Habitat for Humanity of Greater Los Angeles, Inc.

Consolidated Financial Statements and Supplementary Information

June 30, 2021
(with summarized comparative information for June 30, 2020)

BPM

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Greater Los Angeles, Inc.
Bellflower, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Greater Los Angeles, Inc. ("Habitat LA") (a California Not-for-Profit Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat LA as of June 30, 2021, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Habitat LA's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated November 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BPM LLP

Long Beach, California
January 4, 2022

Habitat for Humanity of Greater Los Angeles, Inc.

Consolidated Statements of Financial Position

As of June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 4,908,792	$ 4,536,518
Program service grants receivable	-	47,134
Unconditional promises to give, net of unamortized discount	2,488,838	2,771,205
Mortgage notes receivable, net of unamortized discount	13,171,915	12,814,961
Prepaid expenses	210,252	177,566
Inventory	1,729,033	1,863,466
Construction in process	10,210,173	7,962,076
Property and equipment, net of accumulated depreciation and amortization	4,438,177	4,402,464
Deposits and other assets	765,884	524,832
Total assets	$ 37,923,064	$ 35,100,222
LIABILITIES AND NET ASSETS		
Accounts payable	$ 1,029,314	$ 673,513
Accrued expenses	1,217,473	1,101,190
Deferred revenue	500,471	600,941
Note payable - Paycheck Protection Program	1,703,287	1,581,688
Notes payable - governmental agencies	1,741,527	2,308,494
Notes payable - other	7,355,743	6,450,288
Total liabilities	13,547,815	12,716,114
Commitments		
Net assets:		
Without donor restrictions	20,907,277	17,861,961
With donor restrictions	3,467,972	4,522,147
Total net assets	24,375,249	22,384,108
Total liabilities and net assets	$ 37,923,064	$ 35,100,222

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Totals	2020 Totals
Support and revenue:				
Contributions	$ 2,300,838	$ 2,136,243	$ 4,437,081	$ 6,291,918
In-kind contributions	125,746	768,884	894,630	1,696,987
Sales of homes	5,640,276	-	5,640,276	10,440,961
ReStore sales of donated goods received	7,988,306	-	7,988,306	6,876,287
ReStore sales of purchased products	808,967	-	808,967	718,783
ReStore value of donated goods received	7,997,159	-	7,997,159	7,147,248
Government grants	-	30,754	30,754	-
Special events revenue, net of costs of direct benefit to donors	547,090	-	547,090	548,806
Mortgage loan discount amortization	1,661,553	-	1,661,553	699,218
Other income	199,891	90,123	290,014	384,829
Net assets released from restrictions:				
Satisfaction of program/donor restrictions	5,663,440	(5,663,440)	-	-
Total revenue, gains, and other support	32,933,266	(2,637,436)	30,295,830	34,805,037
Expenses:				
Cost of homes sold and program support	26,974,413	-	26,974,413	30,949,819
Fundraising	1,601,453	-	1,601,453	1,468,936
Management and general	1,225,456	-	1,225,456	1,364,540
Total functional expenses	29,801,322	-	29,801,322	33,783,295
Unallocated payments to national organization	86,628	-	86,628	129,230
Total expenses	29,887,950	-	29,887,950	33,912,525
Increase in net assets from operations	3,045,316	(2,637,436)	407,880	892,512
Increase in net assets from non-operating activities:				
Forgiveness of debt - Paycheck Protection Program	-	1,583,261	1,583,261	-
Change in net assets	3,045,316	(1,054,175)	1,991,141	892,512
Net assets, beginning of year	17,861,961	4,522,147	22,384,108	21,491,596
Net assets, end of year	$ 20,907,277	$ 3,467,972	$ 24,375,249	$ 22,384,108

