

**HABITAT FOR HUMANITY SEATTLE-KING COUNTY
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**



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(WITH COMPARATIVE TOTALS FOR 2019)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity Seattle-King County and Affiliates
Renton, Washington

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity Seattle-King County and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2020, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat for Humanity Seattle-King County and Affiliates as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The 2019 consolidated financial statements were audited by us and our report dated February 12, 2020, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, on our consideration of Habitat for Humanity Seattle-King County and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity Seattle-King County and Affiliates' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
December 3, 2020

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,899,344	\$ 4,560,530
Restricted Investments	13,697	13,623
Inventory Held for Sale - Habitat Store	516,610	446,340
Grants and Other Receivables	13,705	181,079
Pledges Receivable	629,792	977,469
Mortgage Notes Receivable, Unpledged	543,710	612,529
Mortgage Notes Receivable, Pledged	808,143	849,911
Prepaid Expenses and Other	161,383	149,390
Total Current Assets	5,586,384	7,790,871
NONCURRENT ASSETS		
Restricted Cash	613,774	363,774
Pledges Receivable, Net of Current Portion	18,456	298,994
Mortgage Notes Receivable, Unpledged, Net of Discount and Current Portion	6,232,078	6,754,073
Mortgage Notes Receivable, Pledged, Net of Discount and Current Portion	5,223,661	5,818,198
Construction in Progress	6,327,912	3,920,734
Land Leased to Homeowners	13,414,403	12,757,865
Property and Equipment, Net	515,440	514,841
Investment in Leased Property, Net of Accumulated Amortization	85,765	93,365
Deposits and Other	63,971	63,971
Total Noncurrent Assets	32,495,460	30,585,815
Total Assets	\$ 38,081,844	\$ 38,376,686

See accompanying Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 293,274	\$ 136,898
Accrued Expenses	267,238	396,567
Secured Borrowings	808,143	849,911
Notes Payable	113,576	110,803
Total Current Liabilities	1,482,231	1,494,179
NONCURRENT LIABILITIES		
Deferred Rent, Net of Current Portion	168,465	178,750
Deferred Interest	63,645	52,768
Secured Borrowings, Net of Discount and Current Portion	5,556,780	6,195,702
Notes Payable, Net of Current Portion	7,409,515	7,054,736
Total Noncurrent Liabilities	13,198,405	13,481,956
Total Liabilities	14,680,636	14,976,135
COMMITMENTS AND CONTINGENCIES (See Note 15)		
NET ASSETS		
Without Donor Restrictions	22,306,724	22,010,085
With Donor Restrictions	1,094,484	1,390,466
Total Net Assets	23,401,208	23,400,551
Total Liabilities and Net Assets	\$ 38,081,844	\$ 38,376,686

See accompanying Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
SUPPORT AND REVENUE				
Contributions	\$ 2,485,133	\$ 1,141,004	\$ 3,626,137	\$ 3,730,417
Grants	726,801	-	726,801	390,721
In-Kind Materials Donated for Resale	1,861,478	-	1,861,478	2,161,157
In-Kind Donations for Office and Construction	142,756	-	142,756	100,967
Sales of Homes	2,055,397	-	2,055,397	3,341,746
Other Income	18,605	-	18,605	50,960
Mortgage Note Discount Amortization	842,159	-	842,159	831,037
Habitat Store Income	2,726,783	-	2,726,783	2,736,832
Repair and Rehabilitation Income	200	-	200	5,293
Net Assets Released from Restriction	1,436,986	(1,436,986)	-	-
Total Support and Revenue	<u>12,296,298</u>	<u>(295,982)</u>	<u>12,000,316</u>	<u>13,349,130</u>
EXPENSES				
Program Services	10,201,036	-	10,201,036	12,789,456
Management and Administration	866,401	-	866,401	909,907
Fundraising	932,222	-	932,222	894,369
Total Expenses	<u>11,999,659</u>	<u>-</u>	<u>11,999,659</u>	<u>14,593,732</u>
CHANGE IN NET ASSETS	296,639	(295,982)	657	(1,244,602)
Net Assets - Beginning of Year	<u>22,010,085</u>	<u>1,390,466</u>	<u>23,400,551</u>	<u>24,645,153</u>
NET ASSETS - END OF YEAR	<u><u>\$ 22,306,724</u></u>	<u><u>\$ 1,094,484</u></u>	<u><u>\$ 23,401,208</u></u>	<u><u>\$ 23,400,551</u></u>

