

**NORTH ST. LOUIS COUNTY  
HABITAT FOR HUMANITY  
FINANCIAL STATEMENTS AS OF  
JUNE 30, 2021 AND 2020**

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**

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<b>CONTENTS</b>	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS:</b>	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses – 2021	4
Statement of Functional Expenses – 2020	5
Statements of Cash Flows	6
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7 – 20</b>

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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, 2021 and 2020, 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, 2021 and 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.

*Esterbrooks Certified Public Accountants, Ltd.*

Duluth, Minnesota  
December 8, 2021

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 612,188	\$ 301,962
Promises to give	22,583	19,300
Accounts receivable	477	477
Home held for sale	-	43,000
Deposits	625	425
Mortgages receivable, current portion	114,730	110,098
Inventory – Building lots, materials, and home construction	<u>541,142</u>	<u>461,522</u>
Total current assets	<u>1,291,745</u>	<u>936,784</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Land and building	335,888	335,888
Equipment and furniture	22,350	19,962
Truck and construction trailer	69,625	44,625
Construction equipment and tools	<u>43,589</u>	<u>43,589</u>
Total	471,452	444,064
Less: Accumulated depreciation	<u>(155,674)</u>	<u>(141,564)</u>
Net property and equipment	<u>315,778</u>	<u>302,500</u>
<b>OTHER ASSETS:</b>		
Non-interest mortgage loans -		
Mortgages receivable	3,957,141	4,007,732
Less: Unamortized discounts	(2,141,091)	(2,168,211)
Current portion	<u>(114,730)</u>	<u>(110,098)</u>
Net non-interest bearing mortgage loans	1,701,320	1,729,423
Inventory – Building lots	116,159	112,773
Beneficial interest in assets held by a Foundation	<u>43,713</u>	<u>25,251</u>
Total other assets	<u>1,861,192</u>	<u>1,867,447</u>
Total Assets	<u>\$ 3,468,715</u>	<u>\$ 3,106,731</u>

See Notes to Financial Statements.

**LIABILITIES AND NET ASSETS**

	<u>2021</u>	<u>2020</u>
<b>CURRENT LIABILITIES:</b>		
Notes payable – Current portion	\$ 126,966	\$ 115,768
Accounts payable	46,806	17,617
Accrued expenses	13,129	4,176
Payroll liabilities	1,380	6,833
Refundable deposits	6,673	5,506
Refundable advances	45,015	46,187
Total current liabilities	<u>239,969</u>	<u>196,087</u>
<b>LONG-TERM DEBT:</b>		
Note payable – The Northland Foundation	39,520	49,039
Notes payable – Minnesota Habitat	2,058,279	1,948,503
Less: Current portion	(126,966)	(115,768)
Financing fees, net amortization	(143,938)	(134,251)
Unamortized discounts	(308,697)	(206,021)
Net long-term debt	<u>1,518,198</u>	<u>1,541,502</u>
Total liabilities	<u>1,758,167</u>	<u>1,737,589</u>
<b>NET ASSETS:</b>		
Without donor restrictions	1,326,882	1,056,373
With donor restrictions	383,666	312,769
Total net assets	<u>1,710,548</u>	<u>1,369,142</u>
Total Liabilities and Net Assets	<u>\$ 3,468,715</u>	<u>\$ 3,106,731</u>