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

	2021				
	Cost of Homes Transferred and Program Support	Fundraising	Management and General	Totals	2020 Totals
Cost of homes sold - construction costs	$ 4,098,788	$ -	$ -	$ 4,098,788	$ 8,687,282
Cost of homes sold - mortgage discount expense	1,963,308	-	-	1,963,308	3,385,648
Cost of goods sold - ReStore	882,861	-	-	882,861	791,508
Value of donated items sold - ReStore	7,978,524	-	-	7,978,524	6,870,726
Salaries	5,436,523	703,473	775,894	6,915,890	6,545,819
Payroll taxes and benefits	1,111,870	125,131	133,573	1,370,574	1,296,509
Americorp	61,379	-	-	61,379	79,475
Bank fees and charges	216,773	74,445	37,587	328,805	276,267
Home repair	1,036,500	-	-	1,036,500	1,099,657
Build events and community programs	406,854	398,377	45,546	850,777	754,648
Special events other costs	-	141,586	-	141,586	172,765
Depreciation	67,674	-	-	67,674	43,565
Facilities - rent / lease costs	741,531	-	-	741,531	751,019
Insurance	173,120	11,743	11,791	196,654	172,003
Interest and amortization of loan fees	286,299	-	-	286,299	305,758
Office and other	679,006	34,597	71,372	784,975	619,616
Professional and outside services	765,526	100,399	132,682	998,607	887,977
Real estate - closing and development	10,178	-	-	10,178	24,386
Telephone	93,162	9,421	10,960	113,543	125,447
Travel	14,937	2,281	6,051	23,269	63,563
Utilities and facility maintenance	593,729	-	-	593,729	419,735
Vehicle rent and operating costs	355,871	-	-	355,871	409,922
Totals	$ 26,974,413	$ 1,601,453	$ 1,225,456	$ 29,801,322	$ 33,783,295

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020

	2021	2020
Operating activities:		
Change in net assets	$ 1,991,141	$ 892,512
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Origination of non-interest bearing mortgages, net	(2,563,000)	(4,396,000)
Issuance of unamortized mortgage discounts	1,963,308	3,385,648
Mortgage discount amortization	(1,661,556)	(699,218)
Net change in discount on multi-year pledges	(13,094)	30,318
In-kind contributions of property, construction costs, and other assets	(1,670,479)	(304,199)
Forgiveness of debt Paycheck Protection Program	(1,583,261)	-
Forgiveness/transfer of notes payable, government agencies and related accrued interest to homeowners	(1,555,394)	(3,051,700)
Depreciation	67,674	43,565
(Increase) decrease in assets:		
Program service grants receivable	47,134	(47,134)
Contributions receivable	295,461	(341,919)
Prepaid expenses	(32,687)	17,884
Inventories	134,433	(132,796)
Construction in process, net of non-cash items	412,382	5,580,072
Deposits and other assets (except loan fees)	117,290	80,845
Increase (decrease) in liabilities:		
Accounts payable	385,812	(56,365)
Accrued expenses	123,245	(1,291)
Deposits and impounds	11,658	(54,157)
Deferred revenue	(100,470)	(95,470)
Net cash and cash equivalents (used in) provided by operating activities	(3,630,403)	850,595
Investing activities:		
Acquisition of property and equipment	(103,398)	(76,305)
Mortgage payments received	1,904,294	823,334
Net cash and cash equivalents provided by investing activities	1,800,896	747,029
Financing activities:		
Proceeds on revolving line of credit	1,168,000	232,000
Payments on revolving line of credit	(122,000)	(110,000)
Cash proceeds from notes payable	668,139	1,183,417
Cash proceeds from Paycheck Protection Program	1,703,287	1,581,688
Principal payments on notes payable	(1,208,684)	(2,306,262)
Payments on capitalized lease obligations payable	(6,961)	(6,712)
Net cash and cash equivalents provided by (used in) financing activities	2,201,781	574,131
Net change in cash and cash equivalents	372,274	2,171,755
Cash and cash equivalents, beginning of the year	4,536,518	2,364,763
Cash and cash equivalents, end of the year	$ 4,908,792	$ 4,536,518

(See Note 4 for supplemental disclosure of cash flow)

1. Organization and Purpose

Habitat for Humanity of Greater Los Angeles, Inc. ("Habitat LA" or the "Organization"), is a California nonprofit public benefit corporation incorporated in 1990 (originally as Habitat for Humanity Harbor Area/Long Beach, CA, Inc.). Over the years, as neighboring affiliates merged into the Organization, its name changed to Habitat for Humanity South Bay/Long Beach and then effective September 8, 2005, Habitat for Humanity – Los Angeles was merged into Habitat for Humanity South Bay/Long Beach and the combined organization was renamed Habitat for Humanity of Greater Los Angeles, Inc. Habitat LA primarily serves the communities within Los Angeles County.

