



**FINANCIAL STATEMENTS**

**Years Ended June 30, 2019 and 2018**

**with**

**Independent Auditors' Report**

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**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

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## **Independent Auditors' Report**

The Board of Directors  
Willamette West Habitat for Humanity, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Willamette West Habitat for Humanity, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Willamette West Habitat for Humanity, Inc. as of June 30, 2019 and 2018, 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.

## **Emphasis of a Matter**

As discussed in *Note 1* to the financial statements, Willamette West Habitat for Humanity, Inc. has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Huffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon  
October 30, 2019

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Statements of Financial Position**

<b>Years Ended June 30,</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 981,310	\$ 504,573
Certificate of deposit	205,102	500,701
Current portion of mortgages receivable <i>(Note 2)</i>	109,230	110,633
Current portion of pledge receivable <i>(Note 3)</i>	200,000	-
Other receivables	49,693	45,773
Current portion of prepaid expenses and deposits	12,804	9,868
Inventories <i>(Note 4)</i>	926,805	996,111
<b>Total current assets</b>	<b>2,484,944</b>	<b>2,167,659</b>
Mortgages receivable, net of current portion <i>(Note 2)</i>	1,773,328	1,943,597
Pledge receivable, net of current portion <i>(Note 3)</i>	389,969	-
Land held for development	1,573,045	1,615,148
Prepaid expenses and deposits, net of current portion	24,372	23,372
Property and equipment - net <i>(Notes 5 and 6)</i>	546,144	570,642
<b>Total assets</b>	<b>\$ 6,791,802</b>	<b>\$ 6,320,418</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 118,172	\$ 148,065
Deferred revenue	-	45,049
<b>Total liabilities</b>	<b>118,172</b>	<b>193,114</b>
Commitments and contingencies <i>(Notes 6 and 11)</i>		
<b>Net assets:</b>		
Without donor restrictions	5,939,903	5,943,315
With donor restrictions <i>(Note 7)</i>	733,727	183,989
<b>Total net assets</b>	<b>6,673,630</b>	<b>6,127,304</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,791,802</b>	<b>\$ 6,320,418</b>

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

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Statement of Activities and Changes in Net Assets**

**Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains, and other support:</b>			
Sales - homes	\$ 1,037,260	\$ -	\$ 1,037,260
Amortization of discount on mortgages receivable	120,918	-	120,918
Contributions and grants	730,598	671,969	1,402,567
Donated services and materials	28,333	-	28,333
Special events:			
Gross revenue	187,433	8,617	196,050
Less direct cost of donor benefits	<u>(53,379)</u>	<u>-</u>	<u>(53,379)</u>
	134,054	8,617	142,671
ReStore income ( <i>Note 9</i> )	247,262	-	247,262
Repair program income	27,491	-	27,491
Gain from sale of mortgages receivable ( <i>Note 2</i> )	104,374	-	104,374
Other income	15,947	-	15,947
Net assets released from restrictions ( <i>Note 7</i> )	<u>130,848</u>	<u>(130,848)</u>	<u>-</u>
<b>Net revenue, gains, and other support</b>	<b>2,577,085</b>	<b>549,738</b>	<b>3,126,823</b>
<b>Expenses:</b>			
Program services	2,218,524	-	2,218,524
Supporting services:			
Fundraising	120,851	-	120,851
Management and general	<u>241,122</u>	<u>-</u>	<u>241,122</u>
Total supporting services	<u>361,973</u>	<u>-</u>	<u>361,973</u>
<b>Total expenses</b>	<b><u>2,580,497</u></b>	<b><u>-</u></b>	<b><u>2,580,497</u></b>
<b>Increase (decrease) in net assets</b>	<b>(3,412)</b>	<b>549,738</b>	<b>546,326</b>
Net assets, beginning of year	<u>5,943,315</u>	<u>183,989</u>	<u>6,127,304</u>
<b>Net assets, end of year</b>	<b><u>\$ 5,939,903</u></b>	<b><u>\$ 733,727</u></b>	<b><u>\$ 6,673,630</u></b>

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

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Statement of Activities and Changes in Net Assets**