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021		
	Without donor restrictions	With donor restrictions	Total
<b>OPERATING REVENUES AND SUPPORT:</b>			
Revenue and other support:			
Contributions	\$ 145,494	\$ -	\$ 145,494
Contributed building lots and materials	2,300	50,620	52,920
Contributed services	2,206	-	2,206
Grants	297,229	147,500	444,729
Sale of homes – Constructed and resale	534,053	-	534,053
Sale of inventory	8,082	-	8,082
Gain on foreclosures and buybacks	194	-	194
Change in value of beneficial interest in assets held by a Foundation	6,740	1,722	8,462
Other program revenue	7,629	-	7,629
Interest	-	-	-
Net assets released from restrictions	231,621	(231,621)	-
Total revenue and other support	1,235,548	(31,779)	1,203,769
<b>OPERATING EXPENSES:</b>			
Program services:			
Home construction and resale	710,139	-	710,139
Community awareness	51,573	-	51,573
Volunteer recruitment & support	26,159	-	26,159
Family selection & support	40,337	-	40,337
Total program services	828,208	-	828,208
Supporting services:			
Management & general	120,383	-	120,383
Fundraising	47,262	-	47,262
Total supporting services	167,645	-	167,645
Total expenses	995,853	-	995,853
Change in net assets - Operating	239,695	(31,779)	207,916
<b>NONOPERATING ACTIVITIES:</b>			
Loan discount (expense) revenue - new loans	-	126,958	126,958
Mortgage discounts amortization	191,586	-	191,586
Mortgage discount expense - new mortgages issued	(164,465)	-	(164,465)
Loan discount amortization	(24,282)	-	(24,282)
Net assets released from restrictions	24,282	(24,282)	-
Change in net assets - Nonoperating	27,121	102,676	129,797
Total Change in Net Assets	266,816	70,897	337,713
Net assets, beginning of year	1,054,715	312,769	1,367,484
Net assets, end of year	\$ 1,321,531	\$ 383,666	\$ 1,705,197

See Notes to Financial Statements.

## 2020

Without donor restrictions	With donor restrictions	Total
\$ 256,569	\$ -	\$ 256,569
84,530	4,632	89,162
30,871	-	30,871
131,300	-	131,300
432,033	-	432,033
5,860	-	5,860
33,926	-	33,926
180	71	251
6,320	-	6,320
2	-	2
29,619	(29,619)	-
<u>1,011,210</u>	<u>(24,916)</u>	<u>986,294</u>
621,685	-	621,685
51,541	-	51,541
24,864	-	24,864
38,577	-	38,577
<u>736,667</u>	<u>-</u>	<u>736,667</u>
107,052	-	107,052
50,987	-	50,987
158,039	-	158,039
<u>894,706</u>	<u>-</u>	<u>894,706</u>
116,504	(24,916)	91,588
-	(110,227)	(110,227)
132,669	-	132,669
(162,262)	-	(162,262)
(29,041)	-	(29,041)
29,041	(29,041)	-
<u>(29,593)</u>	<u>(139,268)</u>	<u>(168,861)</u>
86,911	(164,184)	(77,273)
969,462	476,953	1,446,415
<u>\$ 1,056,373</u>	<u>\$ 312,769</u>	<u>\$ 1,369,142</u>

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	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	Total			
<b>OPERATING EXPENSES</b>												
Construction	\$ 560,541	\$ -	\$ -	\$ -	\$ 560,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 560,541
Land acquisition	3,309	-	-	-	3,309	-	-	-	-	-	-	3,309
Closing costs	6,107	-	-	-	6,107	-	-	-	-	-	-	6,107
Amortization – Loan fees	7,913	-	-	-	7,913	-	-	-	-	-	-	7,913
Service fees	-	-	-	-	-	5,000	-	-	5,000	-	-	5,000
Truck expense	6,362	-	-	-	6,362	-	-	-	-	-	-	6,362
Salaries, benefits & mileage	84,581	46,098	24,588	37,665	192,932	41,544	32,327	73,871	266,803	-	-	266,803
Insurance	-	-	-	-	-	14,353	-	14,353	14,353	-	-	14,353
Newsletter	-	3,903	-	-	3,903	2,280	-	2,280	6,183	-	-	6,183
Office equipment	-	-	-	-	-	1,340	-	1,340	1,340	-	-	1,340
Other mission specific costs	400	1,572	1,571	2,672	6,215	-	-	-	6,215	-	-	6,215
Postage	-	-	-	-	-	1,680	-	1,680	1,680	-	-	1,680
Supplies	-	-	-	-	-	900	-	900	900	-	-	900
Travel and conferences	186	-	-	-	186	-	-	-	186	-	-	186
Habitat International – Tithe	35,364	-	-	-	35,364	-	-	-	35,364	-	-	35,364
Depreciation	5,376	-	-	-	5,376	8,734	-	8,734	14,110	-	-	14,110
Habitat 500 bike ride	-	-	-	-	-	-	930	930	930	-	-	930
Occupancy	-	-	-	-	-	6,763	-	6,763	6,763	-	-	6,763
Telephone and Internet	-	-	-	-	-	2,811	-	2,811	2,811	-	-	2,811
Software	-	-	-	-	-	7,852	-	7,852	7,852	-	-	7,852
Professional fees	-	-	-	-	-	19,535	-	19,535	19,535	-	-	19,535
Other fundraising events	-	-	-	-	-	-	1,467	1,467	1,467	-	-	1,467
Fundraising mailer	-	-	-	-	-	-	12,538	12,538	12,538	-	-	12,538
Interest	-	-	-	-	-	7,332	-	7,332	7,332	-	-	7,332
Other	-	-	-	-	-	259	-	259	259	-	-	259
Total Operating Expenses	710,139	51,573	26,159	40,337	828,208	120,383	47,262	167,645	995,853	-	-	995,853
<b>NONOPERATING EXPENSES</b>												
Mortgage discount expense - new mortgages issued	164,465	-	-	-	164,465	-	-	-	164,465	-	-	164,465
Loan discount amortized	24,282	-	-	-	24,282	-	-	-	24,282	-	-	24,282
Total Nonoperating Expenses	188,747	-	-	-	188,747	-	-	-	188,747	-	-	188,747
Total Expenses	\$ 898,886	\$ 51,573	\$ 26,159	\$ 40,337	\$ 1,016,955	\$ 120,383	\$ 47,262	\$ 167,645	\$ 1,184,600	\$ -	\$ -	\$ 1,184,600