Habitat LA is committed to a vision of a world where everyone has a decent place to live, and as such its primary program is creating affordable homeownership. Through volunteer labor and tax-deductible donations, Habitat LA builds, renovates and repairs simple, sustainable and affordable homes in partnership with homeowner partners and volunteers. Habitat LA houses are sold to the partner homeowners at no profit and financed with affordable loans. Homeowners are selected based on need, ability to repay the Habitat mortgage, and willingness to partner. Habitat LA is not a give-away program as in addition to a down payment and monthly mortgage payments, partner homeowners who meet the selection criteria invest up to 500 hours of their own labor ("sweat equity") into the building of their homes.

Habitat LA strives to effectively address the growing housing crisis with comprehensive and creative strategies through its different housing initiatives, including new construction, affordable lending, rehabilitating existing homes, home repairs, neighborhood revitalization, disaster relief and global builds. Habitat LA operates retail stores (the "ReStores") which principally sell donated home goods and building materials to the public. Proceeds from ReStore sales are used towards the Organization's mission.

Habitat LA is an affiliate of Habitat for Humanity International, Inc. ("Habitat International") a housing ministry with ecumenical Christian roots, serving people from all faiths and walks of life. Although Habitat International assists with information resources, financial support in the form of loans and grants, technical support, and national partnerships, Habitat LA is an independently operated and governed entity.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

Habitat LA's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Financial Accounting Standards Board ("FASB") has established the FASB Accounting Standards Codification ("ASC") as the sole source of authoritative accounting to be applied by nongovernmental entities in the preparation of consolidated financial statements in conformity with U.S. GAAP.

In preparing these consolidated financial statements, Habitat LA evaluated the period from July 1, 2021 through January 4, 2022, the date that the consolidated financial statements were available to be issued, for subsequent events requiring recognition or disclosure in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies, continued

Principles of Consolidation

The accompanying consolidated financial statements as of and for the years ended June 30, 2021 and 2020 include the activities of Partnership Housing, Inc.("PHI"), a wholly controlled subsidiary. PHI was formed as a Community Housing Development Organization ("CHDO") to be able to offer not only affordable homeownership opportunities but also affordable housing opportunities while maximizing the use of public funds available for the overall mission of eliminating substandard housing in the Greater Los Angeles Area. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions, and such differences may be material to the consolidated financial statements.

Net Assets

Habitat LA follows the guidance in Accounting Standards Update ("ASU") 2016-14, which requires that net assets be either classified as with donor restrictions or without donor restrictions. Accordingly, in accordance with ASC 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*, Habitat LA's net assets, revenues, gains, expenses, and losses are classified as with donor restrictions or without donor restrictions as follows:

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Note 17 for more information on the composition of net assets with donor restrictions and the release from restrictions thereof.

Contributions

In accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, unconditional promises to give are recognized as revenue when the underlying promises are received, based on management's estimate of the present value of future cash flows expected to be received by the Organization. Subsequent changes in these estimates are recorded as an allowance for uncollectible promises to give.

2. **Summary of Significant Accounting Policies**, continued

Contributions, continued

Contributions with donor restrictions which expire during the same fiscal year in which the contributions are made are recorded as net assets with donor restrictions and released within the same year as an increase in net assets without donor restrictions and as a satisfaction of program restrictions.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Habitat LA adopted FASB *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08, which requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. After a contribution has been deemed unconditional, Habitat LA considers whether the contribution is restricted on the basis of the current definition of the term *donor-imposed restriction*, which includes a consideration of how broad or narrow the purpose of the agreement is, and whether the resources are available for use only after a specified date. The amendments in ASU 2018-08 became effective on a modified prospective basis for the fiscal year ended June 30, 2020 and the adoption of ASU 2018-08 did not have a significant effect on the accompanying consolidated financial statements.

Revenue from Contracts with Customers

Effective for fiscal year ended June 30, 2021, the Organization adopted ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing and measuring revenue from contracts with customers. Pursuant to ASC Topic 606, revenue is recognized to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The adoption of ASC Topic 606 did not result in any significant changes in the way the Organization recognizes revenue.

In-kind Contributions and Services

Donated services are recognized as contributions in accordance with ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise need to be purchased by the Organization. Additionally, a substantial number of volunteers have made significant contributions of their time to Habitat LA's program and supporting services. The value of this contributed time is not reflected in the consolidated financial statements since it does not require a specialized skill.