**Year Ended June 30, 2018**

	<b>With Donor Restrictions</b>	<b>Without Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains, and other support:</b>			
Sales - homes	\$ 1,380,979	\$ -	\$ 1,380,979
Amortization of discount on mortgages receivable	168,582	-	168,582
Contributions and grants	735,871	54,004	789,875
Donated services and materials	60,443	-	60,443
Special events:			
Gross revenue	148,332	11,145	159,477
Less direct cost of donor benefits	<u>(40,092)</u>	<u>-</u>	<u>(40,092)</u>
	108,240	11,145	119,385
ReStore income (Note 9)	226,616	-	226,616
Repair program income	27,284	-	27,284
Gain from sale of mortgages receivable (Note 2)	17,482	-	17,482
Other income - net	430	-	430
Net assets released from restrictions (Note 7)	<u>666,287</u>	<u>(666,287)</u>	<u>-</u>
<b>Net revenue, gains, and other support</b>	<b>3,392,214</b>	<b>(601,138)</b>	<b>2,791,076</b>
<b>Expenses:</b>			
Program services	2,782,384	-	2,782,384
Supporting services:			
Fundraising	112,817	-	112,817
Management and general	<u>234,137</u>	<u>-</u>	<u>234,137</u>
Total supporting services	<u>346,954</u>	<u>-</u>	<u>346,954</u>
<b>Total expenses</b>	<b>3,129,338</b>	<b>-</b>	<b>3,129,338</b>
<b>Increase (decrease) in net assets</b>	<b>262,876</b>	<b>(601,138)</b>	<b>(338,262)</b>
Net assets, beginning of year	<u>5,680,439</u>	<u>785,127</u>	<u>6,465,566</u>
<b>Net assets, end of year</b>	<b><u>\$ 5,943,315</u></b>	<b><u>\$ 183,989</u></b>	<b><u>\$ 6,127,304</u></b>

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

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2019**

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Cost of homes sold	\$ 940,232	\$ -	\$ -	\$ 940,232
Discounts granted on mortgages receivable	445,289	-	-	445,289
Repair corps program	113,805	-	-	113,805
Indirect construction costs	54,948	-	-	54,948
Homebuyer recruitment and management	466	-	-	466
Volunteer recruitment and management	6,970	-	-	6,970
Donated services	3,034	-	10,193	13,227
Tithing ( <i>Note 9</i> )	79,800	-	-	79,800
Playground expenses	35,403	-	-	35,403
Depreciation	15,188	6,075	9,113	30,376
Salaries, payroll taxes, and benefits	407,859	84,235	97,211	589,305
Stipend - AmeriCorps	18,950	-	-	18,950
Travel, education, and meals	15,095	2,107	4,628	21,830
Printing, mailing, and publications	4,672	7,535	-	12,207
Insurance	30,852	-	-	30,852
Professional fees	-	-	67,752	67,752
Bank and collection service fees	-	-	19,750	19,750
Occupancy	22,741	5,458	2,122	30,321
Promotions	-	3,039	-	3,039
Office expense	-	-	19,855	19,855
Fees and licenses	1,360	-	3,992	5,352
Dues to affiliates ( <i>Note 9</i> )	19,204	-	-	19,204
Dues and subscriptions	-	285	4,943	5,228
Other expenses	2,656	12,117	1,563	16,336
	<b><u>\$ 2,218,524</u></b>	<b><u>\$ 120,851</u></b>	<b><u>\$ 241,122</u></b>	<b><u>\$ 2,580,497</u></b>

