



**FINANCIAL STATEMENTS**

**Years Ended June 30, 2020 and 2019**

**with**

**Independent Accountants' Review Report**

---

# NEWBERG AREA HABITAT FOR HUMANITY

## Table of Contents

---

	<b>Page</b>
<b>Independent Accountants' Review Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses - 2020	4
Statement of Functional Expenses - 2019	5
Statements of Cash Flows	6
Notes to Financial Statements	8

## **Independent Accountants' Review Report**

The Board of Directors  
Newberg Area Habitat for Humanity

We have reviewed the accompanying financial statements of Newberg Area Habitat for Humanity (the Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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 financial statements that are free from material misstatement whether due to fraud or error.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hoffman, Stewart & Schmidt, P.C.

February 5, 2021

**NEWBERG AREA HABITAT FOR HUMANITY**

**Statements of Financial Position**  
*(See Independent Accountants' Review Report)*

<b>June 30,</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 107,338	\$ 45,997
Cash held for escrow <i>(Note 5)</i>	28,809	21,267
Grant receivable - due within one year	40,834	-
Mortgages receivable - net <i>(Note 2)</i>	1,687,464	1,500,574
Inventories <i>(Notes 3 and 6)</i>	197,204	314,547
Prepaid expenses	5,685	5,664
Cash held for property and equipment purchases <i>(Note 4)</i>	57,557	-
Property and equipment - net <i>(Note 4)</i>	935,358	994,171
<b>Total assets</b>	<b><u>\$ 3,060,249</u></b>	<b><u>\$ 2,882,220</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 2,918	\$ 76
Accrued vacation	10,636	7,943
Escrow deposits <i>(Note 5)</i>	28,809	21,267
Paycheck Protection Program loan <i>(Note 6)</i>	26,344	-
Notes payable <i>(Note 7)</i>	65,875	138,289
<b>Total liabilities</b>	<b>134,582</b>	<b>167,575</b>
Commitment <i>(Note 10)</i>		
<b>Net assets:</b>		
Without donor restrictions	2,901,449	2,709,018
With donor restrictions <i>(Note 8)</i>	24,218	5,627
<b>Total net assets</b>	<b><u>2,925,667</u></b>	<b><u>2,714,645</u></b>
<b>Total liabilities and net asset:</b>	<b><u>\$ 3,060,249</u></b>	<b><u>\$ 2,882,220</u></b>

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

**NEWBERG AREA HABITAT FOR HUMANITY**

**Statements of Activities**  
*(See Independent Accountants' Review Report)*

<b>Years Ended June 30,</b>	<b>2020</b>	<b>2019</b>
<b>Changes in net assets without donor restrictions</b>		
<b>Revenue, gains, and other support</b>		
Sale of homes	\$ 580,000	\$ 287,000
Sale of Resale store inventory	151,850	221,517
Contributions and grants	200,027	103,255
Noncash contributions - Resale store	146,819	221,517
Noncash contributions - other	3,210	18,613
Amortization of discount on mortgages receivable	79,052	52,561
Other (Note 4)	11,904	9,153
Net assets released from restrictions (Note 8)	15,909	3,420
<b>Total revenue, gains, and other support</b>	<b>1,188,771</b>	<b>917,036</b>
<b>Expenses:</b>		
Program services:		
Homeownership	695,005	362,616
Resale store	274,104	339,772
<b>Total program services</b>	<b>969,109</b>	<b>702,388</b>
Supporting services:		
Development	7,114	6,411
Management and general	20,117	22,052
<b>Total supporting services</b>	<b>27,231</b>	<b>28,463</b>
<b>Total expenses</b>	<b>996,340</b>	<b>730,851</b>
<b>Change in net assets without donor restriction</b>	<b>192,431</b>	<b>186,185</b>
<b>Changes in net assets with donor restrictions</b>		
Contributions and grants	34,500	7,240
Net assets released from restrictions (Note 8)	(15,909)	(3,420)
<b>Increase in net assets</b>	<b>211,022</b>	<b>190,005</b>
Net assets, beginning of year	2,714,645	2,524,640
<b>Net assets, end of year</b>	<b>\$ 2,925,667</b>	<b>\$ 2,714,645</b>

