

**NORTH ST. LOUIS COUNTY
HABITAT FOR HUMANITY
FINANCIAL STATEMENTS AS OF
JUNE 30, 2020 AND 2019**

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY

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ESTERBROOKS · SCOTT · SIGNORELLI
PETERSON · SMITHSON, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North St. Louis County Habitat for Humanity
Virginia, Minnesota

We have audited the accompanying financial statements of North St. Louis County Habitat for Humanity (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. 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 of 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 North St. Louis County Habitat for Humanity as of June 30, 2020 and 2019, 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.

Estebrooke Scott Signorelli Peterson Emethorn, CPA

Duluth, Minnesota
May 13, 2021

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash	\$ 301,962	\$ 121,037
Promises to give	19,300	58,000
Accounts receivable	477	731
Prepaid expenses	-	150
Home held for sale	43,000	-
Deposits	425	-
Mortgages receivable, current portion	110,098	103,924
Inventory – Building lots, materials, and home construction	<u>461,522</u>	<u>489,158</u>
Total current assets	<u>936,784</u>	<u>773,000</u>
PROPERTY AND EQUIPMENT:		
Land and building	335,888	335,888
Equipment and furniture	19,962	16,260
Truck and construction trailer	44,625	44,625
Construction equipment and tools	<u>43,589</u>	<u>43,589</u>
Total	444,064	440,362
Less: Accumulated depreciation	<u>(141,564)</u>	<u>(125,424)</u>
Net property and equipment	<u>302,500</u>	<u>314,938</u>
OTHER ASSETS:		
Non-interest mortgage loans -		
Mortgages receivable	4,007,732	3,951,997
Less: Unamortized discounts	(2,168,211)	(2,138,619)
Current portion	<u>(110,098)</u>	<u>(103,924)</u>
Net non-interest bearing mortgage loans	1,729,423	1,709,454
Inventory – Building lots	112,773	81,473
Beneficial interest in assets held by a Foundation	25,251	-
Cash – Endowment	-	7,103
Total other assets	<u>1,867,447</u>	<u>1,798,030</u>
Total Assets	<u>\$ 3,106,731</u>	<u>\$ 2,885,968</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Notes payable – Current portion	\$ 115,768	\$ 156,085
Accounts payable	17,617	13,384
Accrued expenses	4,176	2,489
Payroll liabilities	6,833	5,277
Refundable deposits	5,506	-
Refundable advances	46,187	-
Total current liabilities	<u>196,087</u>	<u>177,235</u>
LONG-TERM DEBT:		
Note payable – The Northland Foundation	49,039	58,479
Notes payable – Minnesota Habitat	1,948,503	1,830,387
Less: Current portion	(115,768)	(156,085)
Financing fees, net amortization	(134,251)	(125,174)
Unamortized discounts	(206,021)	(345,289)
Net long-term debt	<u>1,541,502</u>	<u>1,262,318</u>
Total liabilities	<u>1,737,589</u>	<u>1,439,553</u>
NET ASSETS:		
Without donor restrictions	1,056,373	969,462
With donor restrictions	312,769	476,953
Total net assets	<u>1,369,142</u>	<u>1,446,415</u>
Total Liabilities and Net Assets	<u>\$ 3,106,731</u>	<u>\$ 2,885,968</u>

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	Without donor restrictions	With donor restrictions	Total
OPERATING REVENUES AND SUPPORT:			
Revenue and other support:			
Contributions	\$ 256,569	\$ -	\$ 256,569
Contributed building lots and materials	84,530	4,632	89,162
Contributed services	30,871	-	30,871
Grants	131,300	-	131,300
Sale of homes – Constructed and resale	432,033	-	432,033
Sale of inventory	5,860	-	5,860
Gain on foreclosures and buybacks	33,926	-	33,926
Change in value of beneficial interest in assets held by a foundation	180	71	251
Other program revenue	6,320	-	6,320
Interest	2	-	2
Net assets released from restrictions	29,619	(29,619)	-
Total revenue and other support	1,011,210	(24,916)	986,294
OPERATING EXPENSES:			
Program services:			
Home construction and resale	621,685	-	621,685
Community awareness	51,541	-	51,541
Volunteer recruitment & support	24,864	-	24,864
Family selection and support	38,577	-	38,577
Total program services	736,667	-	736,667
Supporting services:			
Management and general	107,052	-	107,052
Fundraising	50,987	-	50,987
Total supporting services	158,039	-	158,039
Total expenses	894,706	-	894,706
Change in net assets - Operating	116,504	(24,916)	91,588
NONOPERATING ACTIVITIES:			
Loan discount (expense) revenue - new loans	-	(110,227)	(110,227)
Mortgage discounts amortization	132,669	-	132,669
Mortgage discount expense - new mortgages issued	(162,262)	-	(162,262)
Loan discount amortization	(29,041)	-	(29,041)
Net assets released from restrictions	29,041	(29,041)	-
Change in net assets - Nonoperating	(29,593)	(139,268)	(168,861)
Total Change in Net Assets	86,911	(164,184)	(77,273)
Net assets, beginning of year	969,462	476,953	1,446,415
Net assets, end of year	\$ 1,056,373	\$ 312,769	\$ 1,369,142