Donations of construction materials, property and equipment are recorded as in–kind contributions at their estimated fair value as of the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

2. Summary of Significant Accounting Policies, continued

Government Funding

Habitat LA receives funds from various government agencies ("Agencies") for pre-development costs associated with the development of land acquired for construction projects pursuant to "loan agreements." The Agencies provide funding to Habitat LA generally interest-free, with specified covenants and provisions that the property be used for low-income housing during the term of the loan agreement. If Habitat LA complies with the provisions of the agreement, the loan is forgiven by the agency when the property is sold to a qualified home buyer. At the date of property closing, the covenants and provisions of the loan agreement transfer from Habitat LA to the qualified home buyer and Habitat LA is relieved of any of its obligations pursuant to the loan agreement.

Home Sales and Cost of Homes Transferred

Revenue is recognized from the sale of homes when title passes to eligible purchasers. Habitat LA generally recognizes home sale revenue based on the sum of the cash down payment, the face value of the non-interest bearing mortgage receivable, and the value of any government funding, such as notes payable forgiven or transferred to the homeowner at the time of sale.

Cost of homes sold consists of land cost, land development cost, direct and indirect costs of housing construction and capitalized interest, property taxes and overhead incurred during the development period. Cost is determined by the specific identification and per unit methods. Cost of homes sold is considered a program expense in the consolidated statement of functional activities.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, unconditional promises to give, accounts receivable, mortgage notes receivable, investments, accounts payable, and certain notes payable, which are stated at cost or settlement value which approximates fair value.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk are primarily cash and cash equivalents, unconditional promises to give, and mortgage notes receivable. Habitat LA maintains its cash balances in the form of bank demand deposits and money market accounts with major financial institutions, including securities brokerage firms, that management has determined to be credit worthy.

The concentration of credit risk of mortgage notes receivable is diversified through numerous different borrowers; however, the borrowers are concentrated in Los Angeles County. Accordingly, the Organization's ability to collect these mortgage notes receivable is dependent on the homeowners' ability to pay, which could be affected by the overall economic conditions in this geographic area. The mortgage notes receivable are secured by a trust deed on the real property which reduces the risk of loss to Habitat LA.

Habitat LA has no significant financial instruments with off-balance sheet risk of accounting loss.

At June 30, 2021 and 2020, one corporate multi-year donation pledge comprised 24% and 33%, respectively, of the balance of unconditional promises to give. Collection of these unconditional promises to give may be subject to a greater risk of uncertainty in the event of adverse economic, political or business developments, including tax law changes.

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the consolidated statements of financial position and the consolidated statements of cash flows, Habitat LA considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Habitat LA maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. Habitat LA has not experienced any losses in such accounts.

Mortgage Notes Receivable

Mortgage notes receivable consist of non-forgivable non-interest bearing residential home loans made to qualified borrowers that are secured by a deed of trust, with terms generally ranging from 20 to 30 years. The mortgage note receivable must be probable of collection, fixed and determinable, not conditional on future events occurring and Habitat LA must have fulfilled substantially all of its obligations to the home buyer, other than normal warranty claims, prior to Habitat LA recognizing the home sale revenue and related mortgage note receivable in its consolidated financial statements. Non-forgivable and non-interest bearing mortgages that meet the forgoing recognition criteria are discounted based upon prevailing market rates for low income housing at the origination date of each mortgage.

Additionally, Habitat LA enters into forgivable mortgage notes receivable ("silent") that are secured with a second, third, fourth, and/or fifth trust deed in favor of either Habitat LA or a local government agency to ensure compliance with the terms of Habitat LA's homeownership programs. The primary purpose of these silent mortgages is to allow the mortgage holder the right to recapture a portion of any equity if the home is sold or transferred to a nonqualified homeowner before a certain number of years, usually 25 to 55, have elapsed since the original purchase. These silent mortgages also protect the homeowner by preventing predatory lenders from paying off the first mortgage and encumbering the property and the homeowner with an onerous new mortgage. These silent mortgage notes receivable typically bear no interest and are forgiven if the homeowner lives in the home for the required period of time and complies with all other covenants and restrictions per the deed of trust. Accordingly, Habitat LA does not report a value for these silent mortgage notes receivable that are forgivable in its consolidated financial statements as it is assumed they have no economic value.