See Notes to Financial Statements.



**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 Recruitment & Support	Family Selection & Support	Total Program Expenses	Management & General	Fundraising	Total Support Expenses	Total	
<b>OPERATING EXPENSES</b>										
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	34,676	33,007	67,683	246,217	12,771
Insurance	-	-	-	-	-	12,771	-	12,771	-	6,258
Newsletter	-	5,373	-	-	5,373	885	-	885	-	632
Office equipment	-	-	-	-	-	632	-	632	-	12,537
Other mission specific costs	1,795	4,181	4,413	2,148	12,537	-	-	-	-	1,203
Postage	-	-	-	-	-	1,203	-	1,203	-	891
Supplies	-	-	-	-	-	891	-	891	-	85
Travel and conferences	85	-	-	-	85	-	-	-	-	31,058
Habitat International – Tithe	31,058	-	-	-	31,058	-	-	-	-	6,586
Depreciation	6,586	-	-	-	6,586	9,554	-	9,554	-	4,097
Habitat 500 bike ride	-	-	-	-	-	-	4,097	4,097	-	8,497
Occupancy	-	-	-	-	-	8,497	-	8,497	-	2,969
Telephone and internet	-	-	-	-	-	2,969	-	2,969	-	7,617
Software	-	-	-	-	-	7,617	-	7,617	-	15,736
Professional fees	-	-	-	-	-	15,736	-	15,736	-	6,142
Other fundraising events	-	-	-	-	-	-	6,142	6,142	-	7,741
Fundraising mailer	-	-	-	-	-	-	7,741	7,741	-	7,906
Interest	-	-	-	-	-	7,906	-	7,906	-	373
Other	-	-	-	-	-	373	-	373	-	159,697
Total Operating Expenses	621,685	51,541	24,864	38,577	736,667	108,710	50,987	159,697	896,364	
<b>NONOPERATING EXPENSES</b>										
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	\$ 108,710	\$ 50,987	\$ 159,697	\$ 1,087,667	

See Notes to Financial Statements.

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 341,406	\$ (77,273)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loan discount (revenue) expense	(126,958)	110,227
Mortgage discounts amortization	(191,586)	(132,669)
Mortgage discount expense - new mortgages issued	164,465	162,262
Loan discount amortization	24,282	29,041
Change in value of beneficial interest in assets held by a foundation	(8,462)	(251)
Depreciation and amortization	22,023	24,664
Changes in assets and liabilities:		
Promises to give	(3,283)	38,700
Accounts receivable	-	254
Deposits	(200)	(425)
Homes held for sale	43,000	(43,000)
Prepaid expenses	-	150
Inventory	(7,979)	(3,664)
Payroll liabilities	(5,453)	1,556
Refundable deposits	1,167	5,506
Refundable advances	(1,172)	46,187
Accrued expenses	8,953	1,687
Accounts payable	29,189	4,233
Net cash provided by operating activities	289,392	167,185
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(27,388)	(3,702)
Transfer of assets to a foundation to be held	(10,000)	(25,000)
Mortgages issued	(319,200)	(311,220)
Payments collected	294,765	255,483
Net cash used by investing activities	(61,823)	(84,439)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term borrowing	220,000	220,000
Payment of financing fees	(17,600)	(17,600)
Payments on long-term debt	(119,743)	(111,324)
Net cash provided by financing activities	82,657	91,076
 Net increase (decrease) in cash	310,226	173,822
Cash – Beginning of Year	301,962	128,140
Cash – End of Year	\$ 612,188	\$ 301,962
 <b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash payments for interest	\$ 7,332	\$ 7,906

See Notes to Financial Statements.

