to any donor-imposed restrictions. Accordingly, the net assets of the Organization are classified in the accompanying financial statements in the categories that follow:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Board-designated net assets are net assets without donor restrictions subject to self-imposed limits by action of the governing board and may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. The Organization does not have any board-designated net assets.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. As of June 30, 2021 and 2020, the Organization does not have any net assets with donor restrictions.

Nonoperating Activities

Nonoperating activities include all noncash activities relating to the discounting of loans and notes payable and receivable.

Cash and Cash Equivalents

The Organization defines cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The Organization maintains its cash and cash equivalents in money market mutual funds and bank deposit accounts at high credit quality financial institutions. The bank balances, at times, may exceed federally insured limits. Restricted cash is primarily related to loan proceeds, repayment and reserve accounts and amounts collected from the Habitat 500 bike ride to be distributed to affiliates. Cash and cash equivalents on the statement of cash flows includes amounts labeled as cash and cash equivalents, restricted on the statement of financial position.

Loans Receivable

Loans receivable, which are issued to affiliates at below market interest rates, are initially recorded at fair market value by discounting the receivable balance. The discount is then amortized into income over the life of the loan receivable using the effective interest method.

The Organization accounts for uncollectible receivables by the reserve method based on management's best estimate and past history of collections. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history of collections. Additional interest is not accrued on past due accounts. When all collection efforts have been exhausted, the accounts are written off.

Assistance to Affiliate Payable

The Organization operates an annual bike ride primarily for the benefit of its affiliates and other Habitat organizations. Participants directly identify the recipient of their contributions and all amounts collected for others are recorded as assistance to affiliates payable and are disbursed regularly.

Deferred Fee Income

The Organization charges an origination fee on new loans receivable. The fee income is amortized over the term of the related loan in a method consistent with the amortization of the discount on the loans.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value at the date of the gift, if donated. All acquisitions of property and equipment in excess of $1,500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized and depreciated on a straight-line basis over a range of 3-5 years. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Discount on Notes Payable

Notes payable, which are issued to the Organization at below market interest rates, are initially recorded at fair market value by discounting the payable balance. The discount is then amortized into expense over the life of the note payable using the effective interest method.

Contributions

Contributions are recognized when received in the form of an unconditional pledge or cash. Pledges receivable (unconditional promises to give) are recorded at their net realizable value. Contributions or grants that include a measurable barrier, or those for which the Organization has limited discretion over how the funds are spent, and a right of return or release from future obligations, are considered conditional contributions. Conditional contributions are recognized as contributions when the conditions of the barrier are met.

As of June 30, 2021, the Organization had received two conditional promises to give that are not yet recorded. The two conditional promises consist of a $1,000,000 grant from the CDFI Fund and a $20,000 grant from Habitat for Humanity International. In both cases, these funds are expected to be received and recognized in fiscal year 2022 as the conditions for each grant are satisfied. There were no conditional contributions as of June 30, 2020.

Contributed Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet these criteria are not recognized. The Organization receives services donated by volunteers, which do not meet the above criteria for recognition in the financial statements.

Program Fees

Program fees are primarily loan closing fees paid by the affiliates. The majority of the revenue is recognized upon closing of the loan, however fees collected above a standard fixed fee, due to additional components, are deferred and amortized into income over the life of the loan.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on management's consideration of actual expenses charged to each category, as well as by estimates developed by personnel regarding time spent in each category.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Organization is classified as a publicly supported charitable organization under Section 509(A)(1) of the Code and charitable contributions are deductible by donors.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of June 30, 2021 and 2020. The Organization's tax returns are subject to review and examination by federal and state authorities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net assets or total change in net assets.

New Accounting Pronouncements Not Yet Effective

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021 (fiscal year 2023). Early adoption is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. Management is currently assessing the impact this standard will have on its financial statements.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments.* ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (fiscal year 2024). Early adoption is permitted. Management is currently assessing the impact this standard will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (fiscal year 2022). Early adoption is permitted. The Organization is currently assessing the impact this standard will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through November 18, 2021, which is the date that the financial statements were approved and available to be issued.

2. Liquidity and Availability

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets excluded from this measure of liquidity include reserves that can only be used for loans to affiliates.