See Notes to Financial Statements.

2019

<u>Without donor</u> <u>restrictions</u>	<u>With donor</u> <u>restrictions</u>	<u>Total</u>
\$ 132,286	\$ -	\$ 132,286
59,306	28,144	87,450
2,498	6,050	8,548
162,274	88,700	250,974
481,620	-	481,620
7,128	-	7,128
-	-	-
-	-	-
5,841	-	5,841
-	2	2
<u>146,077</u>	<u>(146,077)</u>	<u>-</u>
<u>997,030</u>	<u>(23,181)</u>	<u>973,849</u>
688,963	-	688,963
47,792	-	47,792
26,116	-	26,116
<u>38,451</u>	<u>-</u>	<u>38,451</u>
<u>801,322</u>	<u>-</u>	<u>801,322</u>
108,570	-	108,570
<u>45,833</u>	<u>-</u>	<u>45,833</u>
<u>154,403</u>	<u>-</u>	<u>154,403</u>
<u>955,725</u>	<u>-</u>	<u>955,725</u>
41,305	(23,181)	18,124
-	27,763	27,763
150,330	-	150,330
(235,163)	-	(235,163)
(35,179)	-	(35,179)
35,179	(35,179)	-
<u>(84,833)</u>	<u>(7,416)</u>	<u>(92,249)</u>
(43,528)	(30,597)	(74,125)
<u>1,012,990</u>	<u>507,550</u>	<u>1,520,540</u>
<u>\$ 969,462</u>	<u>\$ 476,953</u>	<u>\$ 1,446,415</u>

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Expenses					Support Expenses				Total Functional Expenses	
	Home Construction	Community Awareness	Volunteer		Family Selection & Support	Total Program Expenses	Management & General	Fundraising	Total Support Expenses		
			Recruitment & Support								
OPERATING EXPENSES											
Construction	\$ 473,494	\$ -	\$ -	\$ -	\$ -	473,494	\$ -	\$ -	\$ -	\$ -	\$ 473,494
Land acquisition	10,473	-	-	-	-	10,473	-	-	-	-	10,473
Closing costs	2,585	-	-	-	-	2,585	-	-	-	-	2,585
Amortization – Loan fees	8,524	-	-	-	-	8,524	-	-	-	-	8,524
Service fees	2,000	-	-	-	-	2,000	5,000	-	5,000	-	7,000
Truck expense	5,418	-	-	-	-	5,418	-	-	-	-	5,418
Salaries, benefits & mileage	79,667	41,987	20,451	36,429	178,534	33,018	33,007	66,025	12,771	244,559	
Insurance	-	-	-	-	-	-	12,771	-	12,771	-	12,771
Newsletter	-	5,373	-	-	5,373	-	885	885	-	6,258	
Office equipment	-	-	-	-	-	-	632	632	-	632	
Other mission specific costs	1,795	4,181	4,413	2,148	12,537	-	-	-	-	12,537	
Postage	-	-	-	-	-	-	1,203	1,203	-	1,203	
Supplies	-	-	-	-	-	-	891	891	-	891	
Travel and conferences	85	-	-	-	85	-	-	-	-	85	
Habitat International – Tithe	31,058	-	-	-	31,058	-	-	-	-	31,058	
Depreciation	6,586	-	-	-	6,586	9,554	-	9,554	-	16,140	
Habitat 500 bike ride	-	-	-	-	-	-	4,097	4,097	-	4,097	
Occupancy	-	-	-	-	-	-	8,497	8,497	-	8,497	
Telephone and Internet	-	-	-	-	-	-	2,969	2,969	-	2,969	
Software	-	-	-	-	-	-	7,617	7,617	-	7,617	
Professional fees	-	-	-	-	-	-	15,736	15,736	-	15,736	
Other fundraising events	-	-	-	-	-	-	6,142	6,142	-	6,142	
Fundraising mailer	-	-	-	-	-	-	7,741	7,741	-	7,741	
Interest	-	-	-	-	-	-	7,906	7,906	-	7,906	
Other	-	-	-	-	-	-	373	373	-	373	
Total Operating Expenses	621,685	51,541	24,864	38,577	736,667	107,052	50,987	158,039	894,706		
NONOPERATING EXPENSES											
Mortgage discount expense - new mortgages issued	162,262	-	-	-	162,262	-	-	-	-	162,262	
Loan discount amortized	29,041	-	-	-	29,041	-	-	-	-	29,041	
Total Nonoperating Expenses	191,303				191,303					191,303	
Total Expenses	\$ 812,988	\$ 51,541	\$ 24,864	\$ 38,577	\$ 927,970	\$ 107,052	\$ 50,987	\$ 158,039	\$ 1,086,009		