See accompanying Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Program Services	Management and Administration	Fundraising	Total 2020	Total 2019
Program and House Building Costs	\$ 405,783	\$ -	\$ -	\$ 405,783	\$ 364,691
Cost of Homes Sold	2,537,325	-	-	2,537,325	5,751,154
Mortgage and Pledge Discounts	341,405	-	-	341,405	448,766
Salaries and Wages	1,951,611	316,468	431,857	2,699,936	2,337,110
Payroll Taxes and Benefits	506,354	69,818	72,317	648,489	570,870
Contract Labor	70,707	197,210	-	267,917	17,379
Cost of Goods Sold	2,348,726	-	-	2,348,726	2,453,511
Tithe to Overseas Construction	100,000	-	-	100,000	100,000
Rent and Occupancy	843,055	29,527	28,501	901,083	875,446
Professional Fees	55,993	55,095	93,507	204,595	204,546
Public Relations and Marketing	27,069	855	41,414	69,338	160,145
Professional Fees and Consulting	161,814	64,230	27,319	253,363	230,316
Computer Hardware and Software	60,981	4,072	12,852	77,905	41,359
Interest	7,762	79,726	-	87,488	98,110
Training and Travel	7,813	7,915	10,117	25,845	49,148
Depreciation and Amortization	146,636	2,828	3,620	153,084	113,041
Other Miscellaneous Costs	66,566	18,918	7,685	93,169	155,118
Vehicle Expense and Repairs	74,012	469	1,449	75,930	70,533
Grants to Others	-	10,150	-	10,150	40,370
Credit Card Processing Fees	60,487	135	46,439	107,061	51,772
Americorps and Vista Fees	205,263	-	-	205,263	161,534
Special Events	-	-	112,318	112,318	163,982
Utilities	122,244	2,971	3,862	129,077	73,702
Supplies	99,430	6,014	38,965	144,409	61,129
Total Expenses	\$ 10,201,036	\$ 866,401	\$ 932,222	\$ 11,999,659	\$ 14,593,732

See accompanying Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 657	\$ (1,244,602)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization	153,084	113,041
Loss on Disposal of Equipment	1,251	-
Origination of Mortgages	-	(234,456)
Discounts on Mortgages	(156,876)	(380,742)
Changes in Assets and Liabilities:		
Inventory Held for Sale - Habitat Store	(70,270)	(136,195)
Grants and Other Receivables	167,374	(91,480)
Pledges Receivable, Net	628,215	(710,434)
Construction in Progress/Completed Houses for Sale	(2,407,178)	2,175,822
Prepaid Expenses and Other	(11,993)	(47,095)
Deferred Rent	(10,285)	21,039
Accounts Payable	156,376	(149,799)
Deferred Interest	10,877	(51,208)
Accrued Expenses	(129,329)	175,179
Net Cash Used by Operating Activities	(1,668,097)	(560,930)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Receipts on Unpledged Mortgages	703,305	878,729
Proceeds from Receipts on Pledged Mortgages	857,937	993,687
Purchases of Property and Equipment	(147,334)	(504,152)
Purchases of Land Held for Sale and Development	(656,538)	(276,000)
Deposits and Other	(74)	(88)
Net Cash Provided by Investing Activities	757,296	1,092,176
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Secured Borrowings	(857,937)	(993,687)
Proceeds from Notes Payable	498,158	505,108
Repayment of Notes Payable	(140,606)	(956,887)
Net Cash Used by Financing Activities	(500,385)	(1,445,466)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,411,186)	(914,220)
Cash and Cash Equivalents - Beginning of Year	4,924,304	5,838,524
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,513,118	\$ 4,924,304
RECONCILIATION OF CASH AND RESTRICTED CASH -		
 END OF YEAR PER THE CASH FLOW STATEMENT TO		
 CASH PER THE STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 2,899,344	\$ 4,560,530
Restricted Cash	613,774	363,774
Cash and Restricted Cash per Cash Flow Statement	\$ 3,513,118	\$ 4,924,304

See accompanying Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity Seattle-King County (Habitat) is an affiliate of Habitat for Humanity International, Inc. (HFHI), a nonprofit organization whose purpose is to create decent affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, publications, and training, Habitat is directly responsible for its own operations.

Habitat is committed to neighborhood revitalization across King County using a community engagement model that utilizes volunteer labor and donated materials, in addition to paid services and materials. As part of neighborhood revitalization, Habitat builds houses that are sold to qualified homebuyers. Prospective homeowners are required to participate in the construction of homes.

Financial Statement Presentation

Habitat reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions, and permanently restricted net assets.

Basis of Presentation

Habitat formed HFHSCC Community Housing Development Organization (the CHDO) for the purpose of supporting the development and management of housing for low-income residents of King County. These statements consolidate the accounts of the CHDO because Habitat is its sole member. Transactions and accounts between entities have been eliminated in consolidation.

Habitat formed Nevada Street LLC for the purpose of purchasing property and opening a Habitat store on the site. These statements consolidate the accounts of Nevada Street LLC because Habitat is its sole member. Transactions and accounts between entities have been eliminated in consolidation.

