

KITTITAS COUNTY HABITAT FOR HUMANITY

COMPARATIVE FINANCIAL STATEMENTS

and

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020 and JUNE 30, 2019

Villbrandt Stark & Moorer PLLC
Certified Public Accountants

KITTITAS COUNTY HABITAT FOR HUMANITY

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Kittitas County Habitat For Humanity

We have audited the accompanying financial statements of Kittitas County Habitat For Humanity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and June 30, 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kittitas County Habitat for Humanity as of June 30, 2019 and June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Villbrandt Stark & Moorer PLLC

Yakima, Washington
October 28, 2020

KITTITAS COUNTY HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 and 2019

ASSETS

CURRENTS ASSETS	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 335,033	\$ 154,642
Accounts receivable	16,012	1,195
Mortgage receivables (current portion)	8,875	12,941
Prepays	477	359
Inventory	-	212,983
Total Current Assets	<u>360,397</u>	<u>382,120</u>
EQUIPMENT		
Equipment	56,065	53,850
Less accumulated depreciation	<u>(46,223)</u>	<u>(41,188)</u>
	<u>9,842</u>	<u>12,662</u>
OTHER ASSETS		
Mortgages receivable (net of current portion)	200,298	208,415
Reserve for uncollectable accounts	<u>-</u>	<u>(1,500)</u>
	<u>200,298</u>	<u>206,915</u>
Silent Second notes	58,137	-
Repossessed home	<u>151,651</u>	<u>151,651</u>
	<u>209,788</u>	<u>151,651</u>
TOTAL ASSETS	<u>\$ 780,325</u>	<u>\$ 753,348</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 6,868
Accrued expenses	3,976	27,609
Paycheck protection program grant	50,070	-
Notes payable (current portion)	<u>13,280</u>	<u>11,619</u>
Total Current Liabilities	<u>67,326</u>	<u>46,096</u>
NON-CURRENT LIABILITIES		
Notes payable (net of current portion)	113,341	126,621
NET ASSETS - unrestricted	<u>599,658</u>	<u>580,631</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 780,325</u>	<u>\$ 753,348</u>

See accompanying notes and independent auditors' report

KITTITAS COUNTY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2020 and 2019

REVENUE AND SUPPORT	<u>2020</u>	<u>2019</u>
Completed home project sales	\$ 215,000	\$ 239,000
Store Sales	296,791	369,686
Investment income	289	133
Contributions	51,207	50,690
Donated materials	350	5,335
Fund raising event	23,653	36,235
Grants	27,565	54,629
	<u>614,855</u>	<u>755,708</u>
 EXPENSES		
Support expenses	132,567	191,705
Program (Store) expenses	246,304	305,098
Cost of construction	216,957	227,528
	<u>595,828</u>	<u>724,331</u>
 EXCESS REVENUE AND SUPPORT OVER EXPENSES	 19,027	 31,377
 NET ASSETS, beginning of year unrestricted	 <u>580,631</u>	 <u>549,254</u>
NET ASSETS, end of year unrestricted	<u>\$ 599,658</u>	<u>\$ 580,631</u>

See accompanying notes and independent auditors' report

KITTITAS COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 and 2019

<u>Functional Expenses</u>	<u>2020</u>			<u>2019</u>		
	<u>Office (Support)</u>	<u>Store (Program)</u>	<u>Construction (Program)</u>	<u>Office (Support)</u>	<u>Store (Program)</u>	<u>Construction (Program)</u>
SUPPORT						
Payroll expense	\$ 42,624	\$ 179,320		\$ 62,745	\$ 236,170	
Insurance	2,752	1,375		3,043	564	
Professional Fees	18,129	10,333		21,412	25,383	
Office	19,515	15,145		31,530	3,724	
Rent	10,435	24,431		10,129	24,054	
Communications	2,149	2,213		2,009	1,888	
Utilities	535	6,745		894	4,810	
Avertising	9,781	6,742		416	8,505	
Mortgage discount	17,250			35,051		
Depreciation	5,035			5,252		
Interest	4,362			5,855		
CONSTRUCTION (Program)			\$ 216,957			\$ 227,528
Cost of construction						
Totals	<u>\$ 132,567</u>	<u>\$ 246,304</u>	<u>\$ 216,957</u>	<u>\$ 178,336</u>	<u>\$ 305,098</u>	<u>\$ 227,528</u>