See Notes to Financial Statements.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Expenses					Support Expenses			Total Functional Expenses
	Home Construction	Community Awareness	Volunteer Recruitment & Support	Family Selection & Support	Total Program Expenses	Management & General	Fundraising	Total Support Expenses	
OPERATING EXPENSES									
Construction	\$ 552,463	\$ -	\$ -	\$ -	\$ 552,463	\$ -	\$ -	\$ -	\$ 552,463
Land acquisition	4,484	-	-	-	4,484	-	-	-	4,484
Closing costs	4,413	-	-	-	4,413	-	-	-	4,413
Amortization – Loan fees	7,231	-	-	-	7,231	-	-	-	7,231
Service fees	7,960	-	-	-	7,960	5,000	-	5,000	12,960
Truck expense	7,716	-	-	-	7,716	-	-	-	7,716
Salaries, benefits & mileage	67,292	39,026	23,092	36,489	165,899	29,110	29,493	58,603	224,502
Insurance	-	-	-	-	-	14,562	-	14,562	14,562
Newsletter	-	5,616	-	-	5,616	6,004	-	6,004	11,620
Office equipment	-	-	-	-	-	419	-	419	419
Other mission specific costs	740	3,150	3,024	1,962	8,876	-	-	-	8,876
Postage	-	-	-	-	-	1,853	-	1,853	1,853
Supplies	-	-	-	-	-	426	-	426	426
Travel and conferences	1,391	-	-	-	1,391	1,637	-	1,637	3,028
Habitat International – Tithe	25,474	-	-	-	25,474	-	-	-	25,474
Depreciation	9,799	-	-	-	9,799	10,320	-	10,320	20,119
Habitat 500 bike ride	-	-	-	-	-	-	2,860	2,860	2,860
Occupancy	-	-	-	-	-	6,650	-	6,650	6,650
Telephone and Internet	-	-	-	-	-	3,078	-	3,078	3,078
Software	-	-	-	-	-	4,378	-	4,378	4,378
Professional fees	-	-	-	-	-	16,783	-	16,783	16,783
Other fundraising events	-	-	-	-	-	-	4,591	4,591	4,591
Fundraising mailer	-	-	-	-	-	-	8,739	8,739	8,739
Interest	-	-	-	-	-	7,662	-	7,662	7,662
Other	-	-	-	-	-	688	150	838	838
Total Operating Expenses	688,963	47,792	26,116	38,451	801,322	108,570	45,833	154,403	955,725
NONOPERATING EXPENSES									
Mortgage discount expense - new mortgages issued	235,163	-	-	-	235,163	-	-	-	235,163
Loan discount amortized	35,179	-	-	-	35,179	-	-	-	35,179
Total Nonoperating Expenses	270,342	-	-	-	270,342	-	-	-	270,342
Total Expenses	\$ 959,305	\$ 47,792	\$ 26,116	\$ 38,451	\$ 1,071,664	\$ 108,570	\$ 45,833	\$ 154,403	\$ 1,226,067