Habitat formed La Fortuna Holding LLC for the purpose of carrying on the business of ground leasing, owning, managing, and selling real property assets, and to form and act as declarant of one or more condominiums. These statements consolidate the accounts of La Fortuna Holding LLC because Habitat is its sole member. Transactions and accounts between entities have been eliminated in consolidation.

Habitat formed Building Together LLC for the purpose of acquiring and holding land for development of low-income housing. These statements consolidate the accounts of Building Together LLC because Habitat is its sole member. Transactions and accounts between entities have been eliminated in consolidation.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Assets and Liabilities

Financial Accounting Standards Board (FASB) Accounting Standard Codification, Subtopic 820-10, *Fair Value Measurements and Disclosures*, establishes a hierarchy for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The valuation methodologies used to measure fair value have been consistently applied. All assets and liabilities measured at fair value on a recurring basis fall in Level 1 at June 30, 2020 and 2019.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Cash Restricted for Program Use

Some cash is restricted for program use in compliance with loan or other requirements, and cannot be used for most general operations (see Note 3).

Inventory Held for Sale – Habitat Stores

Habitat Stores (the Stores) inventory includes furniture, household items, and other materials used for re-sale and operations at the Stores. Habitat estimates the value of donated inventory items are at fair value as determined by management using net sales of the month subsequent to year-end, based on an estimated inventory turnover rate of 12 times annually. Purchased inventory is stated at the lower of cost (retail method) or market. Construction inventory was not material. Inventory held for sale at June 30, 2020 and 2019, was \$516,610 and \$446,340, respectively. Of the total inventory held for sale at June 30, 2020 and 2019, \$234,502 and \$208,565, respectively, was purchased.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return/(loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fixed Assets

Fixed assets are carried at cost, if purchased, or fair value at the time of donation, if donated. Habitat capitalizes all expenditures for fixed assets in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 3 to 27 1/2 years. Habitat reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets (Continued)

If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment loss was recognized in the current period.

Net Assets

Accounting principles generally accepted in the United States of America require nonprofit entities to report information regarding their financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Revenue and Cost Recognition

At the time a home is sold to a qualified buyer, the sale is recorded as revenue and the cost of the home is recorded as program services expense on the accompanying statement of activities. Some buyers obtain loans from banks which are recommended by Habitat. For others, Habitat finances the purchase of its homes by offering no-interest loans to qualified, low-income homeowners secured by a deed of trust on the related property. At the time of sale, Habitat recognizes revenue and the related mortgages receivable. In accordance with generally accepted accounting principles, revenue is recognized by discounting the future payments to be received from the homeowners using an interest rate based on term loans collateralized by mortgages receivable.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Cost Recognition (Continued)

Habitat frequently receives both private and public grants which offset the cost of construction of new homes. In accordance with generally accepted accounting principles, the revenue from these grants is frequently recorded in the year awarded and not necessarily in the year the home is sold.

To promote current and future affordability to homeowners arising from disparities in land values, Habitat currently retains title to some of the underlying land, while other sales include the land. In lieu of selling the land, Habitat enters into a long-term land lease arrangement with the homeowners at a nominal annual amount. Concurrent with the recognition of the sale, the cost of the land and related improvements is transferred from construction in progress to "land leased to homeowners" on the accompanying statement of financial position.

Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Program services include construction, family support, volunteer management, and Habitat Stores operations. The cost of home building is charged to program services as homes are sold.

When costs of homes are known to exceed sales prices prior to sales, costs in excess of sales prices are recorded. No losses were recognized in the current period.

In-Kind Donations for Office and Construction

Habitat receives significant donated services from unpaid volunteers who assist in home building and administrative tasks. Donated services are recorded at fair value if they create or enhance nonfinancial assets or if they consist of specialized skills that would have to be purchased if they were not donated. Financial institutions contributed mortgage services for the homeowners; the value of this contributed time is not reflected in the financial statements since Habitat would not have otherwise purchased it. During the years ended June 30, 2020 and 2019, respectively, volunteers contributed 17,844 and 22,333 hours of labor which have not been recorded in the financial statements since this labor did not require a specialized skill.

In-Kind Materials Donated for Resale

Habitat estimates the value of donated goods received based upon net revenues generated from the sales of the donated goods. Using this method, management has estimated that the value of all goods donated to Habitat throughout the year is equal to the revenue realized by the sale of these goods plus the ending inventory less the beginning inventory. The total estimated value of items donated to the stores for the years ended June 30, 2020 and 2019 was \$1,861,478 and \$2,161,157, respectively.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Equity Agreements

Certain completed homes were sold to beneficiary homeowners at cost when possible, but in all cases at or below appraised value. Habitat obtained a deed of trust for any difference between the agreed-upon purchase price and the current fair value of the property. This difference (referred to as "the equity") is payable to Habitat should the homeowner sell the property. However, the equity accrues to the benefit of the homeowner ratably over the life of the mortgage, as long as the homeowner continues to occupy the property as primary residence and maintains the property in good condition. The equity agreements are not reflected in the financial statements. During the year ended June 30, 2020, no significant equity from those agreements was paid to Habitat.