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

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2018**

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Cost of homes sold	\$ 1,369,074	\$ -	\$ -	\$ 1,369,074
Discounts granted on mortgages receivable	557,409	-	-	557,409
Repair corps program	130,793	-	-	130,793
Indirect construction costs	51,875	-	-	51,875
Homebuyer recruitment and management	3,235	-	-	3,235
Volunteer recruitment and management	10,286	-	-	10,286
Donated services	7,691	-	23,566	31,257
Tithing ( <i>Note 9</i> )	64,840	-	-	64,840
Playground expenses	64,178	-	-	64,178
Depreciation	13,397	5,359	8,039	26,795
Salaries, payroll taxes, and benefits	413,073	77,692	108,923	599,688
Stipend - AmeriCorps	3,874	-	-	3,874
Travel, education, and meals	6,747	1,944	500	9,191
Printing, mailing, and publications	5,146	1,228	-	6,374
Insurance	36,749	-	1,462	38,211
Professional fees	-	10,000	34,730	44,730
Bank and collection service fees	-	-	20,347	20,347
Occupancy	18,879	4,531	1,761	25,171
Promotions	-	6,656	-	6,656
Office expense	2,556	-	24,602	27,158
Fees and licenses	183	-	5,951	6,134
Dues to affiliates ( <i>Note 9</i> )	20,786	-	-	20,786
Dues and subscriptions	-	4,254	3,057	7,311
Other expenses	1,613	1,153	1,199	3,965
	<u>\$ 2,782,384</u>	<u>\$ 112,817</u>	<u>\$ 234,137</u>	<u>\$ 3,129,338</u>

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

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Statements of Cash Flows**

<b>Years Ended June 30,</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 546,326	\$ (338,262)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	30,376	26,795
Discounts granted on mortgage receivable	445,289	557,409
Amortization of discount on mortgages receivable	(120,918)	(168,582)
Issuance of mortgages	(989,260)	(1,379,169)
Gain from sale of mortgages receivable	(104,374)	(17,482)
Loss on disposal of equipment	-	677
Net change in:		
Mortgages receivable	269,959	203,123
Pledges receivable - net	(589,969)	469,924
Inventories and land held for development	164,209	385,359
Prepaid expenses and deposits	(3,936)	8,817
Other receivables	(3,920)	(17,856)
Accounts payable and accrued expenses	(29,893)	50,272
Deferred revenue	(45,049)	45,049
<b>Net cash used by operating activities</b>	<b>(431,160)</b>	<b>(173,926)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of mortgages receivable	707,150	37,794
Repurchase of mortgage receivable	(88,974)	(48,506)
Addition to certificate of deposit	(205,102)	(500,701)
Proceeds from withdrawal of certificate of deposit	500,701	-
Purchases of property and equipment	(5,878)	(21,186)
<b>Net cash provided (used) by investing activities</b>	<b>907,897</b>	<b>(532,599)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	-	(312)
<b>Net cash used by financing activities</b>	<b>-</b>	<b>(312)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>476,737</b>	<b>(706,837)</b>
Cash and cash equivalents, beginning of year	504,573	1,211,410
<b>Cash and cash equivalents, end of year</b>	<b>\$ 981,310</b>	<b>\$ 504,573</b>

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

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Statements of Cash Flows - Continued**

<b>Years Ended June 30,</b>	<b>2019</b>	<b>2018</b>
<b>Supplemental disclosure of non-cash activities:</b>		
Inventory acquired in exchange for outstanding mortgage receivable	\$ 52,800	\$ 163,093

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

# WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

## Notes to Financial Statements

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### 1. Significant Accounting Policies

**Organization** - Willamette West Habitat for Humanity, Inc. (Habitat) is a nonprofit organization incorporated in Oregon in 1989. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nonprofit, ecumenical, Christian organization dedicated to eliminating substandard housing worldwide and to making adequate, affordable shelter a matter of conscience and action.

Habitat is founded on the conviction that every man, woman, and child should have a simple, decent, affordable place to live in dignity and safety. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat voluntarily tithes 10 percent of donations, except those restricted by donor or grant, to Habitat International to support its global mission.

Habitat builds houses utilizing volunteer labor and donated materials, in addition to paid services and materials. The houses are sold to qualified homebuyers at no profit with non-interest bearing mortgages. Prospective homeowners must have a need for housing, the ability to pay the mortgage, and are required to contribute 500 sweat-equity hours into building homes or working in the local resale store, ReStore.

Habitat's activities are primarily focused in the suburbs west of Portland, Oregon (i.e., Beaverton, Aloha, and Hillsboro), but also cover Lake Oswego, West Linn, Tualatin, Sherwood, and other unincorporated areas of Washington County, Oregon (Washington County).

Habitat partners with two other Habitat affiliates in sharing the revenue generated by three ReStores operating in the Portland-metro area.