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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 purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2021 and 2020 the Organization had no cash equivalents.

The Organization has cash balances in a bank in excess of amounts federally insured. At June 30, 2021 the Organization had uninsured funds of \$117,838, while there were no uninsured funds at June 30, 2020. The Organization maintains its cash with a high-quality financial institution which the Organization believes limits these risks.

***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, 2021 AND 2020**

**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, 2021 and 2020 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 over the estimated useful life of the assets. 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, 2021 AND 2020**

**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, 2021 AND 2020**

**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 2018.

***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.

**2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES:**

As of June 30, 2021 and 2020, financial assets due within one year of the balance sheet date for general expenditures are as follows:

	2021	2020
Financial assets:		
Cash	\$ 612,188	\$ 301,962
Accounts receivable	477	477
Promises to give	22,583	19,300
Mortgages receivable, current portion	114,730	110,098
Financial assets available to meet cash needs for general expenditures within one year	\$ 749,978	\$ 431,837

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.

**3. INVENTORIES:**

At June 30, 2021 and 2020, inventories consisted of the following items:

	2021	2020
Construction in progress - Program	\$ 385,580	\$ 430,336
Building materials and appliances	25,378	27,986
Building lots and rehab houses	246,343	115,973
Total Inventory	\$ 657,301	\$ 574,295

At June 30, 2021, 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. At June 30, 2020, construction in progress consists of four home projects, all of which are new home builds.

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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, 2021, three new mortgages were recorded with a total discount expense of \$164,465. For the year ended June 30, 2020, three new mortgage were recorded with a total discount expense of \$162,262. 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, 2021 and 2020 were as follows:

	2021	2020
Mortgage discount amortization	\$ 116,544	\$ 114,496
Unamortized discount recognized due to:		
Payoff of mortgage	37,467	-
Foreclosures and buybacks	37,575	18,173
Total Mortgage Discount Realized	\$ 191,586	\$ 132,669

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.

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, 2021, three homes were completed and sold. In addition, two home were completed under the USDA 502 program. During the year ending and as of June 30, 2020, three 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, 2021 and 2020 were 90 and 85, respectively.

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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>	<u>2021</u>	<u>2020</u>
Mortgage balances before discounts	\$ 3,957,141	\$ 4,007,732
Less: Unamortized discounts	(2,141,091)	(2,168,211)
Net Mortgage Loan Receivable	<u>\$ 1,816,050</u>	<u>\$ 1,839,521</u>

***Loan Delinquency Status –***

	<u>2021</u>		<u>2020</u>	
	<u>Number of Loans</u>	<u>Loan Amount</u>	<u>Number of Loans</u>	<u>Loan Amount</u>
Current	59	\$ 3,689,442	58	\$ 3,629,775
31-60 days past due	-	-	2	129,709
More than 60 days past due	4	267,699	4	248,248
Total	<u>63</u>	<u>\$ 3,957,141</u>	<u>64</u>	<u>\$ 4,007,732</u>

At June 30, 2021 and 2020 there was no impairment of loans that needed recognition in accordance with generally accepted accounting principles (GAAP).

***Schedule of Collateralized Mortgages –***

At June 30, 2021 and 2020 there were thirty-four and thirty-three specific mortgages serving as collateral for long-term debt with total required monthly payments of \$8,877 and \$8,006, respectively.