Allowance for Mortgage Notes Receivable Losses

Habitat LA uses established lending criteria to ensure that only individuals who meet the Organization's financial and credit criteria are approved to be homebuyers, and receive a non-interest bearing mortgage loan from Habitat LA. This includes a thorough review of each prospective homeowner's credit report and scores, sources of income and financial history.

Habitat LA regularly reviews its mortgage receivable portfolio and monitors the accounts for delinquencies. The Organization's allowance for credit losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the mortgage notes receivable portfolio. A mortgage note receivable is considered impaired when, based on current information and events, it is probable that Habitat LA will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note.

2. Summary of Significant Accounting Policies, continued

Allowance for Mortgage Notes Receivable Losses, continued

The allowance established for these mortgage notes receivable is based on a thorough analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral. As of the date of these financial statements, there were no mortgages subject to foreclosure proceedings. At June 30, 2021 and 2020, management did not record an allowance for losses within its mortgage notes receivable portfolio because the fair value of its collateral interest in the properties securing the mortgage notes receivable exceeded the net carrying value of the mortgage notes receivable. Accordingly, management believes that losses resulting from non-payment of mortgage notes receivable are not reasonably probable.

Inventories

Inventories consist primarily of building materials and supplies, which are used in the construction of homes, and donated materials including home furnishings and home improvement materials, that are sold in the ReStores. Inventories are stated at lower of cost or market with cost determined by the first-in, first-out ("FIFO") method. ReStore inventories are reported at estimated selling price, since the fair value is not reasonably determinable until the goods are sold.

Construction in Process and Finished Homes Held for Sale

Construction in process represents costs incurred to build or rehabilitate single-family homes and condominiums for eventual sale to Habitat LA homeowners. In the event a development is no longer deemed to be probable of completion, the costs previously capitalized are charged off to expense. The Organization's projects consist of new single-family home and condominium developments, and major rehabilitations of existing homes acquired by Habitat LA. Since the purpose and mission of Habitat LA is to build affordable housing for low-income individuals, the Organization does not generally write down the value of construction in process to estimated sales value, because any excess cost over sales value is a component of program services. Projects are classified as construction in process until the build/rehabilitation project is substantially completed, at which time it is reclassified as "finished homes held for sale."

Property and Equipment

Expenditures which materially increase property lives are capitalized. The cost of maintenance and repair is charged to expense as incurred. When depreciable property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of activities.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Autos and trucks	3 to 5 years
Construction equipment	7 years
Furniture and equipment	5 to 7 years
Computer software and hardware	3 to 5 years
Leasehold improvements	3 to 10 years

2. Summary of Significant Accounting Policies, continued

Deposits and Impounds

Habitat LA generally follows a policy in which any interim payments received from a qualified home-buyer prior to the close of escrow are applied as a credit towards the buyer's future mortgage note receivable obligation. Accordingly, Habitat LA records interim rent payments as a deposit liability until the home is sold.

Habitat LA collects monthly payments from homeowners for property taxes and insurance, referred to as impounds, and records a liability until the amounts are remitted by Habitat LA to the appropriate third party.

Retirement Plan

Habitat LA adopted a 401(k) plan (the "Plan") in May 2000 for the benefit of its employees. All full-time employees who are over the age of 21 may participate at the first enrollment period after employment commences. During the fiscal years ended June 30, 2021 and 2020, employer contributions to the Plan were $164,017 and $151,868, respectively.

Income Taxes

Habitat LA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. Habitat LA does not believe that during the fiscal years ended June 30, 2021 and 2020 that it had unrelated business taxable income and accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

Habitat LA follows the provisions of FASB ASC 740, *Income Taxes*. Accordingly, Habitat LA accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. Habitat LA recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. Habitat LA does not believe that its income tax returns include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying consolidated financial statements.

Functional Expenses

The Organization's primary mission is creating affordable homeownership. Costs related to this purpose are reported as program expenses in the consolidated statements of functional expenses. Activities performed by the Organization to generate funds and/or resources to support its programs and operations are reported as fundraising activities. Expenses directly attributable to a specific functional area of Habitat LA are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas have been allocated across program and other supporting services based on estimates of time and effort spent by staff and resources. Depreciation and amortization are allocated using an allocation developed based on a review of the assets in service compared to the functions they support.