	2021	2020
Cash and cash equivalents	$ 1,949,974	$ 947,476
Interest receivable	29,067	41,532
Loans receivable due in next fiscal year	2,300,311	2,454,447
Financial assets available to meet cash need for general expenditures within one year	$ 4,279,352	$ 3,443,455

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's policy on cash operating reserves includes maintaining undesignated cash and short term investment balances at all times equal to a minimum of six months of adjusted estimated operating expenses**.**

3. Loans Receivable

The Organization's primary activity is to make loans to affiliates building homes in the State of Minnesota. These affiliates are also tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code. Affiliates' borrowings are collateralized by mortgage notes that affiliates issued to homeowners.

	2021	2020
Various affiliates, noninterest bearing, lump sum payments due through 2022	$ 13,609	$ 41,766
Various affiliates, 3% interest, monthly payments through November 1, 2021	-	5,594
Various affiliates, 1% interest, monthly payments through June 1, 2023	18,755	48,367
Various affiliates through the revolving loan fund, noninterest bearing, monthly payments through July 1, 2057	19,745,110	19,901,066
Various affiliates, 2.25%, 2.5%, 2 .6% and 3.0% interest, monthly payments through July 1, 2041	12,444,449	16,240,419
Forgivable second mortgages to homeowners with first mortgages issued by various affiliates, noninterest bearing	340,000	100,000
Total loans receivable	32,561,923	36,337,212
Less unamortized discount	(6,353,511)	(7,092,831)
Less allowance for loan losses	(148,843)	(154,356)
Net loans receivable	$ 26,059,569	$ 29,090,025

All loans receivable are discounted based on the fair market interest rate at the time the funds are advanced. The fair market rate for 2021 and 2020 was based on a 60-basis point spread over 30-year Treasury bills. The discount rates used for the loans advanced in the years ended June 30, 2021 and 2020 were 2.01 percent and 3.15 percent, respectively. Loans receivable represent 82.7% percent and 90.3 percent of total assets as of June 30, 2021 and 2020, respectively.

Maturities of loans receivable based on the face amount of the loans are as follows at June 30, 2021:

Years ending June 30:	
2022	$ 2,300,311
2023	2,255,247
2024	2,228,749
2025	2,190,947
2026	2,181,125
Thereafter	21,405,544
Total	$ 32,561,923

The Organization conducts a quarterly evaluation of each affiliate borrower utilizing financial statements and mortgage portfolio quality reports. Ratios and percentages are calculated on a five point scale in seven categories as established in the Organization's Board-established Loan Policy. The resulting Credit Risk Rating (CRR) is utilized to establish the appropriate level of provision for loan losses at fiscal year-end. A pool reserve of 15 basis points has been established for all borrowers with a CRR of 4 or better. The provision for loan loss at a CRR of 5 is based on the projected impairment amount. As of June 30, 2021 and 2020, the provision for loan loss was set at the pool reserve and there were no projected impairment amounts.

A loan is considered delinquent when the affiliate borrower fails to make a contractually due payment within five days of the due date. Collection processes are established in the Organization's Loan Policy. As of June 30, 2021 and 2020, 100 percent of the Organization's loans were current.

At such time as the occurrence of a failure to collect payments from the affiliate borrower is combined with a shortfall in proceeds from collection, foreclosure or liquidation of the underlying pledged mortgage, the Organization will write-off the loan. For each of the years ended June 30, 2021 and 2020, no amounts were written-off.

The following table presents a summary of the activity for the provision for loan losses for the years ended June 30:

	2021	2020
Beginning balance	$ 154,356	$ 56,258
Provision for forgivable second mortgages	-	100,000
Provision for loan losses – decrease	(5,513)	(1,902)
Ending balance	$ 148,843	$ 154,356

4. Property and Equipment, Net

A summary of property and equipment and accumulated depreciation at June 30 is as follows:

	2021	2020
Furniture and equipment	$ 35,231	$ 31,283
Vehicle	7,200	7,200
Less accumulated depreciation	(34,627)	(30,120)
Property and equipment, net	$ 7,804	$ 8,363

5. Paycheck Protection Program Loans

On April 15, 2020, the Organization received loan proceeds in the amount of $92,472 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered by the U.S. Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1.0 percent with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

Upon satisfying the requirements for forgiveness, the Organization applied for forgiveness and received legal release in January 2021. Forgiveness income of $92,472 was recorded for the year ended June 30, 2021 in the statement of activities.