**Basis of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Basis of Presentation** - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Habitat and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Amounts designated for specific purposes by the Board of Directors are reported as net assets without donor restrictions. Gifts of land, buildings, and equipment are recorded as net assets without donor restrictions unless the donor explicitly stipulates how the donated assets must be used or how long they must be held.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of Habitat and/or the passage of time.

## WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

### Notes to Financial Statements - Continued

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#### 1. Significant Accounting Policies - Continued

**Expenses** - Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant estimates made by management include the discounts on mortgages receivable and pledge receivable, the allowance for doubtful accounts, and depreciation expense (based on the estimated useful lives of the underlying assets).

**Cash and Cash Equivalents** - Habitat considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

**Inventories** - Inventories consist of construction in process, completed homes available for sale, and construction supplies. All direct material, labor, and equipment costs are recorded as construction in process as they are incurred. Inventories are stated at the lower of cost or net realizable value for purchased items or at estimated fair market value at the date of donation for donated items (all determined on the first-in, first-out method).

**Land held for development** - Land held for development consists of purchased or donated land and is stated at the lower of cost or fair market for purchased land or at estimated fair market value at the date of donation for donated land. Land held for development is transferred to construction in process once construction activity has begun on the respective properties.

**Certificate of Deposit and Other Investments** - Certificates of deposit are recorded at cost plus accumulated interest, which approximates fair value. At times, Habitat receives donated stock from individuals. These investments are recorded at fair value based on quoted market prices upon receipt and are typically sold shortly thereafter.

**Property and Equipment** - Acquisitions of property and equipment over \$2,500 are capitalized. Property and equipment are recorded at cost, if purchased, and at estimated fair market value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 20 years for personal property, and 40 years for real property. Maintenance and repairs are charged to expense when incurred; major renewals and betterments are capitalized.

## WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

### Notes to Financial Statements - Continued

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#### 1. Significant Accounting Policies - Continued

**Warranties** - Habitat provides a one year warranty on all of its homes. The warranty is generally for defects in materials and workmanship. Warranty costs are expensed when incurred and included in cost of homes sold. Total cost of warranty work for the years ended June 30, 2019 and 2018, was \$638 and \$139, respectively.

**Revenue Recognition** - Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received. Contributions and grants that include conditions are recognized as revenues only when the related conditions have been substantially met. Funds received in advance of conditions being met are recorded as deferred revenue. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Habitat reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net asset with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Sales to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. Mortgages are non-interest bearing and have been discounted at various rates ranging from 3.88 percent to 4.64 percent for mortgages issued during the years ended June 30, 2019 and 2018, and rates ranging between 7.47 to 8.34 percent for mortgages issued prior to June 30, 2018. During the years ended June 30, 2019 and 2018, the rates were based on the Freddie Mac 30 year fixed-rate mortgage rates and prior to June 30, 2018, rates were provided by Habitat International and were based on market rate data for low-income housing. Discounts are amortized on a straight-line basis over the lives of the mortgages, and the amortization of mortgage discount is recognized as revenue.

**In-kind Contributions** - Contributions of donated, non-cash assets are recorded at their estimated fair value in the period received. For the years ended June 30, 2019 and 2018, the estimated amount of in-kind contributions for donated construction supplies amounted to \$15,200 and \$32,920, respectively.

Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation (such as engineering, electrical, plumbing, etc.) are recorded at their estimated fair values in the period received. The estimated value of such services (primarily legal and other professional services) recognized in the financial statements for the years ended June 30, 2019 and 2018, totaled \$13,133 and \$27,523, respectively.

## WILLAMETTE WEST HABITAT FOR HUMANITY, INC.

### Notes to Financial Statements - Continued

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#### 1. Significant Accounting Policies - Continued In-kind Contributions - Continued

A substantial number of volunteers donate significant amounts of their time to Habitat for general construction and office labor. However, as these services do not require specialized skills or materially enhance the value of nonfinancial assets, the value of such services is not recorded in the financial statements

**Receivables** - The receivables of Habitat primarily consist of pledge receivable and mortgages receivable. Other receivables are recognized as goods or services are provided. For other receivables, management may recognize an allowance for doubtful accounts based on various factors, including past history and current economic conditions. Other receivables are written off when they are determined to be uncollectible and management has exhausted all reasonable collection efforts. No allowance was deemed necessary by management for other receivables at June 30, 2019 and 2018.