See accompanying notes and independent auditors' report

KITTITAS COUNTY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Cash received for:		
Contributions	\$ 51,207	\$ 50,690
Grants	77,635	54,629
Fundraising events	23,653	36,235
Completed home project sales	102,500	239,025
Restore retail operations	296,791	369,156
Investment income	289	133
Other Income	350	5,335
Total cash received	<u>552,425</u>	<u>755,203</u>
Cash paid for:		
General and administrative	141,442	145,680
Program (Store) expenses	246,304	301,947
Construction costs for home project sold	8,895	234,061
Total cash paid	<u>396,641</u>	<u>681,688</u>
Net cash provided from operating activities	<u>155,784</u>	<u>73,515</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from mortgages receivable	52,933	14,382
(Increase) or Decrease in accounts receivable	(14,935)	8,006
(Decrease) or Increase in accounts payable	(6,868)	(3,805)
(Increase) in mortgages receivable issued	-	(37,813)
(Increase) or Decrease in Work-In-Progress inventory	-	39,267
Purchase office and store equipment	-	(366)
Net cash from investing activities	<u>31,130</u>	<u>19,671</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments made on notes payable	(6,523)	(50,949)
Net cash used in financing activities	<u>(6,523)</u>	<u>(50,949)</u>
 NET INCREASE (DECREASE) IN CASH	180,391	42,237
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>154,642</u>	<u>112,405</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 335,033</u>	<u>\$ 154,642</u>

SUPPLEMENTAL INFORMATION

Interest expense paid during 2020 was \$4,362

Interest expense paid during 2019 was \$5,855

See accompanying notes and independent auditors' report

KITTITAS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BACKGROUND - NATURE OF ACTIVITIES

Kittitas County Habitat For Humanity (a nonprofit corporation) is an affiliate of Habitat for Humanity International. As a nondenominational Christian non-profit organization, Habitat for Humanity builds, sells and finances affordable housing for families making less than sixty percent of Kittitas County's median income. The cost of construction is supported by cash and property donations coupled with local government grants. With the help of local financial institutions, construction financing is arranged to pay for non-donated costs. After construction and submission of an application by partner families, Habitat For Humanity provides non-interest bearing financing for successful applicants.

BASIS OF ACCOUNTING

The statements are prepared on the accrual basis of accounting. As Kittitas County Habitat For Humanity is a non-profit organization, the statements provide for unrestricted and restricted fund balances. There were no restricted assets at either June 30, 2019 or 2020.

ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EQUIPMENT

Equipment is carried at cost. Equipment includes vehicles, computers and other office furniture and fixtures. Equipment is depreciated over five to ten years on the straight line method.

CASH AND CASH EQUIVALENTS

Cash is recorded as balances on account with banks, money market funds with investment firms, and certificates of deposit with a duration of less than ninety days.

LEASE

The operating site of Kittitas County Habitat For Humanity is located at 212 S. Railroad Ave., Ellensburg, Washington. The monthly payment is \$ 1,800 per month on a month to month basis.

KITTITAS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING

The organization relies on the goodwill it has achieved in the community and the active support of its board of directors and benefactors for its ability to raise community support and donations. In combination with grant proposals made by its executive director, Habitat for Humanity has no current budget for advertising in any capacity.

FEDERAL INCOME TAX

Kittitas County Partners Habitat for Humanity is classified as a 501(c)-3 organization in the U.S. Internal Revenue Code and exempt from income tax. Accordingly, income taxes have not been accrued. Unrelated business activity is not engaged in by the organization. The organization has not received any notice of income tax audit for the open tax years of 2017, 2018, or 2019.

OFFICE LEASE

The operating site of Kittitas County Habitat For Humanity is located at 307 S. Main St., Ellensburg, Washington. The monthly payment is \$ 750 per month on a month to month basis.