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

**NEWBERG AREA HABITAT FOR HUMANITY**

**Statement of Functional Expenses**  
*(See Independent Accountants' Review Report)*

	Program Services				Total	Development	Management and General	Indirect Expenses	Total
	Home-ownership	Resale Store							
Cost of homes sold	\$ 344,565	\$ -	\$ 344,565	\$ -	\$ -	\$ -	\$ -	\$ 344,565	
Discounts granted on mortgages	306,707	-	306,707	-	-	-	-	306,707	
	651,272	-	651,272	-	-	-	-	651,272	
Cost of goods sold - Resale store	-	151,850	151,850	-	-	-	-	151,850	
Payroll and related expenses	57,381	55,336	112,717	3,631	6,364	8,275	130,987		
Professional fees	-	-	-	-	10,272	2,750	13,022		
Office expenses	12,008	11,275	23,283	2,843	70	16,490	42,686		
Occupancy	304	12,878	13,182	-	-	995	14,177		
Travel and vehicle expenses	1,919	4,277	6,196	-	-	-	6,196		
Interest expense	-	-	-	-	1,959	-	1,959		
Tithing (Note 11)	7,186	-	7,186	-	-	-	7,186		
Depreciation	-	21,411	21,411	-	-	-	21,411		
Insurance	15,120	1,985	17,105	-	-	-	17,105		
Other expenses	1,926	345	2,271	-	-	-	2,271		
Allocation of indirect expenses	11,671	14,747	26,418	640	1,452	(28,510)	-		
Capitalized expenses	(63,782)	-	(63,782)	-	-	-	(63,782)		
	\$ 695,005	\$ 274,104	\$ 969,109	\$ 7,114	\$ 20,117	\$ -	\$ 996,340		

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

**NEWBERG AREA HABITAT FOR HUMANITY**

**Statement of Functional Expenses**  
*(See Independent Accountants' Review Report)*

**Year Ended June 30, 2019**

	Program Services				Total	Development	Management and General	Indirect Expenses	Total
	Home-ownership	Resale Store							
Cost of homes sold	\$ 222,733	\$ -	\$ 222,733	\$ -	\$ -	\$ -	\$ -	\$ 222,733	
Discounts granted on mortgages	105,917	-	105,917	-	-	-	-	105,917	
	328,650	-	328,650	-	-	-	-	328,650	
Cost of goods sold - Resale store	-	221,517	221,517	-	-	-	-	221,517	
Payroll and related expenses	71,610	59,530	131,140	3,376	6,107	3,312	-	143,935	
Professional fees	-	-	-	-	7,201	-	-	7,201	
Office expenses	8,114	12,489	20,603	2,685	3,036	12,074	-	38,398	
Occupancy	36	9,241	9,277	-	-	1,200	-	10,477	
Travel and vehicle expenses	1,062	4,372	5,434	-	-	-	-	5,434	
Interest expense	-	-	-	-	5,171	-	-	5,171	
Titling (Note 11)	3,362	-	3,362	-	-	-	-	3,362	
Depreciation	-	22,214	22,214	-	-	-	-	22,214	
Insurance	13,122	2,142	15,264	-	-	-	-	15,264	
Other expenses	13,731	923	14,654	82	-	-	-	14,736	
Allocation of indirect expenses	8,437	7,344	15,781	268	537	(16,586)	-	-	
Capitalized expenses	(85,508)	-	(85,508)	-	-	-	-	(85,508)	
	\$ 362,616	\$ 339,772	\$ 702,388	\$ 6,411	\$ 22,052	\$ -	\$ -	\$ 730,851	

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

**NEWBERG AREA HABITAT FOR HUMANITY**

**Statements of Cash Flows**

*(See Independent Accountants' Review Report)*

<b>Years Ended June 30,</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Cash receipts:		
Principal payments on mortgages receivable	\$ 102,743	\$ 91,590
Resale store	151,850	221,517
Contributions and grants	175,693	110,495
Other	9,749	9,153
	<u>440,035</u>	<u>432,755</u>
Cash disbursements:		
Land purchases and home construction costs	92,164	120,084
Payroll and related expenses	128,294	147,017
Interest	1,959	5,171
Tithing	7,186	3,362
Other	95,479	92,123
	<u>325,082</u>	<u>367,757</u>
<b>Net cash provided by operating activities</b>	<b>114,953</b>	<b>64,998</b>
<b>Cash flows from investing activities:</b>		
Proceeds from settlement of an insurance claim	39,557	-
<b>Net cash provided by investing activities</b>	<b>39,557</b>	<b>-</b>
<b>Cash flows from financing activities:</b>		
Contribution restricted for an equipment purchase	18,000	-
Repayments on line of credit	-	(50,000)
Proceeds from notes payable	-	50,000
Proceeds from Paycheck Protection Program loan	26,344	-
Principal payments on notes payable	(72,414)	(19,121)
<b>Net cash used by financing activities</b>	<b>(28,070)</b>	<b>(19,121)</b>
<b>Net increase in cash and cash equivalents</b>	<b>126,440</b>	<b>45,877</b>
Cash and cash equivalents and restricted cash, beginning of year	67,264	21,387
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 193,704</b>	<b>\$ 67,264</b>