	<u>2021</u>	<u>2020</u>
Mortgage balances before unamortized discounts	\$ 2,016,425	\$ 2,056,086
Less: Unamortized discounts	(1,126,511)	(1,145,743)
Net Collateralized Mortgages	<u>\$ 889,914</u>	<u>\$ 910,343</u>

**6. PROMISES TO GIVE:**

As of June 30, 2021 and 2020, unconditional promises to give consist of the following:

	<u>2021</u>	<u>2020</u>
Amounts due in less than one year:		
NE Minnesota United Way	\$ 18,750	\$ -
Habitat for Humanity – Minnesota – Capacity Building Grant	3,833	-
Essentia Health	-	19,300
	<u>\$ 22,583</u>	<u>\$ 19,300</u>

***Conditional Grants to be Received –***

At June 30, 2021 and 2020, the Organization had \$26,717 and \$25,000, respectively, 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.



**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**7. BENEFICIAL INTEREST IN ASSETS HELD BY A FOUNDATION:**

The Organization has established 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, 2021 and 2020, the Organization had beneficial interest in assets held by the Foundation of \$43,713 and \$25,251, respectively. Of this \$8,896 and \$7,174 is perpetually restricted and classified as net assets with donor restrictions as of June 30, 2021 and 2020, respectively. The remainder is classified as net assets without donor restrictions. No distributions were received by the Foundation for the years ended June 30, 2021 and 2020.

**8. FAIR VALUE MEASUREMENTS:**

Fair values of assets measured on a recurring basis at June 30, 2021 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, 2021</u>				
Beneficial interest in assets held by others	<u>\$ 43,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,713</u>
Total	<u>\$ 43,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,713</u>
<u>June 30, 2020</u>				
Beneficial interest in assets held by others	<u>\$ 25,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,251</u>
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.

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**8. FAIR VALUE MEASUREMENTS (CONTINUED):**

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

Beneficial interest in assets held by others:

July 1, 2019	\$	-
Purchases		25,000
Investment return		251
June 30, 2020		25,251
Purchases		10,000
Investment return		8,462
June 30, 2021	\$	43,713

**9. PAYCHECK PROTECTION PROGRAM:**

The Organization received a loan 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. At June 30, 2020 these funds are reported as a refundable advance in the statement of financial position. The Organization received notification that the loan was forgiven on November 19, 2020 and has recognized \$46,187 as grant revenue for the year ended June 30, 2021.

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. The Organization has initially recorded the loan as a refundable advance. No contribution revenue has been recorded for the year ended June 30, 2021.

**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.

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**10. CONTRIBUTED MATERIALS, LOTS, AND SERVICES (CONTINUED):**

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

	2021	2020
Construction related materials	\$ 13,820	\$ 23,962
Homes and building lots	39,100	65,200
Professional services	2,206	30,871
Total Contributed Materials, Lots and Services	\$ 55,126	\$ 120,033

**11. NOTES PAYABLE:**

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

	2021	2020
<b>Note Payable – The Northland Foundation</b>		
Installment note payable in 40 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.	\$ 39,520	\$ 49,039
<b>Notes Payable - Habitat for Humanity Minnesota</b>		
This note was replaced in fiscal year 2021.	-	1,722,357
Note payable in 207 remaining monthly payments of \$8,876.91 and 1 final payment of \$4,797.22, bearing interest at 0%. The note is collateralized by 32 mortgage receivables, of which 31 are current and one is more than 60 days past due.	1,842,318	-
Note payable in 186 remaining monthly payments of \$252, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	39,540	41,649
Note payable in 199 remaining monthly payments of \$512, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	84,973	89,154
Note payable in 223 remaining monthly payments of \$247, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	50,286	52,097
Note payable in 193 remaining monthly payments of \$253, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	41,162	43,246
Total Notes Payable - Habitat for Humanity Minnesota	2,058,279	1,948,503
Total Long-Term Debt	2,097,799	1,997,542
Less – Unamortized discount	(308,697)	(206,021)
Less – Financing fees, net amortization	(143,938)	(134,251)
Less – Current maturities	(126,966)	(115,768)
Net Long-Term Debt	\$ 1,518,198	\$ 1,541,502

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**11. NOTES PAYABLE (CONTINUED):**

The maturities of notes payable for the year ended June 30, 2021 are as follows:

Year Ending June 30,	Amount
2022	\$ 126,966
2023	127,742
2024	128,553
2025	125,455
2026	117,907
Thereafter	1,471,176
Total Long-Term Debt	\$ 2,097,799

***Notes Payable – Unamortized Discount -***

The noninterest-bearing notes due to Habitat for Humanity – Minnesota have been discounted at 2.18% 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, 2021 and 2020, the Organization incurred loan fees of \$17,600 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, 2021 and 2020 were \$7,913 and \$8,524, respectively.