See Notes to Financial Statements.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (77,273)	\$ (74,125)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loan discount (revenue) expense	110,227	(27,763)
Mortgage discounts amortization	(132,669)	(150,330)
Mortgage discount expense - new mortgages issued	162,262	235,163
Loan discount amortization	29,041	35,179
Change in value of beneficial interest in assets held by a foundation	(251)	-
Depreciation and amortization	24,664	27,350
Changes in assets and liabilities:		
Promises to give	38,700	29,859
Accounts receivable	254	6,343
Deposits	(425)	200
Homes held for sale	(43,000)	-
Prepaid expenses	150	330
Inventory	(3,664)	(4,670)
Payroll liabilities	1,556	(415)
Refundable deposits	5,506	(1,000)
Refundable advances	46,187	-
Accrued expenses	1,687	(7,274)
Accounts payable	4,233	(10,152)
Net cash provided by operating activities	167,185	58,695
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,702)	-
Transfer of assets to a foundation to be held	(25,000)	-
Mortgages issued	(311,220)	(480,620)
Payments collected	255,483	279,565
Net cash used by investing activities	(84,439)	(201,055)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowing	220,000	220,000
Payment of financing fees	(17,600)	(17,600)
Payments on long-term debt	(111,324)	(99,615)
Net cash provided by financing activities	91,076	102,785
Net increase (decrease) in cash	173,822	(39,575)
Cash – Beginning of Year	128,140	167,715
Cash – End of Year	\$ 301,962	\$ 128,140
SUPPLEMENTAL DISCLOSURES:		
Cash payments for interest	\$ 7,906	\$ 7,662

See Notes to Financial Statements.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities –

North St. Louis County Habitat for Humanity (NSLCHFH or the Organization) is a nonprofit organization whose purpose is to build or renovate simple, decent, affordable houses and sell them to qualifying families without profit through zero-interest mortgages.

The following significant accounting policies have been followed in the preparation of the financial statements:

Basis of Accounting –

The financial statements of North St. Louis County Habitat for Humanity have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation –

The Organization is required to report information regarding its financial position, and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

A description of the two net asset categories follows:

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 either by the passage of time or other events as 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 for has been fulfilled, or both.

Nonoperating activities include all noncash activities relating to discounting mortgages receivable and debt.

Cash –

For the purpose of the Statement of Cash Flows, cash is composed of bank checking and savings accounts. At June 30, 2020 and 2019 cash consisted of the following:

	2020	2019
Cash, current	\$ 301,962	\$ 121,037
Cash, endowment	-	7,103
Total cash	\$ 301,962	\$ 128,140

Inventory –

Inventory consists of materials and services for houses in progress at year-end. It also includes materials, building lots, and houses to be used in the future for building and/or renovating. Inventory is carried at cost for those items purchased and fair value at the date of donation for contributed materials, services, houses, and building lots.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Promises to Give –

Unconditional promises to give are recognized as receivables and as revenues in the period in which the Organization is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Allowance for Loan Losses –

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated. At June 30, 2020 and 2019 there was no allowance for loan losses.

Property and Equipment –

Property and equipment are recorded at cost if purchased, or at the fair value at the date of the gift, if donated. Depreciation is computed using the straight-line method, with an estimated useful life of five years. It is the Organization's policy to capitalize all acquisitions of equipment over \$1,000. Lesser amounts are expensed.

Contributions –

Contributions received are recorded as without donor restrictions and with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or a restriction is withdrawn by the donor) 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. It is the policy of the Organization to consider resources contributed for a specific house to be with donor restrictions if specified by the donor. The with donor restrictions contributions become a part of net assets without donor restrictions and their restriction is considered to expire when the house is sold.

House Sales –

House sales are recorded when title is transferred at an amount which does not include a discount factor. The Organization follows the suggested policy of Habitat International and presents the discount in a separate account on the Statement of Functional Expenses, "Mortgage discount expense – new mortgages issued". Non-interest-bearing mortgages are discounted based upon prevailing market rates at the inception of each mortgage. Utilizing the straight-line method, the discount is recognized as income over the term of the mortgage.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fair Value Measurements –

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Donated Property and Equipment –

Donations of property and equipment are recorded as support at their fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services –

A substantial number of volunteers have donated significant amounts of nonprofessional services to the Organization's program. Although significant, these services were not recognized in the financial statements because they did not meet the criteria for recognition. Services from professional contractors and other professionals are recorded as donations at fair value at the date of donation (see Note 10).