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



**NEWBERG AREA HABITAT FOR HUMANITY**

**Statements of Cash Flows - Continued**

*(See Independent Accountants' Review Report)*

<b>Years Ended June 30,</b>	<b>2020</b>	<b>2019</b>
<b>Reconciliation to statement of financial position:</b>		
Cash and cash equivalents	\$ 107,338	\$ 45,997
Cash held for escrow and maintenance	28,809	21,267
Cash held for property and equipment purchases	<u>57,557</u>	<u>-</u>
	<b><u>\$ 193,704</u></b>	<b><u>\$ 67,264</u></b>
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Inventory acquired in exchange for outstanding mortgage receivable	\$ 70,254	\$ -

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

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements (See Independent Accountants' Review Report)

---

#### 1. Significant Accounting Policies

**Organization** - Newberg Area Habitat for Humanity (the Organization) 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, the Organization is primarily and directly responsible for the legal, organizational, fundraising, family selection and nurture, financial, and construction aspects of the work. The Organization, through its many volunteers, constructs affordable housing in Newberg, Oregon, transfers the homes to qualified families at below-market prices, and provides non-interest-bearing mortgage loans.

**Basis of Accounting** - The accompanying 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).

**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 stipulations. Amounts designated for specific purposes by the Board of Directors are reported as net assets without donor restrictions. Gifts of land, buildings, and equipment are recorded as net assets without donor restrictions unless the donor explicitly stipulates how the donated assets must be used or how long they must be held. At June 30, 2020 and 2019, board designated net assets totaled \$39,557 and \$-0-, respectively, for investment in property and equipment.

*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** - 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.

**Use of Estimates** - The preparation of 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 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 mortgage receivable, and the allocation of expenses by functional classification.

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements - Continued

*(See Independent Accountants' Review Report)*

---

#### 1. Significant Accounting Policies - Continued

**Cash and Cash Equivalents** - The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk** - The Organization's cash holdings (including cash held for escrow) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. On occasion, amounts on deposit with financial institutions may exceed FDIC limits.

**Inventories** - Inventories consist of construction in progress and raw materials. Inventories are stated at the lower of cost or net realizable value for purchased items and estimated fair market value at the date of donation for donated items, determined by the first-in-first-out (FIFO) method. Costs incurred for construction in progress are allocated to each house based on specific identification.

**Resale Store Sales and Inventory** - Nearly all Resale store inventory items are donated and are valued at their estimated fair values based on their expected selling price. Sale of Resale store inventory is recognized at time of sale.

**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 3 to 7 years for personal property, and 39 years for real property. Maintenance and repairs are charged to expense when incurred; major renewals and betterments are capitalized.

**Revenue Recognition** - The Organization recognizes contributions 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 the State of Oregon that are conditioned upon the incurrence of allowable qualifying expenses. As of June 30, 2020 and 2019, the amount not yet recognized as revenue because qualifying expenditures had not yet been incurred totaled \$28,795 and \$130,000, respectively.

Contributions (including grants) 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 support with donor restrictions 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 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.

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

#### 1. Significant Accounting Policies - Continued

**Revenue Recognition - Continued** - Contributions of assets other than cash (property, construction materials, land, and equipment) 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, (such as engineering, electrical, plumbing, etc.) and are recorded at their estimated fair values in the period received. Contributions of noncash assets and donated services received during the years ended June 30, were as follows:

	2020	2019
Professional services	\$ 250	\$ 12,437
Construction materials	<u>2,960</u>	<u>6,176</u>
	<u>\$ 3,210</u>	<u>\$ 18,613</u>

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 financial statements.