**12. LINE OF CREDIT:**

As of June 30, 2021 and 2020, 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, 2021 AND 2020**

**13. GRANT REVENUE:**

Grant revenue for the years ended June 30, 2021 and 2020 was:

	2021	2020
<b><i>Without Donor Restriction -</i></b>		
NE Minnesota United Way	\$ 25,000	\$ -
Community Revitalization Grants	6,500	-
Federal Home Loan Bank Grants	29,700	9,900
Habitat for Humanity – International – Capacity Building Grant	45,777	-
Habitat for Humanity – Minnesota – Impact Fund	55,000	20,000
Otto Bremer Trust	25,000	-
Owens Family Charitable Foundation	10,000	-
The Cliffs Foundation	-	22,000
Essentia Health	15,000	59,300
Mardag Foundation	15,000	-
SBA – PPP Grant	46,187	-
Thrivent Matching Grant	-	10,000
Other	24,065	10,100
Total without donor restriction	297,229	131,300
<b><i>With Donor Restriction -</i></b>		
Community Development Block Grant	50,000	-
Thrivent Financial	72,500	-
Wells Fargo Foundation	15,000	-
Minnesota State Court Catholic Daughters	10,000	-
Total with donor restriction	147,500	-
Total grant revenue	\$ 444,729	\$ 131,300

**14. NET ASSET CLASSIFICATION:**

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

	2021	2020
Subject to expenditure for specific purpose:		
Inventory – Building lots and materials	\$ 66,073	\$ 99,574
Subject to time restriction:		
Long-term debt unamortized discounts	308,697	206,021
Subject to spending policy and appropriation		
Beneficial interest in assets held by a foundation	8,896	7,174
Total Net Assets with Donor Restriction	\$ 383,666	\$ 312,769

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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, 2021 and 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>2021</u></b>			
Donor-restricted endowment funds	\$ -	\$ 8,896	\$ 8,896
Board designated endowment funds	34,817	-	34,817
Total endowment funds	<u>\$ 34,817</u>	<u>\$ 8,896</u>	<u>\$ 43,713</u>
<b><u>2020</u></b>			
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>

**NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**15. ENDOWMENT (CONTINUED):**

Changes in Endowment Net Assets for the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,077	\$ 7,174	\$ 25,251
Investment return:			
Net appreciation – realized and unrealized	<u>6,740</u>	<u>1,722</u>	<u>8,462</u>
Total investment return	6,740	1,722	8,462
Contributions	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Endowment net assets, end of year	<u>\$ 34,817</u>	<u>\$ 8,896</u>	<u>\$ 43,713</u>

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

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

**16. RETIREMENT PLAN:**

The Organization has 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 \$6,728 and \$4,904 for the years ended June 30, 2021 and 2020, 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, 2021 AND 2020**

**18. SUBSEQUENT EVENTS:**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 8, 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 \$120,000 in October 2021. After this additional draw the note now requires monthly payments of \$9,251.31, bearing interest at 0%. The note is secured by specific mortgage receivables.



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December 9, 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, 2021, and we will issue our report thereon dated December 8, 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 September 28, 2021. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2021. 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 most sensitive estimate(s) affecting the financial statements were:

- Management's estimate of discount rates on mortgage receivable is based on rates published by Habitat for Humanity International's Finance Department. We evaluated the key factors and assumptions used to develop the discount rate in determining that it is reasonable in relation to the financial statements.
- Management's estimate of discount rates on long-term debt is based on US Treasury rates at the time of the loan. We evaluated the key factors and assumptions used to develop the discount rate in determining that it is reasonable in relation to the financial statements.
- Management's estimate of depreciation on property and equipment is based on the useful life of the assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the expense allocation is based on management's judgement. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

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. The following material misstatements detected as a result of audit procedures were corrected by management:

- Construction in progress of closed homes in the amount of \$335,828 was not expensed at the time of the homes closing.
- Donated lots of \$39,100 were not recorded for the year.
- Grants receivable of \$22,583 were not recorded at year end.

*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 December 8, 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,

*Esterbrooks Certified Public Accountants, Ltd.*

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