Allocated Expenses –

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax –

North St. Louis County Habitat for Humanity is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Uncertain Tax Positions –

North St. Louis County Habitat for Humanity follows the recognition requirements of uncertain tax positions as required by generally accepted accounting principles. The Organization 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. The Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities generally before 2017.

Use of Estimates –

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle –

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* during 2020 on a prospective basis. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The standard did not have a significant impact on the Organization's financial statements as previously reported.

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

As of June 30, 2020 and 2019, financial assets due within one year of the balance sheet date for general expenditures are as follows:

	2020	2019
Financial assets:		
Cash	\$ 301,962	\$ 128,140
Accounts receivable	477	731
Promises to give	19,300	58,000
Mortgages receivable, current portion	110,098	103,924
Total financial assets available within one year	431,837	290,795
Less amounts unavailable for general expenditures within one year		
Donor-imposed restrictions	-	(7,103)
Financial assets available to meet cash needs for general expenditures within one year	\$ 431,837	\$ 283,692

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. INVENTORIES:

At June 30, 2020 and 2019, inventories consisted of the following items:

	2020	2019
Construction in progress - Program	\$ 430,336	\$ 441,069
Building materials and appliances	27,986	37,782
Building lots and rehab houses	115,973	91,780
Total Inventory	\$ 574,295	\$ 570,631

At June 30, 2020, construction in progress consists of four home projects, all of which are new home builds. At June 30, 2019, construction in progress consists of six home projects. One project is rehabilitating a NSLCHFH home, repurchased from former owners, one project is a major remodel of a donated home, and four are new home builds.

4. HOME PROGRAM:

North St. Louis County Habitat for Humanity builds and renovates homes with families who meet the program's family selection criteria in North St. Louis County. The family is required to make a \$1,000 down payment toward the house. The family is also required to contribute a specific number of hours (sweat equity) by working on homes and in other capacities within the Organization. The family signs a first mortgage for the approximate cost of the house and is required to make monthly mortgage payments as required by the terms of the mortgage, typically twenty to thirty years.

These mortgages are discounted and the unamortized discount is subtracted from the total amount due over the life of the mortgage to reflect current estimated economic value. For the year ended June 30, 2020, three new mortgages were recorded with a total discount expense of \$162,262. For the year ended June 30, 2019, five new mortgage were recorded with a total discount expense of \$235,163. Mortgage amortization income is recognized over the life of the mortgage using the straight-line method.

Mortgage discounts realized for the years ending June 30, 2020 and 2019 were as follows:

	2020	2019
Mortgage discount amortization	\$ 114,496	\$ 106,019
Unamortized discount recognized due to:		
Payoff of mortgage	-	44,311
Foreclosures and buybacks	18,173	-
Total Mortgage Discount Realized	\$ 132,669	\$ 150,330

The family also signs a second mortgage for the difference between the selling price (first mortgage) and the fair market value of the home at the time of the sale. For mortgages written through 2008, if the family is in compliance with the terms of the mortgage contract, the Organization forgives an equal portion of the second mortgage over the duration of the mortgage. For mortgages written after 2008, the second mortgage is forgiven at the end of the mortgage term. In the event of a sale or foreclosure, the balance of the second mortgage will be recorded as an asset and the resulting revenue recognized. The Organization does not include a valuation of the second mortgage in its financial statements.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. HOME PROGRAM (CONTINUED):

Construction material of the houses along with other costs attributed to the houses, including any contributed materials and services, are recorded at cost or at fair value at the date of donation if donated, and reflected as inventory until the houses are sold. In the year of the sale, costs relative to house sold are reclassified to construction costs and reflected in the statement of activities; the mortgage receivable is recognized along with the selling price and mortgage discount; and contributions (if any) donated specifically for the house sold are reclassified from net assets with donor restrictions to net assets without donor restrictions.

The Organization also participates in the USDA Section 502 rural housing direct loan program, whereby the United States Department of Agriculture provides a construction loan to a qualified homeowner family. Draws on the construction loan by the Organization are recorded as income, and expenditures for materials recorded as construction costs. Families meet the same criteria and contribute sweat equity as families participating in the traditional home program do.