Income Taxes

Habitat for Humanity Seattle-King County and the CHDO received exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. Habitat's wholly owned subsidiaries, Nevada Street LLC and La Fortuna Holding LLC, are disregarded entities for tax purposes. Habitat qualifies for the charitable contribution deduction under section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under section 509(a)(1). Sales tax from Habitat Store sales collected and remitted to the State of Washington and local entities was \$266,669 and \$267,057, for the years ended June 30, 2020 and 2019, respectively. Habitat's income tax filings are subject to examination by various taxing authorities. Habitat believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

During the year, Habitat adopted FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

For the year ended June 30, 2020, Habitat adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice.

The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,899,344	\$ 4,560,530
Accounts and Other Receivables	13,705	181,079
Total	<u>\$ 2,913,049</u>	<u>\$ 4,741,609</u>

Of these amounts, approximately \$446,236 and \$114,000 is purpose restricted by donors at June 30, 2020 and 2019, respectively. The balance is available for general expenditures.

The board of directors has, at times, designated all mortgage payments received and all proceeds from mortgage loan sales to be deposited to a Fund for Humanity. The Fund for Humanity is used for the purchase of land, closing costs, repayment of construction related debt and construction of homes.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
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NOTE 3 RESTRICTED CASH AND INVESTMENTS

Cash is restricted for principal payments on homes sold in both the Kent and Federal Way Neighborhood Stabilization Programs. The balances in these accounts were \$146,873 and \$213,240 at June 30, 2020 and 2019.

Habitat maintains a cash account for a University of Washington campus chapter; the balance of that account was \$3,161 at June 30, 2020 and 2019. Habitat also maintains a restricted cash account as required by SHOP grants. The balance of the account was \$250,500 and \$500 at June 30, 2020 and 2019.

Interest income for the period ended June 30, 2020, was insignificant.

Habitat maintains an assigned certificate of deposit as required by the Washington State Department of Labor and Industries in lieu of a bond for Habitat's contractor license. The value of the certificate of deposit was \$13,697 and \$13,623 at June 30, 2020 and 2019, respectively.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give. A discount has not been provided for pledges that are expected to be realized in a time frame greater than one year since the amount is considered immaterial. An allowance for uncollectible pledges represents management's estimate of losses inherent in promises to give. No allowance was considered necessary at June 30, 2020 or 2019. The balance of pledges receivable was \$648,248 and \$1,276,463 at June 30, 2020 and 2019, respectively.

Pledges receivable at June 30, 2020, are expected to be received in the years ending June 30 as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 629,792
2022	18,456
Total	<u>\$ 648,248</u>

NOTE 5 MORTGAGE NOTES RECEIVABLE

As part of Habitat's efforts to foster affordability, Habitat homeowner mortgages do not bear interest. Such noninterest-bearing mortgages are secured by homes sold. Generally accepted accounting principles in the United States require that interest be imputed on below-market interest instruments. The effect is to discount each note with an offsetting charge to program expense. The discount is then amortized over the life of each note as income.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
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(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 5 MORTGAGE NOTES RECEIVABLE (CONTINUED)

The resulting carrying value of the mortgages approximates fair value. The notes are due upon the earlier of the sale of the home, refinance or at maturity. Uncollectible notes are expected to be insignificant; accordingly no provision for doubtful accounts has been included in the financial statements.

Unpledged notes at June 30, 2020 and 2019, have been discounted at an average rate of 4.31%:

	<u>2020</u>	<u>2019</u>
Face Value	\$ 10,054,763	\$ 11,094,744
Less: Discount	(3,282,120)	(3,728,142)
Total	<u>\$ 6,775,788</u>	<u>\$ 7,366,602</u>

Those notes pledged by Habitat to banks and credit unions have been transferred with recourse. Because the notes were transferred with recourse, Habitat accounts for transactions related to the notes in accordance with FASB Accounting Standards Codification Topic 860, *Accounting for Transfers and Servicing of Financial Assets*, whereby the transferor and transferee account for the transfer as a secured borrowing with a pledge of collateral. See discussion of the related liability in Note 8.