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. Habitat considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or Habitat may accept a deed in lieu of foreclosure where homeowner mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished in partnership with, and sold to, other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgages receivable at June 30, 2019 and 2018.

In connection with the issuance of the original non-interest bearing mortgages, in some cases Habitat also issues a silent second mortgage. These silent second mortgages represent the difference between the original mortgage and the appraised value of the home and are due to Habitat either in part or in full, if the homeowner does not comply with the terms of the original mortgage. The second mortgage is to protect the value of the collateral. At June 30, 2019 and 2018, Habitat has not recorded any receivables related to these silent second mortgages as management has determined that no triggering events have occurred that would require they be recognized in the financial statements.

**Income Taxes** - Habitat is exempt from Federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, Habitat qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes Habitat does not have any uncertain tax positions. Habitat files informational returns. Habitat has not paid any interest or penalties related to its income tax positions, and there are currently no audits of any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Notes to Financial Statements - Continued**

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**1. Significant Accounting Policies - Continued**

**Functional Allocation of Expenses** - Costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square-footage basis, and salaries, payroll taxes, and benefits, which are allocated on the basis of estimated time and effort.

**New Accounting Standard** - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Habitat implemented ASU 2016-14 during the year ended June 30, 2019, and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Recent Accounting Pronouncement** - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance under GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method, and will be effective for annual reporting periods beginning after December 15, 2019. Habitat is evaluating the impact that ASU 2014-09 will have on its financial statements and related disclosures. Habitat has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Notes to Financial Statements - Continued**

**2. Mortgages Receivable**

Habitat directly finances all the homes it sells. Mortgages receivable consisted of the following as of June 30:

	<b>2019</b>	<b>2018</b>
Mortgages receivable at face value	\$ 4,035,190	\$ 4,328,304
Unamortized discounts	<u>(2,152,632)</u>	<u>(2,274,074)</u>
	<u><u>\$ 1,882,558</u></u>	<u><u>\$ 2,054,230</u></u>
Current portion of mortgages receivable	\$ 109,230	\$ 110,633
Long-term portion of mortgages receivable	<u>1,773,328</u>	<u>1,943,597</u>
	<u><u>\$ 1,882,558</u></u>	<u><u>\$ 2,054,230</u></u>

Future collections on these mortgages, net of unamortized discounts are as follows as of June 30, 2019:

<b>Years Ending June 30,</b>	<b>Amount</b>
2019	\$ 109,230
2020	107,591
2021	106,770
2022	106,171
2023	102,173
Thereafter	<u>1,350,623</u>
	<u><u>\$ 1,882,558</u></u>

The current portion of mortgages receivable represents principal payments due within one year. Mortgage principal payments totaling \$4,422 were in arrears related to outstanding mortgages receivable totaling \$224,272 at June 30, 2019. A provision for impairment of mortgages receivable has not been recorded since Habitat holds the trust deed as security on the mortgages receivable.

During the year ended June 30, 2019, mortgages receivable with a carrying value of \$602,776 (net of discounts) were sold without recourse for \$707,150. A gain of \$104,374 was recognized as a result of the sale. During the year ended June 30, 2018, mortgages receivable with a carrying value of \$20,312 (net of discounts) were sold without recourse for \$37,794. A gain of \$17,482 was recognized as a result of the sale.

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Notes to Financial Statements - Continued**

**3. Pledge Receivable**

Habitat had unconditional promises to give expected to be collected as follows at June 30:

	<b>2019</b>	<b>2018</b>
Less than one year	\$ 200,000	\$ -
One to five years	400,000	-
	<u>600,000</u>	<u>-</u>
Discount to present value (3 percent discount rate used)	(10,031)	-
	<u>589,969</u>	<u>-</u>
Less current portion	(200,000)	-
Long-term portion	<u>\$ 389,969</u>	<u>\$ -</u>

**4. Inventories**

	<b>2019</b>	<b>2018</b>
Construction in process	\$ 899,462	\$ 720,867
Homes available for sale	-	238,900
Construction supplies	27,343	36,344
	<u>\$ 926,805</u>	<u>\$ 996,111</u>

Construction in process and homes available for sale reflect costs incurred to construct homes for program families. Once completed, the homes will be sold to qualified families, and the cost of homes sold will be recorded. At June 30, 2019, there were no homes available for sale and at June 30, 2018, there were two homes available for sale.