Sales of homes are recorded at the gross amount of payments to be received over the lives of the mortgages. Mortgages are non-interest bearing and have been discounted at various rates ranging from 3.48 to 6.67 percent. The rates are based on the prevailing market rates at the inception of the mortgages. The rates were based on the Freddie Mac 30 year fixed-rate mortgage rates. Discounts are amortized using the effective interest method over the lives of the mortgages, and the amortization of mortgage discount is recognized as revenue.

**Mortgages Receivable** - 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, 2020 or 2019.

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements - Continued

*(See Independent Accountants' Review Report)*

---

#### 1. Significant Accounting Policies - Continued

**Mortgages Receivable - Continued** - In connection with the issuance of the original non-interest bearing mortgages, in many 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. The second mortgage is to protect the value of the collateral. Second mortgages are due at the maturity (regardless of homeowner compliance) and thus are recorded and are included in the financial statements.

For mortgages issued prior to 2010, rather than a second mortgage, a provision in the mortgage agreement provided that the difference between the amount payable by the homeowner and the appraised value of the home would be due to the Organization only if the homeowner does not comply with the terms of the mortgage. The mortgage agreements also state the amount payable by the homeowner is reduced each year the homeowner complies with the terms of the mortgage. These amounts are not included in the financial statements as the amounts are only due to the Organization if the homeowner does not comply with the terms of the mortgage. At June 30, 2020, the amount payable to the Organization if terms of these mortgages are not complied with totaled \$70,072.

**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).

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes the Organization does not have any uncertain tax positions. The Organization files informational returns. Generally, these returns are subject to examination by income tax authorities for a period of three years from the filing of the return. The Organization has not paid any interest or penalties related to its income tax positions, and there are currently no audits of any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

**Functional Allocation of Expenses** - Costs of providing various program and other activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses report 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 payroll and related expenses, office expenses, and occupancy, which are allocated on the basis of estimated time and effort.

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

---

#### 1. Significant Accounting Policies - Continued

**Adoption of New Accounting Standards** - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with its implementation of ASU 2018-08.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The Organization has adopted this ASU in the accompanying financial statements.

**Recent Accounting Pronouncement** - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance under GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method, and will be effective for annual reporting periods beginning after December 15, 2019. The Organization is evaluating the impact that ASU 2014-09 will have on its financial statements and related disclosures. The Organization has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

**NEWBERG AREA HABITAT FOR HUMANITY**

**Notes to Financial Statements - Continued**

*(See Independent Accountants' Review Report)*

**2. Mortgages Receivable - Net**

	2020	2019
Mortgages receivable	\$ 2,942,641	\$ 2,528,096
Discount on mortgages receivable	<u>(1,255,177)</u>	<u>(1,027,522)</u>
Mortgages receivable - net of discount	<u>\$ 1,687,464</u>	<u>\$ 1,500,574</u>

**3. Inventories**

	2020	2019
Construction in progress	\$ 179,550	\$ 291,863
Raw materials:		
Construction	5,000	5,000
Resale store	<u>12,654</u>	<u>17,684</u>
	<u>\$ 197,204</u>	<u>\$ 314,547</u>

At June 30, 2020 and 2019, there were one and two home(s), respectively, under construction.

**4. Property and Equipment - Net**

	2020	2019
Land	\$ 191,740	\$ 191,740
Building	775,974	815,531
Equipment and computer software	53,127	53,127
Vehicles	<u>23,113</u>	<u>23,113</u>
	1,043,954	1,083,511
Less accumulated depreciation	<u>(108,596)</u>	<u>(89,340)</u>
Property and equipment - net	<u>\$ 935,358</u>	<u>\$ 994,171</u>

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements - Continued

*(See Independent Accountants' Review Report)*

---

#### 4. Property and Equipment - Net - Continued

In September 2019, the Organization discovered the Resale store's building had interior water damage. The Organization had insurance to cover the damages. During the year ended June 30, 2020, \$39,557 was received on the insurance claim. The net book value of the damaged portion of the building totaled \$37,402. Therefore, a gain of \$2,155 was recognized during the year ended June 30, 2020, which equals the receipt of cash from the insurance company less the net book value of the damaged portion of the building. The gain is included in other revenues, gains, and other support on the accompanying statements of activities.

Through June 30, 2020, no costs had been incurred to repair the building. The Organization expects to incur costs of approximately \$40,000 to repair the damaged portion of the building.