2. Summary of Significant Accounting Policies, continued

Special Events Revenues

The Organization conducts special events in which a portion of the gross proceeds paid by the donor represents payment for the direct costs of the benefits received by the donor at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of special events of $13,393 and $144,157 for the years ended June 30, 2021 and 2020, respectively, which ultimately benefit the donor rather than the Organization, are deducted from gross special events revenue. Other direct costs of special events were $141,586 and $172,765 for the years ended June 30, 2021 and 2020, respectively.

New Accounting Standards Not Yet Adopted

Accounting for Leases

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for all leases with the terms exceeding twelve months. The standard requires applying modified retrospective approach at the beginning of the earliest period presented with optional practical expedients. There will be an increase in assets and liabilities on the consolidated balance sheets of Habitat LA as a result of adoption to this standard due to recording of right-of-use assets and corresponding lease liabilities. The amount of that increase will depend on the lease portfolio at the time of the adoption. Habitat LA does not expect the adoption to have a material impact on net assets. ASU 2020-05, *Leases (Topic 842)*, issued on June 30, 2020 extended the effective date for this standard to fiscal year ending June 30, 2023.

Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current generally accepted accounting principles with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. FASB ASU No.2016-13 is effective for Habitat LA for its fiscal year beginning after December 15, 2022. Early adoption is permitted. Management is currently evaluating the impact of the pending adoption of ASU 2016-13 on the Organization’s financial statements and disclosures.

2. Summary of Significant Accounting Policies, continued

New Accounting Standards Not Yet Adopted, continued

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Pursuant to this Pronouncement, contributed nonfinancial assets are presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Not-for-Profit Entities ("NFP") are required to disclose (a) A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and (b) For each category of contributed nonfinancial assets recognized provides: (i) Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, the NFP will disclose a description of the programs or other activities in which those assets were used; (ii) the NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) a description of the valuation techniques and inputs used to arrive at a fair value measure; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure. The effective date of ASU 2020-07 is for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of the pending adoption of ASU 2020-07 on the Organization's financial statements and disclosures.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet dates, are comprised of the following for the years ended June 30:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 4,908,792	$ 4,536,518
Mortgage notes receivable	572,800	593,154
Contributions and grants receivable	2,488,838	2,962,226
Total financial assets available	7,970,430	8,091,898
Less amounts not available to be used within one year:		
Pledges to be collected after year-end	1,298,924	1,265,514
Net assets with donor restrictions	3,467,972	4,522,147
Less net assets with donor restrictions to be met in less than a year	(2,343,316)	(2,966,098)
Subtotal	2,423,580	2,821,563
Financial assets available to meet general expenditures over the next twelve months	$ 5,546,850	$ 5,270,335

3. Liquidity and Availability, continued

As of June 30, 2021, the Organization had $5,546,850 of financial assets to meet cash requirements for general expenditures within one (1) year of the consolidated balance sheet date. In addition, the Organization has available a revolving line of credit to provide financial support for construction projects and general expenditures of $5,000,000, of which $5,000,000 is available. As part of Habitat LA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

4. Supplemental Disclosure of Cash Flow Information

Following is a supplemental disclosure of cash flow information for the years ended June 30:

	2021	2020
Non-cash items:		
Recognition of in-kind contributions and related assets and expenses	$ 894,630	$ 1,696,987
Non-cash acquisition of property through financing	$ 1,703,287	$ 1,581,688
Interest paid	$ 286,299	$ 305,758

5. Unconditional Promises to Give

Unconditional promises to give consist of the following as of June 30:

	2021	2020
Unconditional promises to give	$ 2,746,863	$ 3,042,324
Less: unamortized discount	(58,025)	(71,119)
Less: allowance for doubtful accounts	(200,000)	(200,000)
Unconditional promises to give, net	$ 2,488,838	$ 2,771,205

Unconditional promises to give which are due more than twelve (12) months from the date of donation are discounted using an interest rate of approximately 2.50%. Amounts due in less than one year and in excess of one year are as follows:

	2021	2020
Amounts due in:		
Less than one year	$ 1,447,939	$ 1,776,810
One to five years	1,298,924	1,265,514
	$ 2,746,863	$ 3,042,324

6. Mortgage Notes Receivable

Mortgage notes receivable consist of non-forgivable non-interest bearing residential home loans secured by a deed of trust which are payable in monthly installments, if secured by a first deed of trust, over 20 to 30 years. These non-forgivable non-interest bearing mortgages have been discounted to and recorded at present value by Habitat LA based upon prevailing market interest rates for low income housing mortgages. The Organization recognizes the discount as interest income over the term of the mortgage note receivable using the effective interest rate method. Generally, mortgage notes receivable are discounted at the time the mortgage is originated using an interest rate of prime plus 2%.