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Notes to Financial Statements - Continued**

**5. Property and Equipment - Net**

	<b>2019</b>	<b>2018</b>
Building and improvements	\$ 677,002	\$ 677,002
Construction equipment	59,283	53,405
Office equipment	<u>12,145</u>	<u>12,145</u>
	748,430	742,552
Less accumulated depreciation	<u>(202,286)</u>	<u>(171,910)</u>
	<u><u>\$ 546,144</u></u>	<u><u>\$ 570,642</u></u>

**6. Line of Credit**

Habitat has a secured line of credit with Heritage Bank for borrowings up to \$250,000, bearing interest at the bank's prime rate plus 1.5 percent (7 percent at June 30, 2019). Draws on this line are secured by real property and improvements. This line of credit expires June 30, 2020. There was no outstanding balance on the line of credit at June 30, 2019 or 2018.

**7. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following at June 30:

	<b>2019</b>	<b>2018</b>
Construction of homes	\$ 609,901	\$ 27,612
Funds for playground	100,419	135,822
Other program support	<u>23,407</u>	<u>20,555</u>
	<u><u>\$ 733,727</u></u>	<u><u>\$ 183,989</u></u>

During the years ended June 30, 2019 and 2018, net assets of \$130,848 and \$666,287 were released from restrictions due to the specific actions of Habitat and/or the passage of time.

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Notes to Financial Statements - Continued**

**8. Liquidity and Availability of Financial Assets**

Habitat's financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 981,310	\$ 504,573
Certificate of deposit	205,102	500,701
Current portion of mortgages receivable	109,230	110,633
Current portion of pledge receivable	200,000	-
Other receivables	49,693	45,773
	<u>1,545,335</u>	<u>1,161,680</u>
Total financial assets available within one year	1,545,335	1,161,680
Less net assets with donor restrictions	<u>(343,758)</u>	<u>(183,989)</u>
	<u><u>\$ 1,201,577</u></u>	<u><u>\$ 977,691</u></u>

Habitat maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, Habitat has a line of credit through Heritage Bank for borrowings up to \$250,000.

**9. Transactions with Affiliates**

Habitat annually remits a portion of its contributions without donor restrictions (excluding in-kind contributions and grants) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$79,800 and \$64,840 for the years ended June 30, 2019 and 2018, respectively. In addition, Habitat paid dues to Habitat International and state affiliates of \$19,204 and \$20,786 for the years ended June 30, 2019 and 2018, respectively.

Habitat receives an allocation of net proceeds from the four resale stores operated by Habitat for Humanity Portland/Metro East. The total net proceeds from this activity paid to Habitat were \$247,262 and \$226,616 for the years ended June 30, 2019 and 2018, respectively.

**10. Financial Instruments with Concentrations of Credit Risk**

Financial instruments that potentially subject Habitat to concentration of risk consist primarily of cash and cash equivalents, certificate of deposit, and receivables. From time to time during the year, Habitat maintains cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. Mortgages receivable credit risk is limited through various monitoring procedures and liens placed on all homes. At June 30, 2019, the outstanding pledge receivable was due from one donor. The same donor accounted for 43 percent of total contributions and grants for the year ended June 30, 2019.

**WILLAMETTE WEST HABITAT FOR HUMANITY, INC.**

**Notes to Financial Statements - Continued**

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**11. Retirement Plan**

Habitat provides a SIMPLE IRA retirement plan for eligible employees. Habitat makes a matching contribution of eligible employee salary deferrals, up to a maximum of 3 percent of eligible compensation. For any calendar year, Habitat may elect to make a non-elective contribution equal to 2 percent of eligible compensation for each eligible employee instead of the matching contribution. For the years ended June 30, 2019 and 2018, Habitat's contributions toward employee retirement were \$8,392 and \$8,875, respectively.

**12. Subsequent Events**

Management has evaluated subsequent events through October 30, 2019, the date the financial statements were available to be issued.