



FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

with

Independent Auditors' Report

NEWBERG AREA HABITAT FOR HUMANITY

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Independent Auditors' Report

The Board of Directors
Newberg Area Habitat for Humanity

Opinion

We have audited the accompanying financial statements of Newberg Area Habitat for Humanity, (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The 2021 financial statements were reviewed by us, and our report thereon, dated November 29, 2021, stated we were not aware of any material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Responsibilities of Management 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, and for 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.

In preparing the 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 financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements - Continued

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.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
December 8, 2022

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Financial Position

June 30,	2022 (Audited)	2021 (Reviewed)
ASSETS		
Cash and cash equivalents	\$ 119,091	\$ 351,034
Cash held for escrow <i>(Note 6)</i>	25,057	28,782
Other receivable	164	-
Mortgages receivable - net <i>(Note 2)</i>	1,857,917	1,646,932
Inventories <i>(Note 3)</i>	312,903	453,924
Prepaid expenses	5,529	5,404
Cash held for property and equipment purchases	-	39,557
Land leased to homeowners <i>(Note 4)</i>	118,000	-
Property and equipment - net <i>(Note 5)</i>	<u>1,057,663</u>	<u>914,239</u>
Total assets	<u>\$ 3,496,324</u>	<u>\$ 3,439,872</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,145	\$ 2,523
Accrued payroll liabilities	14,343	7,394
Escrow deposits <i>(Note 6)</i>	25,057	28,782
Paycheck Protection Program loans <i>(Note 7)</i>	24,614	24,614
Notes payable <i>(Note 8)</i>	<u>186,834</u>	<u>203,300</u>
Total liabilities	251,993	266,613
Commitment <i>(Note 11)</i>		
Net assets:		
Without donor restrictions	3,240,864	3,164,636
With donor restrictions <i>(Note 9)</i>	<u>3,467</u>	<u>8,623</u>
Total net assets	<u>3,244,331</u>	<u>3,173,259</u>
Total liabilities and net assets	<u>\$ 3,496,324</u>	<u>\$ 3,439,872</u>

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

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Activities

Years Ended June 30,	2022 (Audited)	2021 (Reviewed)
Changes in net assets without donor restrictions		
Revenue, gains, and other support		
Sale of homes	\$ 467,700	\$ -
Sale of Resale store inventory	159,659	139,971
Contributions and grants	137,524	115,531
Noncash contributions - Resale store	161,128	139,252
Noncash contributions - other	51,655	37,471
Amortization of discount on mortgages receivable	123,486	78,156
Gain from forgiveness of the Paycheck Protection Program loan (<i>Note 7</i>)	-	26,344
Other	12,718	16,894
Net assets released from restrictions(<i>Note 9</i>)	<u>10,156</u>	<u>25,595</u>
Total revenue, gains, and other support	1,124,026	579,214
Expenses:		
Program services	1,013,466	288,523
Supporting services	<u>34,332</u>	<u>27,504</u>
Total expenses	<u>1,047,798</u>	<u>316,027</u>
Change in net assets without donor restrictions	76,228	263,187
Changes in net assets with donor restrictions		
Contributions and grants	5,000	10,000
Net assets released from restrictions(<i>Note 9</i>)	<u>(10,156)</u>	<u>(25,595)</u>
Change in net assets with donor restrictions	<u>(5,156)</u>	<u>(15,595)</u>
Increase in net assets	71,072	247,592
Net assets, beginning of year	<u>3,173,259</u>	<u>2,925,667</u>
Net assets, end of year	<u>\$ 3,244,331</u>	<u>\$ 3,173,259</u>

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

NEWBERG AREA HABITAT FOR HUMANITY

Statement of Functional Expenses

Year Ended June 30, 2022 (Audited)

	Program Services			Supporting Services			Total
	Home-ownership	Resale Store	Total	Development	Management and General	Indirect Expenses	
Cost of homes sold	\$ 406,140	\$ -	\$ 406,140	\$ -	\$ -	\$ -	\$ 406,140
Discounts granted on mortgages	237,200	-	237,200	-	-	-	237,200
	643,340	-	643,340	-	-	-	643,340
Cost of goods sold - Resale store	-	159,520	159,520	-	-	-	159,520
Payroll and related expenses	49,974	69,154	119,128	3,196	7,207	7,050	136,581
Professional fees	6,636	-	6,636	-	10,526	-	17,162
Office expenses	8,327	10,637	18,964	3,628	62	12,264	34,918
Occupancy	1,059	7,960	9,019	-	-	1,343	10,362
Travel and vehicle expenses	1,221	673	1,894	-	-	-	1,894
Interest expense	-	-	-	-	8,996	-	8,996
Tithing (Note 12)	9,022	-	9,022	-	-	-	9,022
Depreciation	-	24,160	24,160	-	-	-	24,160
Insurance	14,578	1,884	16,462	-	-	213	16,675
Other expenses	1,825	925	2,750	-	-	-	2,750
Allocation of indirect expenses	7,043	13,110	20,153	375	342	(20,870)	(20,153)
Capitalized expenses	(17,582)	-	(17,582)	-	-	-	(17,582)
	\$ 725,443	\$ 288,023	\$ 1,013,466	\$ 7,199	\$ 27,133	\$ -	\$ 34,332
							\$ 1,047,798