On February 16, 2021, the Organization obtained a second PPP loan in the amount of $108,197. The Organization believes it will meet the PPP’s loan forgiveness requirements, and therefore applied for forgiveness during fall of 2021. When legal release is received, the Organization will record the amount forgiven as forgiveness income. If any portion of the Organization’s PPP loan is not forgiven, the Organization will be required to repay that portion, plus interest, over five years in monthly installments with the repayment term beginning at the time that the SBA remits the amount forgiven to the Organization’s lender.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

6. CRV Recoverable Grants

The Organization has received eleven CRV recoverable grant awards since the year ended June 30, 2009. These recoverable grants were provided by the Minnesota Housing Finance Agency (MHFA) under their Community Revitalization Fund Program. Funds are to be utilized in accordance with a "Fund Availability, Disbursement, and Loan/Grant Agreement" that specifies the terms under which grant funds are recoverable. Grant funds that have not yet been disbursed for their intended purpose constitute the primary liability to the Organization. Grant funds are to be disbursed to "Owner-Occupants" to acquire "Qualified Dwelling Units". Each disbursement is evidenced by a Second Note secured by a Second Mortgage on the Qualified Dwelling Unit. The Organization is to receive repayment of funds from Owner-Occupants if they no longer occupy the Qualified Dwelling Unit at any time during a thirty-year period. After the thirty-year period, repayment by the Owner-Occupant is not required. Should the Organization receive such a repayment, it would need to repay MHFA unless the Organization, within 6 months, re-disburses that amount to another Owner-Occupant to acquire another Qualified Dwelling Unit.

The remaining balance of these recoverable grant awards total $3,168,500 and $3,198,500 as of June 30, 2021 and 2020 respectively, of which $25,060 and $69,560 remained undisbursed, respectively. During the year ended June 30, 2021, the Organization disbursed $73,300 to Owner-Occupants of Qualified Dwelling Units, which included redeploying $28,800 in returned grant awards. In the year ended June 30, 2020, the Organization disbursed $73,873, which included redeploying $71,698 in returned grant awards. As of June 30, 2021 and 2020, the undistributed balance of returned grant awards of $25,060 and $69,560, respectively is included as both a liability and restricted cash and cash equivalents in the accompanying statement of financial position. As disbursements are made to Owner-Occupants, grant revenue and program expense is reflected in the statement of activities, as the Organization believes it has fulfilled the grant purpose. Neither a receivable nor a payable for the distributed portion of the grant is reflected in the statements of financial position as collection of the recoverable grants and ultimate repayment to MHFA is considered remote.

7. Revolving Loans Payable

The Organization entered into a revolving loan agreement with the MHFA on December 22, 2000. The agreement was amended on September 9, 2004. The agreement stipulates $21,157,927 will be loaned to the Organization for the purpose of providing interest free mortgage financing to its network of affiliates. The loan is 0 percent interest and not payable as long as certain conditions are met. The conditions stipulate that the funds must be used to finance mortgages to low- and moderate-income families. Management believes the Organization is in compliance with these conditions. The loan payable is secured by the related loans receivable, the underlying homeowner notes and mortgages and funds held in the related proceeds and repayment accounts. The revolving loan balance at June 30, 2021 and 2020 was $21,157,927. The revolving loan is discounted based on the same discount used when the funds are loaned to affiliates. The unamortized discount at June 30, 2021 and 2020 was $5,055,686 and $5,403,567, respectively. The discounted rate on all loans ranges from 2.01 percent to 6.98 percent.

8. Owner-Occupied Repair Program

The Organization received a $150,000 grant award from the MHFA effective April 2020 through December 31, 2021, from the Community Homeownership Impact Fund. Funds are to be utilized for eligible Owner-Occupied repair projects in accordance with the Impact Fund Procedural Manual and the contract between MHFA and the Organization. Each disbursement is accompanied by a 5-year, forgivable deed restriction placed on the Qualified Dwelling Unit. Funds are disbursed from MHFA to the Organization on a project-by-project basis, then forwarded to the partner affiliate that has completed the work. As such, the funds are recorded immediately as a payable to the affiliate when received. The payable is reduced when the funds are forwarded to the affiliate. The Organization realizes fee income of 10% on each transaction, paid by the affiliate. Any funds returned to the Organization in the event a grant is not forgiven would be returned to the MHFA. The Organization processed three such awards totaling $45,350 and received fee income of $4,535 from the participating affiliates.