Pledged notes at June 30, 2020 and 2019, have been discounted at an average rate of 5.67%:

	<u>2020</u>	<u>2019</u>
Face Value	\$ 8,622,218	\$ 9,653,107
Less: Discount	(2,590,414)	(2,984,998)
Total	<u>\$ 6,031,804</u>	<u>\$ 6,668,109</u>

Following are disclosures related to financing receivables for the period ended June 30, 2020:

Ending Balances, June 30, 2020	<u>\$ 18,676,981</u>	<u>\$ 20,747,851</u>
Ending Balances, Individually Evaluated for Impairment	<u>\$ 18,676,981</u>	<u>\$ 20,747,851</u>

Age Analysis of Past Due Financing Receivables

30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables
<u>\$ 249,374</u>	<u>\$ 324,773</u>	<u>\$ 470,464</u>	<u>\$ 1,044,611</u>	<u>\$ 17,632,370</u>	<u>\$ 18,676,981</u>

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 5 MORTGAGE NOTES RECEIVABLE (CONTINUED)

Credit Quality Indicators

	<u>2020</u>	<u>2019</u>
Credit Risk Profile by Internally Assigned Grade:		
Good	\$ 17,881,744	\$ 22,206,013
Substandard	795,237	37,735
Total	<u>\$ 18,676,981</u>	<u>\$ 20,747,851</u>
	<u>2020</u>	<u>2019</u>
Credit Risk Profile Based on Payment Activity:		
Performing	\$ 17,881,744	\$ 22,206,013
Nonperforming	795,237	37,735
Total	<u>\$ 18,676,981</u>	<u>\$ 20,747,851</u>

A delinquent mortgage is considered nonperforming if no payment has been received in the previous 60 days and no attempt has been made by the homeowner to contact Habitat to work out a payment plan.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building and Improvements	\$ 312,024	\$ 272,805
Furnishings and Equipment	1,152,363	1,067,695
Total	1,464,387	1,340,500
Less: Accumulated Depreciation and Amortization	(948,947)	(825,659)
Net Property and Equipment	<u>\$ 515,440</u>	<u>\$ 514,841</u>

Depreciation and amortization expense, including amortization on investment in leased property, was \$153,084 and \$113,041 for the years ended June 30, 2020 and 2019, respectively.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
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NOTE 7 NOTES PAYABLE AND OTHER DEBT

	2020	2019
Issaquah Highlands		
Note payable to King County, Washington; secured by deed of trust; no interest unless in default; principal is due December 31, 2089 or at the option of the holder of the note upon sale or other conveyance of all or any portion of the property	\$ 500,000	\$ 500,000
Note payable to the Habitat for Humanity International, Inc., no interest, principal of \$197 is due monthly until loan is fully repaid	1,379	3,546
Coal Creek Terrace		
Note payable to King County, Washington; secured by deed of trust; no interest unless in default; principal is due May 1, 2051 or at the option of the holder of the note upon sale or other conveyance of all or any portion of the property	369,464	369,464
Overlake Park		
Noninterest bearing note payable to King County, Washington; forgiven in 2070 provided compliance with terms and conditions of the loan agreement; otherwise, outstanding balance and accrued interest of maximum rate allowable by law is due at the option of the holder of the note	89,775	89,775
La Fortuna		
Note payable to King County, Washington; secured by deed of trust; interest at 1% is compounded annually; principal and interest is due December 31, 2088 or at the option of the holder of the note upon sale or other conveyance of all or any portion of the property	494,643	494,643
Note payable to the Community Frameworks, no interest unless in default, forgiven on May 22, 2030, provided compliance with terms and conditions of the loan agreement; otherwise, interest at 18% starting at time of default; interest and outstanding balance may be due at the option of the holder of the note	143,698	-
Snoqualmie Ridge		
Note payable to King County, Washington; secured by deed of trust; no interest unless in default; principal is due June 1, 2107 or at the option of the holder of the note upon sale or other conveyance of all or any portion of the property	649,886	649,886

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 NOTES PAYABLE AND OTHER DEBT (CONTINUED)

	2020	2019
Westway		
Noninterest bearing note payable to King County, Washington; forgiven on December 31, 2022, provided compliance with terms and conditions of the loan agreement; otherwise, interest at 12% starting at time of default; interest and outstanding balance may be due at the option of the holder of the note	\$ 20,000	\$ 20,000
Noninterest bearing note payable to King County, Washington; forgiven on December 31, 2022, provided compliance with terms and conditions of the loan agreement; otherwise, interest at 12% starting at time of default; interest and outstanding balance may be due at the option of the holder of the note	20,000	20,000
Patterson Park		
Noninterest bearing note payable to King County, Washington; forgiven September 1, 2047 provided compliance with terms and conditions of the loan agreement; otherwise, accrued interest of maximum rate allowable by law is due monthly and outstanding balance is due at the option of the holder of the note	436,683	436,683
Sammamish		
Note payable to the King County, Washington; secured by deed of trust; interest at one percent is compounded annually unless there is a default, after which interest at 12% or highest allowable by law; principal and interest is due May 31, 2069 or at the option of the holder of the note upon default, sale or other conveyance of all or any portion of the property	350,000	325,000
Noninterest bearing note payable to Community Frameworks; forgiven January 29, 2026 provided compliance with terms and conditions of the loan agreement; otherwise, accrued interest of 1.5% is due monthly and outstanding balance is due at the option of the holder of the note	120,000	150,000
City of Seattle Office of Housing		
Note payable to the City of Seattle, no interest unless in default, principal and any interest due at maturity on August 31, 2068.	179,460	-