At June 30, 2020, the receipt of cash from the insurance claim of \$39,557 is included in cash held for property and equipment purchases on the accompanying 2020 statement of financial position. Also included in cash held for property and equipment purchases is \$18,000 received from a contribution restricted for purchase of a van for the Resale store.

#### 5. Escrow Accounts

The Organization maintains escrow 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). The total balance of these accounts at June 30, 2020 and 2019, was \$28,809 and \$21,267, respectively.

#### 6. Paycheck Protection Program Loan

In May 2020, the Organization received loan proceeds in the amount of \$26,344 from US Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied.

The PPP loan bears interest at 1 percent per annum, and loan payments are deferred until September 2021, which is 10 months following the end of the applicable forgiveness period. Any amount of the PPP loan that is not forgiven will be repayable ratably over a two-year period beginning September 2021.

The Organization used the proceeds for purposes consistent with the PPP and applied for loan forgiveness. Subsequent to June 30, 2020, the loan was forgiven by the lender.



**NEWBERG AREA HABITAT FOR HUMANITY**

**Notes to Financial Statements - Continued**

*(See Independent Accountants' Review Report)*

**7. Notes Payable**

	<b>2020</b>	<b>2019</b>
Note payable to Habitat for Humanity of Oregon at zero percent interest, secured by substantially all assets of the Organization. Monthly payments are \$1,000. The note is due June 2022.	\$ 24,000	\$ 33,000
Note payable to private party, paid in full February 2020.	-	59,039
Note payable to Habitat for Humanity of Oregon at zero percent interest. Monthly payments are \$208. The note is due May 2029 and is unsecured.	22,292	23,750
Note payable to Habitat for Humanity of Oregon at zero percent interest. Monthly payments are \$417. The note is due May 2024 and is unsecured.	<u>19,583</u>	<u>22,500</u>
	<u><u>\$ 65,875</u></u>	<u><u>\$ 138,289</u></u>

Total principal payments required under note payable agreements for the years subsequent to June 30, 2020, are as follows:

<b>Years Ending June 30,</b>	<b>Amount</b>
2021	\$ 19,500
2022	19,500
2023	7,500
2024	7,083
2025	2,500
Thereafter	<u>9,792</u>
	<u><u>\$ 65,875</u></u>

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

#### 8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
A Brush with Kindness projects	\$ 6,218	\$ 5,627
Purchase of a van for the Resale store	<u>18,000</u>	<u>-</u>
	<u>\$ 24,218</u>	<u>\$ 5,627</u>

During the years ended June 30, 2020 and 2019, net assets of \$15,909 and \$3,420, respectively, were released from restrictions due to the specific actions of the Organization and/or the passage of time.

#### 9. Liquidity and Availability of Financial Assets

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

	2020	2019
Cash and cash equivalents	\$ 107,338	\$ 45,997
Grant receivable	40,834	-
Current portion of mortgages receivable	<u>95,340</u>	<u>89,640</u>
Total financial assets available within one year	243,512	135,637
Less net assets restricted for "A Brush with Kindness" projects	<u>(6,218)</u>	<u>(5,627)</u>
	<u>\$ 237,294</u>	<u>\$ 130,010</u>

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

To help manage unanticipated liquidity needs, the Organization has a line of credit through US Bank for borrowings up to \$125,000 (Note 10).

## NEWBERG AREA HABITAT FOR HUMANITY

### Notes to Financial Statements - Continued

*(See Independent Accountants' Review Report)*

---

#### 10. Line of Credit

The Organization has a \$125,000 unsecured line of credit available with US Bank. Interest on the line of credit is at the bank's prime rate (3.25 percent at June 30, 2020). At June 30, 2020 and 2019, there were no outstanding borrowings.

#### 11. Related Party Transactions

The Organization annually remits a portion of its unrestricted contributions (excluding in-kind contributions and grants) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2020 and 2019, the total amount remitted was \$7,186 and \$3,362, respectively.

#### 12. Subsequent Events

Management has evaluated subsequent events through February 5, 2021, the date the financial statements were available to be issued.

#### 13. Uncertainty Related to COVID-19 Pandemic

Since March 2020, financial markets and economic conditions in general have undergone a significant negative impact as a result of the COVID-19 health crisis. The extent of the impact will depend on certain developments, including the duration and spread of the outbreak and its effect on program participants, donors, and employees, all of which are uncertain. As such, the extent to which COVID-19 may impact the Organization's financial position and results of operations cannot be reasonably estimated at this time.