9. Notes Payable

Notes payable consisted of the following at June 30:

	2021	2020
Note payable to Wells Fargo Housing Foundation, 1%, due in quarterly installments of $4,833 through October 1, 2020	$ -	$ 9,629
Note payable to Wells Fargo Housing Foundation, 1%, due in quarterly installments of $4,833 through February 1, 2022	14,425	33,492
Note payable to MHFA, 5%, unsecured, due in quarterly installments of $17,574 through January 1, 2041	3,963,924	5,017,085
Note payable to MHFA, 0%, unsecured, due in quarterly installments of $10,000 through January 1, 2041	4,140,000	4,380,000
Note payable to MHFA, 2%, unsecured, due in quarterly installments of $127,319 through January 1, 2035	5,339,232	5,662,175
Total notes payable	13,457,581	15,102,381
Less unamortized discount	(1,732,608)	(1,889,253)
Net notes payable	$ 11,724,973	$ 13,213,128

Except as noted above, all notes payable are secured by the related loans receivable, the underlying homeowner notes and mortgages and funds held in the related proceeds, repayment and reserve accounts. Maturities of notes payable are as follows at June 30, 2021:

Years ending June 30:	
2022	$ 813,390
2023	815,038
2024	831,680
2025	848,915
2026	866,768
Thereafter	9,281,790
Total	$ 13,457,581

The Organization is required to maintain two segregated, interest-bearing cash accounts for loan repayments under security agreements. Under this arrangement, the borrower is required to deposit all funds into the repayment account and this must be equal to or greater than the quarterly payment that is next due. Surplus, if any, after allowable expenses may be transferred to a proceeds account for loans to affiliates.

All notes payable are discounted based on the fair market interest rate at the time the loans are received. The fair market rates used for the years ended June 30, 2021 and 2020 were based on a 60 basis point spread over 30 year treasury bills, which was 2.01 percent and 3.15 percent, respectively.

10. Operating Lease Commitments

During fiscal 2017, the Organization entered into a long-term operating lease for office space. The original lease, as amended, expired on April 30, 2020. In October 2019, an additional amendment to the lease extended the term to April 30, 2021, with the option to renew for two subsequent six-month periods. The lease was again amended in May 2021 to require 60-day notice with no minimum term. The Organization also leases certain office equipment. Total rent expense for all operating leases was approximately $28,034 and $27,580 for the years ended June 30, 2021 and 2020, respectively. Minimum future rental payments under noncancelable operating leases is as follows:

Years ending June 30:	
2022	$ 6,403
2023	2,424
2024	2,424
2025	1,616
Total	$ 12,867

11. Concentrations

During the years ended June 30, 2021 and 2020, the Organization received over 99 percent of its financing through one institution, Minnesota Housing Finance Agency. The Organization is current on all notes payable.

As of June 30, 2021 and 2020, approximately 57 percent and 62 percent, respectively, of the loans outstanding were to the Twin Cities Habitat for Humanity affiliate. No loans were issued to Twin Cities Habitat for the years ended June 30, 2021 and 2020.

12. Related Parties

Twin Cities Habitat for Humanity (TC-HFH) administers the Organization's payroll and employee benefit plans. At June 30, 2021 and 2020, the Organization owed TC-HFH $30,432 and $49,905, respectively for payroll paid for the Organization's employees. The administrative services are provided at no cost and the value of these services is not material to the financial statements.

Several of the Habitat for Humanity affiliates that receive loans and other services from the Organization have employees and volunteers that serve on the Habitat for Humanity of Minnesota, Inc. Board of Directors. The Organization follows a conflict-of-interest policy.

13. 401(k) Defined Contribution Plan

The Organization's employees participate in a 401(k) defined contribution plan through Twin Cities Habitat for Humanity. Eligible employees may elect to defer up to 20 percent of their compensation. The Organization contributed an amount on behalf of each eligible participant equal to 100 percent of their contributions up to 3 percent. Contributions to the plan by the Organization were $9,880 and $8,480 for the years ended June 30, 2021 and 2020, respectively.