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

NEWBERG AREA HABITAT FOR HUMANITY

Statement of Functional Expenses

Year Ended June 30, 2021 (Reviewed)

	Program Services		Supporting Services			Total
	Home-ownership	Resale Store	Development	Management and General	Indirect Expenses	
Cost of goods sold - Resale store	\$ -	\$ 140,221	\$ -	\$ -	\$ -	\$ 140,221
Payroll and related expenses	48,253	59,427	3,289	5,677	5,541	122,187
Professional fees	-	-	-	11,099	-	11,099
Office expenses	5,568	9,062	1,628	347	15,968	32,573
Occupancy	5,811	12,478	-	-	548	18,837
Travel and vehicle expenses	247	1,960	-	-	8	2,215
Interest expense	-	-	-	31	-	31
Tithing (Note 12)	5,188	-	-	-	-	5,188
Depreciation	-	21,119	-	-	-	21,119
Insurance	14,134	1,884	-	-	-	16,018
Other expenses	3,185	-	-	4,218	-	7,403
Allocation of indirect expenses	7,561	13,289	492	723	(22,065)	(20,850)
Capitalized expenses	(60,864)	-	-	-	-	(60,864)
	<u>\$ 29,083</u>	<u>\$ 259,440</u>	<u>\$ 5,409</u>	<u>\$ 22,095</u>	<u>\$ -</u>	<u>\$ 27,504</u>
						<u>\$ 316,027</u>

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

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Cash Flows

Years Ended June 30,	2022	2021
	(Audited)	(Reviewed)
Cash flows from operating activities:		
Cash receipts:		
Principal payments on mortgages receivable	\$ 139,276	\$ 118,661
Resale store	159,659	139,971
Contributions and grants	142,524	166,365
Other	12,554	16,894
	<u>454,013</u>	<u>441,891</u>
Cash disbursements:		
Land purchases and home construction costs	342,652	159,749
Payroll and related expenses	129,632	125,429
Interest	8,996	31
Tithing	9,022	5,188
Other	83,886	87,864
	<u>574,188</u>	<u>378,261</u>
Net cash provided (used) by operating activities	(120,175)	63,630
Cash flows from investing activities:		
Purchases of property and equipment	<u>(138,584)</u>	<u>-</u>
Net cash used by investing activities	(138,584)	-
Cash flows from financing activities:		
Proceeds from notes payable	-	188,300
Proceeds from Paycheck Protection Program loans	-	24,614
Principal payments on notes payable	<u>(16,466)</u>	<u>(50,875)</u>
Net cash provided (used) by financing activities	(16,466)	162,039
Net increase (decrease) in cash and cash equivalents	(275,225)	225,669
Cash and cash equivalents and restricted cash, beginning of year	<u>419,373</u>	<u>193,704</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 144,148</u>	<u>\$ 419,373</u>

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

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Cash Flows - Continued

Years Ended June 30,	2022	2021
	(Audited)	(Reviewed)
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 119,091	\$ 351,034
Cash held for escrow	25,057	28,782
Cash held for property and equipment purchases	-	39,557
	<u>\$ 144,148</u>	<u>\$ 419,373</u>

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.

The Organization operates a Resale store located in Newberg, Oregon, which is an outlet for selling donated building materials.

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, 2022 and 2021, board designated net assets totaled \$-0- and \$39,557, 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 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.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

1. Significant Accounting Policies - Continued

Use of Estimates - Continued

Significant estimates made by management include the valuation of donated resale store inventory, discounts on mortgages receivable, and the allocation of 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.

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 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. Once completed, homes will be sold, and the cost of homes will be recorded.

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

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.

Contributions and Grants - 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 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
Contributions and Grants - Continued

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 (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, 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:

	2022	2021
Noncash contributions - Resale store	\$ 161,128	\$ 139,252
Non cash contributions - other:		
Professional services	45,551	5,673
Construction materials	6,104	31,798
	<u>51,655</u>	<u>37,471</u>
	<u>\$ 212,783</u>	<u>\$ 176,723</u>

The Organization estimates the value of donated goods received at the Resales Store based on their expected selling price. Professional services are valued at standard hourly rates charged for those services. The value construction materials were determined by the estimated cost of the materials if purchased. There were no donor-imposed restricted associated with the noncash contributions. Professional services and construction materials were utilized by the Organization in its program and supporting services.