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 NOTES PAYABLE AND OTHER DEBT (CONTINUED)

	2020	2019
City of Federal Way		
Note payable to the City of Federal Way; secured by deed of trust; interest at 1% is compounded annually unless there is a default, after which interest at 12% or highest allowable by law; principal and interest is due October 13, 2035 or at the option of the holder of the note upon default, sale or other conveyance of all or any portion of the property	\$ 165,000	\$ 165,000
Noninterest bearing note payable to the City of Federal Way; forgiven June 30, 2038 provided compliance with terms and conditions of the loan agreement; otherwise, accrued interest of maximum rate allowable by law is due monthly and outstanding balance is due at the option of the holder of the note	240,000	240,000
ARCH		
Noninterest bearing note payable to ARCH Sammamish, forgiven July 15, 2090 provided compliance with terms and conditions of the loan agreement, secured by a deeds of trust on land in King County, Washington	400,000	400,000
Habitat for Humanity – State of Washington		
Note payable to the Habitat for Humanity – State of Washington; secured by participating interest in a pool of mortgage loans; interest at 3%; loan is for a 10 year term amortizing over 25 years, all principal and interest due August 12, 2026; the balance on the note may be renewed for an additional 10 year term with the interest rate being renegotiated upon renewal	2,227,107	2,301,345
Washington State Housing Trust Fund		
Noninterest bearing note payable to State of Washington Department of Commerce Housing Trust Fund; total available of \$450,000, forgiven May 31, 2041 provided compliance with terms and conditions of the loan agreement	450,000	450,000
Noninterest bearing note payable to State of Washington Department of Commerce Housing Trust Fund; total available of \$600,000, forgiven May 31, 2045 provided compliance with terms and conditions of the loan agreement	400,000	400,000

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NOTE 7 NOTES PAYABLE AND OTHER DEBT (CONTINUED)

	2020	2019
U.S. Small Business Administration Note payable to the U.S. Small Business Administration; interest at 2.75%; principal and interest payments of \$641 due monthly starting June 20, 2021; maturity on June 20, 2050	\$ 150,000	\$ -
Mercedes-Benz Financial Services Note payable to Mercedes-Benz Financial Services; secured by the vehicle purchased; daily simple interest at 1.49%; loan is amortizing over 3 years, all principal and interest due June 26, 2021	4,690	9,310
Note payable to Mercedes-Benz Financial Services; secured by the vehicle purchased; daily simple interest at 3.49%; loan is amortizing over 5 years, all principal and interest due June 21, 2023	33,256	43,590
Note payable to Mercedes-Benz Financial Services; secured by the vehicle purchased; daily simple interest at 4.99%; loan is amortizing over 5 years, all principal and interest due January 3, 2024	39,909	50,094
Note payable to Mercedes-Benz Financial Services; secured by the vehicle purchased; daily simple interest at 5.85%; loan is amortizing over 5 years, all principal and interest due March 5, 2024	<u>38,141</u>	<u>47,203</u>
Total Notes Payable	<u>\$ 7,523,091</u>	<u>\$ 7,165,539</u>

Future payments required on loans payable, excluding issuance costs, for the years ending June 30, are as follows:

Year Ending June 30,	Amount
2021	\$ 113,576
2022	111,337
2023	158,923
2024	101,082
2025	90,052
Thereafter	<u>6,948,121</u>
Total	<u>\$ 7,523,091</u>

Interest has not been imputed on any of the above notes payable that carry below-market rate interest as they are payable to entities whose policies are affected by tax attributes or legal restrictions prescribed by a governmental agency. The restrictions require Habitat to use the loan to fund rehabilitation and construction of homes for low-income families in compliance with programs as provided by provisions of the Internal Revenue Code.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
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NOTE 8 SECURED BORROWING

As discussed in Note 5, Habitat has transferred, with recourse, mortgage notes to financial institutions. Under the terms of transfer and servicing agreements, Habitat retains full responsibility for any defaults or delinquencies. Under FASB Accounting Standards Codification Topic 860, *Accounting for Transfers and Servicing of Financial Assets*, the transfers are accounted for as secured borrowings and are included in the liability section of the statement of financial position. The present value of the liability for these transferred mortgage notes receivable was \$6,364,923 and \$7,045,613 at June 30, 2020 and 2019, respectively.