NOTE 2 - INVENTORY

Inventory is carried at lower of cost or market. For the years ended June 30, 2016 and 2015, inventory included land available for construction, supplies, and construction in progress.

Inventory included one new home carried as inventory for the year ended, 2019 and was sold beginning the new fiscal year 2020. Building was put on hold subject to subsequent events outlined below.

NOTE 3 - SUBSEQUENT EVENTS

Management has reached agreement with the Seattle Habitat for Humanity, effective July 1, 2020. Minutes for the new relationship indicates full time management for Kittitas County Washington and the prospect of building more affordable housing for those people needing shelter.

KITTITAS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

NOTE 4 - MORTGAGES RECEIVABLE

Mortgages are the means by which Habitat for Humanity finances homes purchased by families earning under 60% of the median wage in Kittitas County Washington. Each mortgage requires an application and verification of income and gainful employment. Each mortgage utilizes the services of a reputable title insurance company issuing a deed of trust and title policy for each property financed. Kittitas County Habitat For Humanity has never foreclosed on a program property, however, several property mortgages were rewritten because a threat of foreclosure existed in 2015. Each home is worth far more than the cost to build and in the event a home were repossessed, it would be filled with a new family.

An amortization discount is required by generally accepted accounting principles to be applied as an income charge over the life of the mortgages. Calculated using a blended rate consistent with prior years, mortgage rates charged by Fannie Mae was 4.6%.

	<u>2020</u>	<u>2019</u>
Total unamortized mortgages issued	\$ 208,415	\$ 221,356
Current portion of mortgages receivable	8,117	12,941
Mortgages receivable, net of current due	<u>\$ 200,298</u>	<u>\$ 208,415</u>

The aggregate of mortgage receivable maturities are as follows:

	<u>2020</u>	<u>2019</u>
2019	\$ -	\$ 12,941
2020	8,117	8,117
2021	8,280	8,280
2022	8,483	8,483
2023	8,830	8,830
2024	9,230	-
thereafter	<u>165,475</u>	<u>174,705</u>
	\$ 208,415	\$ 221,356

No new Habitat Mortgages were issued in Fiscal Year 2019 - 2020

KITTITAS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

NOTE 5- NOTES PAYABLE

Habitat for Humanity entered into long-term notes payable in 2014 and 2015. These notes enabled the organization to acquire land and materials to continue building its program houses.

	<u>2020</u>	<u>2019</u>
Total long-term notes payable	\$ 126,621	\$ 138,240
Current portion of notes payable	13,280	11,619
Notes Payable, net of current due	\$ 113,341	\$ 126,621

The aggregate of notes payable maturities are as follows:

	<u>2020</u>	<u>2019</u>
2019	\$ -	\$ 11,619
2020	13,280	13,281
2021	13,908	13,908
2022	14,563	14,563
2023	15,250	15,250
2024	15,381	-
thereafter	40,959	55,981
	\$ 113,341	\$ 126,621

NOTE 6 - SILENT SECOND NOTES

Silent Second Notes have been introduced as a means for family's to acquire mortgages from local banks to buy their homes. The notes are referred to as Silent Second notes which carry a fixed amount to be paid to Kittitas County Habitat for Humanity in connection with the financing of their homes. Currently there are 4 Silent Second Notes used to help finance homes.

NOTE 7 - REPOSSESSED HOME

During 2019, a home in the Cle Elum vicinity was abandoned. The home owner has not contacted Habitat to discuss the disposition of the Home. More likely than not the home will be repossessed and sold. The value listed in the balance sheet is the unpaid portion of the home mortgage.

Note 8 - PAYCHECK PROTECTION PROGRAM

The onset of COVID 19 created an immediate economic impact in America, bringing the American economy to a halt including Ellensburg Washington. Habitat for Humanity applied for and received a grant from the U.S. Small Business Administration for continued operation serving the public in the greater Kittitas county vicinity. Through June 30, 2020, the organization has used the grant for payroll and rent. It is expected the grant will allow Habitat for Humanity to complete the fiscal year as budgeted for at the beginning of the just completed 2020 fiscal year through the end of October, 2020.