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.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

1. Significant Accounting Policies - Continued

Revenue Recognition - Revenue from sales of homes is recognized at the point in time the home is sold, and title passes to a qualified homebuyer. 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.

Resale store sales is 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.

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, 2022 or 2021.

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, 2022, the amount payable to the Organization if terms of these mortgages are not complied with totaled \$61,804.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

1. Significant Accounting Policies - Continued

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.

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).

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.

Subsequent Events - Management has evaluated subsequent events through December 8, 2022, the date the financial statements were available for issue.

Adoption of New Accounting Standard - Effective July 1, 2021, the Organization has adopted the provisions of Financial Accounting Standards Board (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 financial statements, with the exception of increased disclosure.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

2. Mortgages Receivable - Net

	2022	2021
Mortgages receivable	\$ 3,148,652	\$ 2,823,953
Discount on mortgages receivable	<u>(1,290,735)</u>	<u>(1,177,021)</u>
Mortgages receivable - net of discount	<u>\$ 1,857,917</u>	<u>\$ 1,646,932</u>

3. Inventories

	2022	2021
Construction in progress	\$ 294,610	\$ 437,239
Raw materials:		
Construction	5,000	5,000
Resale store	<u>13,293</u>	<u>11,685</u>
	<u>\$ 312,903</u>	<u>\$ 453,924</u>

At both June 30, 2022 and 2021, there were two homes under construction.

4. 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 statements of financial position. At June 30, 2022, land leased to homeowners totaled \$118,000.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

5. Property and Equipment - Net

	2022	2021
Land	\$ 191,740	\$ 191,740
Building	941,307	775,974
Equipment and computer software	55,378	53,127
Vehicles	<u>23,113</u>	<u>23,113</u>
	1,211,538	1,043,954
Less accumulated depreciation	<u>(153,875)</u>	<u>(129,715)</u>
Property and equipment - net	<u>\$ 1,057,663</u>	<u>\$ 914,239</u>

6. 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, 2022 and 2021, was \$25,057 and \$28,782, respectively.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

7. Paycheck Protection Program Loans

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 loan was forgiven in full by the Small Business Administration (SBA) in December 2020 and, as such, during the year ended June 30, 2021, the Organization recognized a gain of \$24,344, the full amount of the original loan.

In February 2021, the Organization received proceeds of \$24,614 from a Paycheck Protection Program Second Draw loan (Second Draw loan) authorized under the Consolidated Appropriations Act of 2021 (the Act). Similar to the PPP, the Second Draw loan provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied.

The loan was forgiven in fully by the SBA in July 2022.

The Organization has elected to account for these obligations following the debt model under GAAP. As such, the forgiveness of indebtedness is not recognized in the statement of activities until the obligations are forgiven by the SBA. As such, the gain from forgiveness of the Second Draw loan will be recognized in the following fiscal year.

NEWBERG AREA HABITAT FOR HUMANITY

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

8. Notes Payable

	2022	2021
Note payable to First Federal Savings & Loan Association of McMinnville, payable in monthly installments of \$1,000, including interest at 4 percent per annum. The interest rate will be redetermined in June 2026, based on the five year Federal Home Loan Bank of Des Moines plus an applicable margin. The note is secured by property with a carrying value of \$1,027,934 and is due June 2031.	\$ 183,834	\$ 188,300
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 September 2022.	<u>3,000</u>	<u>15,000</u>
	<u>\$ 186,834</u>	<u>\$ 203,300</u>

Total principal payments required under note payable agreements for the years subsequent to June 30, 2022, are as follows:

Years Ending June 30,	Amount
2023	\$ 7,736
2024	4,929
2025	5,130
2026	5,339
2027	5,557
Thereafter	<u>158,143</u>
	<u>\$ 186,834</u>

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

9. Net Assets with Donor Restrictions

At June 30, 2022 and 2021, net assets with donor restrictions consists of funds for the Organization's "A Brush with Kindness" projects.

During the years ended June 30, 2022 and 2021, net assets of \$10,156 and \$7,595, respectively, were released from restrictions due to the specific actions of the Organization and/or the passage of time.

During the year ended June 30, 2021, net assets of \$18,000 was released from restriction by the donor that made the original restricted contribution for the purchase of a van for the Resale store.

10. 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:

	2022	2021
Cash and cash equivalents	\$ 119,091	\$ 351,034
Other receivable	164	-
Current portion of mortgages receivable	<u>102,780</u>	<u>101,570</u>
Total financial assets available within one year	222,035	452,604
Less net assets restricted for "A Brush with Kindness" projects	<u>(3,467)</u>	<u>(8,623)</u>
	<u>\$ 218,568</u>	<u>\$ 443,981</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 11).

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

11. 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 (4.75 percent at June 30, 2022). At June 30, 2022 and 2021, there were no outstanding borrowings.

12. Transactions with Habitat International

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, 2022 and 2021, the total amount remitted was \$9,022 and \$5,188, respectively.