Future principal payments of transferred mortgage notes for fiscal periods ending June 30 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 808,143
2022	767,836
2023	706,937
2024	675,923
2025	647,900
Thereafter	5,015,479
Discount on Pledged Notes	<u>(2,257,295)</u>
Total	<u><u>\$ 6,364,923</u></u>

NOTE 9 LEASES

Habitat has an operating lease for office space in Renton, Washington, which expires November 30, 2022. Habitat also leases space for a retail outlet in Bellevue, Washington, which expires July 31, 2021, for a retail outlet in Tukwila, Washington, which expires December 31, 2020, and for a retail outlet in Auburn Washington, which expires March 31, 2033. Habitat also receives in-kind warehouse space. Rental expense under these leases was \$901,083 and \$875,446 for the years ended June 30, 2020 and 2019, respectively. Habitat maintains copier leases; related rent was insignificant.

Future minimum payments due under the leases are as follows at June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 569,791
2022	354,435
2023	297,128
2024	268,292
2025	255,552
Thereafter	<u>2,087,008</u>
Total	<u><u>\$ 3,832,206</u></u>

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 10 RELATED PARTY TRANSACTIONS

As a Habitat for Humanity affiliate, Habitat is expected to tithe an amount to Habitat for Humanity International, to be used for international housing construction. Total tithes to Habitat for Humanity International for the years ended June 30, 2020 and 2019 were \$100,000.

NOTE 11 CONCENTRATION OF CREDIT RISK

Habitat maintains cash, certificates of deposits and money market balances at several financial institutions. Interest bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000; there is no insurance limit on noninterest bearing accounts with balances in excess of \$250,000. Habitat may occasionally have cash balances on deposit with financial institutions in excess of insured limits. Habitat has not experienced any losses in such accounts. Cash in excess of insured limits was \$3,208,910 and \$3,045,809 at June 30, 2020 and 2019, respectively.

Habitat provides mortgage assistance primarily to low and moderate-income individuals living in King County. Loans receivable with undiscounted balances of \$18,664,170 and \$20,735,040 at June 30, 2020 and 2019, respectively, are secured by the property purchased.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, respectively, net assets with donor restrictions consisted of \$1,094,484 and \$1,390,466 restricted for time and for future construction activities in low-income housing.

NOTE 13 PAYCHECK PROTECTION PROGRAM

In April 2020, Habitat for Humanity Seattle-King County was awarded a loan of \$631,800 under the U.S. Small Business Administration's Paycheck Protection Program (PPP). A loan restriction required Habitat to use at least 60% of the funds for payroll expenses and the remaining amount for designated overhead expenses within a designated period of time. If Habitat is compliant and applies for forgiveness, the loan will be forgiven. Management concluded that the submission for the loan forgiveness application, lender review and approval and SBA review are all administrative in nature and do not constitute barriers to entitlement to recognize the funds as revenue. As Habitat believes all requirements have been met and the loan forgivable, it has recorded the entire amount as revenue as of June 30, 2020.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
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NOTE 14 PENSION PLAN

Habitat adopted a 401(k) contribution retirement plan, effective January 1, 2014. Employees are eligible to participate in the 401(k) plan with one month of service. Habitat matches 50% of employee elective deferrals up to a maximum of 6%. Habitat contributed \$29,652 and \$17,491 to the plan for the years ended June 30, 2020 and 2019, respectively. Habitat also maintains a 457(b) deferred compensation plan for highly compensated employees. No contributions were made to the plan for the years ended June 30, 2020 and 2019.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for Habitat. The amounts, if any, of expenditures that may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. During the years ended June 30, 2020 and 2019, no such adjustments were made.

Habitat provides one to six-year warranties for home buyers purchasing homes through Habitat. Amounts paid on warranties for the years ended June 30, 2020 and 2019, were insignificant.

Habitat's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. Multiple jurisdictions in the U.S. have declared a state of emergency, and it is anticipated that resulting impacts will continue for some time. There has been no immediate impact to Habitat's operations. Future potential impacts may include disruptions or restrictions on Habitat's governance and employees' ability to work. Operating functions that may be changed include modified or reduced retail store activity, modified fundraising events and cancellations of in-person meetings. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

NOTE 16 SUBSEQUENT EVENTS

Habitat has evaluated subsequent events through December 3, 2020, which is the date the consolidated financial statements were available to be issued, and has determined that, except as noted below, there are no subsequent events that require recognition or additional disclosure.

On July 1, 2020, Habitat for Humanity Seattle-King County and Affiliates entered into an Affiliation Agreement with Kittitas County Habitat for Humanity, whereby Habitat for Humanity Seattle-King County will become the sole corporate member of Kittitas County Habitat. The two organizations will operate effectively as a single organization under the control and direction of Habitat Seattle-King County. Kittitas County had net assets of \$599,658 as of June 30, 2020.

HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 16 SUBSEQUENT EVENTS (CONTINUED)

On July 17, 2020, Habitat entered into a loan with Habitat Mortgage Solutions, LLC for \$2,000,000 to fund operations and growth in the development of new homes. The loan is for five years at an interest rate of 3.40%. Interest only is paid quarterly with a principal payment of \$1,000,000 due September 30, 2024. The balance of the loan of \$1,000,000 is to be paid September 30, 2025. The loan is secured by a pledge of 27 mortgages receivable with a value at July 17, 2020 of \$3,719,225.

On October 22, 2020, Habitat entered into a five-year loan for \$65,000 at zero interest for the purchase of a truck for Kittitas operations.

**HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

Federal Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Federal Grantor / Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant Program			
Pass-Through Programs From:			
King County			
Coal Creek Terrace	14.218	D28048E	\$ 110,464
Overlake Park Townhomes	14.218	D05814E	18,775
Patterson Park	14.218	D23686E	216,683
White Center	14.218	C18624	18,712
Total Passed-Through King County			<u>364,634</u>
City of Federal Way			
Federal Way	14.218	AG15-211	165,000
Federal Way Repairs	14.218	AG17-109	158,891
Federal Way Acquisition 2017	14.218	2017-14	240,000
Total Passed-Through City of Federal Way			<u>563,891</u>
Total Community Development Block Grant Program			<u>928,525</u>
HOME Investment Partnerships Program			
Pass-Through Programs From:			
King County			
La Fortuna	14.239	D39877D	494,643
Snoqualmie Ridge	14.239	D36650D	649,886
Coal Creek Terrace	14.239	D28048D	259,000
Overlake Park Townhomes	14.239	D05814D	71,000
Patterson Park	14.239	D23686D	220,000
Sammamish	14.239	5858031	325,000
Total HOME Investment Partnerships Program			<u>2,019,529</u>
Self-Help Homeownership Opportunity Program (SHOP)			
Pass-Through Programs From:			
Habitat for Humanity International			
SHOP 2010	14.247	172034	3,546
Total Passed-Through Habitat for Humanity International			3,546
Community Frameworks			
SHOP 2013	14.247	HSKC-13-1	150,000
SHOP 2017	14.247	HSKC-17-1	143,698
Total Passed-Through Community Frameworks			<u>293,698</u>
Total Self-Help Homeownership Opportunity Program			<u>297,244</u>
Total U.S. Department of Housing and Urban Development			<u>3,245,298</u>
U.S. Small Business Administration			
Disaster Assistance Loans	59.008	172034	150,000
Total U.S. Small Business Administration			<u>150,000</u>
Total Expenditures of Federal Awards			<u>\$ 3,395,298</u>

**HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant and loan activity of Habitat for Humanity Seattle-King County and its affiliate, HFHSC Community Housing Development Organization. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 3 LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS

Habitat for Humanity Seattle-King County and Affiliates received the following funding through loans and grants from the U.S. Department of Housing and Urban Development and other agencies. Loan documents require compliance with program regulations until the maturity date of the loan or the period of affordability expires. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The grant and loan balances outstanding at June 30, 2020, are included in the accompanying schedule of expenditures of federal awards and are as follows:

Program	Contract Number	Maturity Date	Outstanding Balance
HOME Investment Partnership Program			
Passed through King County:			
La Fortuna	D39877D	December 2088	\$ 494,643
Snoqualmie Ridge	D36650D	June 2107	649,886
Coal Creek Terrace	D28048D	May 2051	259,000
Overlake Park Townhomes	D05814D	June 2070	71,000
Patterson Park	D23686D	September 2047	220,000
Sammamish	5858031	May 2069	350,000

**HABITAT FOR HUMANITY SEATTLE-KING COUNTY AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

**NOTE 3 LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS
(CONTINUED)**

Program	Contract Number	Maturity Date	Outstanding Balance
Community Development Block Grant Program			
Passed through King County:			
Coal Creek Terrace	D28048E	May 2051	\$ 110,464
Overlake Park Townhomes	D05814E	June 2070	18,775
Patterson Park	D23686E	September 2047	216,683
Passed through City of Federal Way:			
Federal Way	AG15-211	October 2035	165,000
Federal Way	AG17-109		158,891
Federal Way	2017-14	June 2038	240,000
Self-Help Homeownership Opportunity Program			
Passed through Habitat for Humanity International:			
SHOP 2010	172034	July 2020	1,379
Passed through Community Frameworks:			
SHOP 2013	HSKC-13-1	January 2026	120,000
SHOP 2017	HSKC-17-1	May 2030	143,698
Economic Injury Disaster Loan Program Program	6442337810	June 2050	<u>150,000</u>
Total Loans			<u><u>\$ 3,369,419</u></u>

Some of the loan balances under the HOME Investment Partnerships and Community Development Block Grant Programs for the period ended June 30, 2020, were awarded to HFHSKC Community Housing Development Organization.