The Organization typically builds or renovates five homes per year. During the year ending and as of June 30, 2020, three homes were completed and sold. In addition, one home was completed under the USDA 502 program. During the year ending and as of June 30, 2019, five houses were completed and sold. In addition, one home was completed under the USDA 502 program. Total homes built or renovated as of June 30, 2020 and 2019 were 85 and 81 respectively.

5. MORTGAGES RECEIVABLE:

The Organization builds or renovates houses, which are sold to qualifying families at cost. The family signs a noninterest-bearing mortgage, which is subject to discounting in order to reflect its economic value. The interest rates used to determine the discount range from 7.50% to 9.00% based on the prevailing market rate in the year the mortgage originated. Interest is recognized annually based on the straight-line method.

<u>Schedule of Mortgage Loan Receivable</u>	2020	2019
Mortgage balances before discounts	\$ 4,007,732	\$ 3,951,997
Less: Unamortized discounts	(2,168,211)	(2,138,619)
Net Mortgage Loan Receivable	\$ 1,839,521	\$ 1,813,378

Loan Delinquency Status –

	2020		2019	
	Number of Loans	Loan Amount	Number of Loans	Loan Amount
Current	58	\$ 3,629,775	61	\$ 3,904,173
31-60 days past due	2	129,709	1	33,788
More than 60 days past due	4	248,248	1	14,036
Total	64	\$ 4,007,732	63	\$ 3,951,997

At June 30, 2020 and 2019 there was no impairment of loans that needed recognition in accordance with generally accepted accounting principles (GAAP).

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. MORTGAGES RECEIVABLE (CONTINUED):

Schedule of Collateralized Mortgages –

At June 30, 2020 and 2019 there were thirty-three and thirty specific mortgages serving as collateral for long-term debt with total required monthly payments of \$8,006 and \$7,304, respectively.

	2020	2019
Mortgage balances before unamortized discounts	\$ 2,056,086	\$ 1,981,653
Less: Unamortized discounts	(1,145,743)	(1,116,242)
Net Collateralized Mortgages	\$ 910,343	\$ 865,411

6. PROMISES TO GIVE:

As of June 30, 2020 and 2019, unconditional promises to give consist of the following:

	2020	2019
Amounts due in less than one year:		
NE Minnesota United Way	\$ -	\$ 18,000
Habitat for Humanity – Minnesota – Impact Fund	-	15,000
Owens Foundation	-	10,000
Wells Fargo Housing Foundation	-	15,000
Essentia Health	19,300	-
	\$ 19,300	\$ 58,000

Conditional Grants to be Received –

At June 30, 2020, the Organization had \$25,000 in grant commitments from grantors which are considered conditional based upon the incurrence of allowable qualified costs. These funds will be recognized as revenue when qualified costs are incurred.

7. BENEFICIAL INTEREST IN ASSETS HELD BY A FOUNDATION:

In October 2019, \$25,000 was established as an endowment at the inFaith Community Foundation (Foundation). The fund was established by transferring assets with and without donor restrictions to the Foundation and naming itself as the beneficiary of the fund. An endowment agreement has been signed between the Organization and the Foundation, and thus, the original corpus and any accumulated earnings are not readily redeemable by the Organization at any time; however, distributions of earnings will be made periodically by the Foundation to the Organization according to the Foundation's spending policy.

As of June 30, 2020, the Organization had beneficial interest in assets held by the Foundation of \$25,251. Of this \$7,174 is perpetually restricted and classified as net assets with donor restrictions. The remainder is classified as net assets without donor restrictions. No distributions were received by the Foundation for the year ended June 30, 2020.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. FAIR VALUE MEASUREMENTS:

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2020</u>				
Beneficial interest in assets held by others	\$ 25,251	\$ -	\$ -	\$ 25,251
Total	<u>\$ 25,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,251</u>

Beneficial interest in assets held by foundation: Estimated at the fair value of the underlying assets as reported by the Foundation. Since there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measurement.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>Beneficial interest in assets held by others:</u>	
July 1, 2019	\$ -
Purchases	25,000
Investment return	<u>251</u>
June 30, 2020	<u>\$ 25,251</u>

9. PAYCHECK PROTECTION PROGRAM:

The Organization received a refundable advance of \$46,187 under the Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by a Small Business Administration (SBA) approved partner. The advance is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for forgiveness up to 100% of the advance, upon meeting certain requirements. The Organization will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels and uses the funds for certain payroll, rent, and utility expenses during an eight week of twenty-four-week period, at the Organization's elected covered period. No contribution revenue has been recorded for the year end June 30, 2020. The Organization received notification that the loan was forgiven on November 19, 2020 and has chosen to report the balance as a refundable advance and will record as a contribution in the next fiscal year.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. CONTRIBUTED MATERIALS, LOTS, AND SERVICES:

Contributed materials, building lots, and services represent the estimated fair value of materials and general corporate services provided. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by entities or individuals possessing those skills, and would typically need to be purchased if they were not donated. Contributed materials, building lots and construction services are included as inventory until the applicable housing project is sold; at which time they are reclassified to construction costs and changed to net assets without donor restrictions. Revenues from such transactions are included in net assets with donor restrictions and reclassified to net assets without donor restrictions when the housing project is sold.

Contributed materials, lots, and services recorded in these financial statements are as follows:

	2020	2019
Construction related materials	\$ 23,962	\$ 26,950
Homes and building lots	65,200	60,500
Professional services	30,871	8,548
Total Contributed Materials, Lots and Services	\$ 120,033	\$ 95,998

11. NOTES PAYABLE:

As of June 30, notes payable consists of the following:

	2020	2019
Note Payable – The Northland Foundation		
Installment note payable in 52 remaining monthly payments of \$988.95 and 1 final payment of \$4,049.17, bearing interest of 5.25%. The note is secured by a mortgage on the Organization's office/warehouse.	\$ 49,039	\$ 58,479
Notes Payable - Habitat for Humanity Minnesota		
This note was replaced in fiscal year 2020.	-	1,594,283
Note payable in 215 remaining monthly payments of \$8,005.66 and 1 final payment of \$1,140.26, bearing interest at 0%. The note is collateralized by 35 mortgage receivables, of which 34 are current and one is more than 60 days past due.	1,722,357	-
Note payable in 198 remaining monthly payments of \$252, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	41,649	43,711
Note payable in 211 remaining monthly payments of \$512, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	89,154	93,242

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

11. NOTES PAYABLE (CONTINUED):

	2020	2019
Note payable in 235 remaining monthly payments of \$247, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	52,097	53,913
 Note payable in 205 remaining monthly payments of \$253, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	 43,246	 45,238
Total Notes Payable - Habitat for Humanity Minnesota	1,948,503	1,830,387
Total Long-Term Debt	1,997,542	1,888,866
Less – Unamortized discount	(206,021)	(345,289)
Less – Financing fees, net amortization	(134,251)	(125,174)
Less – Current maturities	(115,768)	(156,085)
Net Long-Term Debt	\$ 1,541,502	\$ 1,262,318

The maturities of notes payable for the year ended June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	\$ 115,768
2022	116,511
2023	117,287
2024	118,097
2025	115,000
Thereafter	1,414,879
Total Long-Term Debt	\$ 1,997,542

Notes Payable – Unamortized Discount -

The noninterest-bearing notes due to Habitat for Humanity – Minnesota have been discounted at 1.44% with the discounts reflected as (decreases) increases in net assets with donor restrictions. The discount is amortized using the interest method and charged to amortization, loan discount. A similar amount is released from net assets with donor restrictions to net assets without donor restrictions assets to reflect the lapse of the restriction.

Notes Payable – Financing Fees, Net Amortization -

During the years ending June 30, 2020 and 2019, the Organization incurred loan fees of \$9,600 and \$17,600 respectively. The loan fees were assessed based on the collateralized mortgages used to secure new borrowings. The loan fees are being amortized on a straight-line basis, over the life of the loan. Loan fees charged to program expense for the years ending June 30, 2020 and 2019 were \$8,524 and \$7,231 respectively.

12. LINE OF CREDIT:

As of June 30, 2020 and 2019, pursuant to an agreement with Wells Fargo Bank, the Organization had available a \$70,000 unsecured line of credit, none of which was outstanding at that date.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. GRANT REVENUE:

Grant revenue for the years ended June 30, 2020 and 2019 was:

	2020	2019
<i>Without Donor Restriction -</i>		
NE Minnesota United Way	\$ -	\$ 24,000
AEOA Homeowner Assistance Program	-	15,000
Federal Home Loan Bank Grants	9,900	9,600
Habitat for Humanity – Minnesota – Impact Fund	20,000	35,800
Owens Family Charitable Foundation	-	10,000
The Cliffs Foundation	22,000	-
Essentia Health	59,300	40,000
Mardag Foundation	-	10,000
Thrivent Matching Grant	10,000	8,300
Other	10,100	9,574
Total without donor restriction	131,300	162,274
<i>With Donor Restriction -</i>		
Community Development Block Grant	-	25,000
Thrivent Financial	-	32,500
Wells Fargo Foundation	-	30,000
Other	-	1,200
Total with donor restriction	-	88,700
Total grant revenue	\$ 131,300	\$ 250,974

14. NET ASSET CLASSIFICATION:

As of June 30, net assets with donor restriction in these financial statements are as follows:

	2020	2019
Subject to expenditure for specific purpose:		
Inventory – Building lots and materials	\$ 99,574	\$ 124,561
Long-term debt unamortized discounts	206,021	345,289
Total	305,595	469,850
Subject to spending policy and appropriation		
Beneficial interest in assets held by a foundation	7,174	-
Cash – Endowment, Unspecified	-	7,103
Total	7,174	7,103
Total Net Assets with Donor Restriction	\$ 312,769	\$ 476,953

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

15. ENDOWMENT:

The Organization's endowment consists of one funds established for the purpose of generating continued operational funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulated earnings on the donor-restricted endowment. The accumulated earnings on the endowment funds remain treated as donor-restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Investment Return Objectives, Risk Parameters and Strategies

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on investments to achieve its long-term return objectives within prudent constraints.

Endowment Net Asset Composition by Type of Fund as of June 30, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2020</u>			
Donor-restricted endowment funds	\$ -	\$ 7,174	\$ 7,174
Board designated endowment funds	18,077	-	18,077
Total endowment funds	<u>\$ 18,077</u>	<u>\$ 7,174</u>	<u>\$ 25,251</u>
<u>2019</u>			
Donor-restricted endowment funds	\$ -	\$ 7,103	\$ 7,103
Total endowment funds	<u>\$ -</u>	<u>\$ 7,103</u>	<u>\$ 7,103</u>

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

15. ENDOWMENT (CONTINUED):

Changes in Endowment Net Assets for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 7,103	\$ 7,103
Investment return:			
Net appreciation – realized and unrealized	180	71	251
Total investment return	180	71	251
Contributions	17,897	-	17,897
Endowment net assets, end of year	\$ 18,077	\$ 7,174	\$ 25,251

Changes in Endowment Net Assets for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 7,101	\$ 7,101
Investment return:			
Investment income	-	2	2
Total investment return	-	2	2
Endowment net assets, end of year	\$ -	\$ 7,103	\$ 7,103

16. RETIREMENT PLAN:

In January 2018 the Organization started a Simple IRA retirement plan covering qualified employees. The Organization matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. The Organization's matching contributions were \$4,904 and \$4,617 for the years ended June 30, 2020 and 2019, respectively.

17. SIGNIFICANT CONCENTRATIONS:

The Organization provides its services to clients based in part on income qualifications and within an area of Northern Minnesota. Each loan is secured by a mortgage.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

18. SUBSEQUENT EVENTS:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 13, 2021, which is the date the financial statements were issued.

Debt: Habitat for Humanity Minnesota –

The Organization obtained an additional draw from Habitat for Humanity Minnesota for \$115,000 in November 2020. After this additional draw the note now requires monthly payments of \$8,451.49, bearing interest at 0%. The note is secured by specific mortgage receivables.

Payroll Protection Program –

On March 1, 2021 the Organization was approved for a second PPP loan in the amount of \$45,015, which is subject to the same terms and conditions as the first loan and has the potential to be forgiven in whole or part with the remainder due over 5 years with 1% interest.

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May 13, 2021

To the Board of Directors
North St. Louis County Habitat for Humanity
5558 Enterprise Dr. NE
Virginia, MN 55792

We have audited the financial statements of North St. Louis County Habitat for Humanity for the year ended June 30, 2020, and we will issue our report thereon dated May 13, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 13, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North St. Louis County Habitat for Humanity are described in Note 1 to the financial statements. As described in Note 1, the Organization changed accounting policies related to financial statement presentation by adopting FASB Accounting Standards Update (ASU) No. 2018-08 *Not-for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 13, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of North St. Louis County Habitat for Humanity and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Esterbrook Scott Signorelli Peterson Smithson, Ltd.