In addition, Habitat LA enters into mortgage notes receivable secured by second, third, fourth, and fifth trust deeds, that are non-forgivable non-interest bearing which require a balloon payment upon the earlier of the sale or transfer of the property, or 30 years. Those second, third, fourth, and fifth mortgage notes receivable which have fixed and determinable repayment terms are reported at their present value in the accompanying consolidated financial statements.

Mortgage notes receivable, junior lien position, consist of sixteen (16) mortgages originated with funds received from the California Department of Housing and Community Development ("CalHome"). These mortgages have a term of 30 years, bear no interest, and require no payments, unless the homeowner sells the home prior to the end of the 30-year term. At the end of 30 years, the homeowner is required to repay the principal amount of the loan in full. Habitat LA imputed a 7% present value discount rate based upon prevailing market interest rates of junior lien mortgages for these notes.

At times, Habitat LA pledges various mortgage notes receivable as collateral to secure notes payable and obligations to its creditors. These arrangements may restrict the Organization's ability to sell, transfer or pledge these mortgage notes receivable to other entities.

Mortgage notes receivable and the related discount are summarized as follows as of June 30:

	2021	2020
First trust deeds	$ 12,987,893	$ 13,791,987
Second/third/fourth/fifth trust deeds	19,163,923	17,291,123
Junior lien position	1,000,000	1,000,000
Discount to present value	(19,979,901)	(19,268,149)
Present value of mortgage notes receivable	$ 13,171,915	$ 12,814,961

6. Mortgage Notes Receivable, continued

Scheduled mortgage notes receivable collections are summarized as follows:

Year ending June 30:	
2022	$ 577,666
2023	568,798
2024	560,888
2025	546,146
2026	538,035
Thereafter	30,360,283
Total	$ 33,151,816

Mortgage loan discount amortization revenue for the years ended June 30, 2021 and 2020 was $1,661,556 and $699,218, respectively.

7. Inventories

Inventories consist of the following as of June 30:

	2021	2020
Building materials for home construction projects	$ 487,849	$ 596,245
Inventory received for the use or sale at special events	-	44,672
ReStore inventory	1,241,184	1,222,549
	$ 1,729,033	$ 1,863,466

8. Home Construction Activity

Construction-in-process is summarized by project as follows as of June 30:

	2021	2020
City of Los Angeles, County of Los Angeles, and unincorporated cities	$ 4,200,688	$ 2,167,172
Culver City	-	2,401,003
Long Beach	5,560,679	2,980,238
Lakewood	363,122	355,558
Other	75,720	48,141
Compton	9,964	9,964
	$ 10,210,173	$ 7,962,076

8. Home Construction Activity, continued

Following is a summary of home building activity during the years ended June 30:

	2021		2020	
	Number of Homes	Cost	Number of Homes	Cost
Home construction in process, beginning of year	118	$ 7,962,076	115	$ 13,237,949
Costs incurred during fiscal 2021 - new and existing projects	77	6,162,922	16	3,126,918
Adjustment to prior year units	(36)	-	-	-
Homes transferred to finished homes	(6)	(3,914,825)	(13)	(8,402,791)
	153	$ 10,210,173	118	$ 7,962,076

Following is a summary of finished homes activity during the years ended June 30:

	2021		2020	
	Number of Homes	Cost	Number of Homes	Cost
Finished homes, beginning of year	$ -	$ -	$ -	$ -
Costs transferred to Finished Homes from construction in process	6	3,914,825	13	8,402,791
Homes transferred to new owners	(6)	(3,914,825)	(13)	(8,402,791)
	$ -	$ -	$ -	$ -

9. Retail Stores

Habitat LA operates three ReStore locations in the Greater Los Angeles area that sell new and used home furnishings, construction and home improvement materials to the general public. ReStore revenue is recognized at a point in time and is reported as unrestricted support, with cost of goods sold and ReStore operating expenses reported as program expenses in the consolidated statement of activities. The following is a summary of Habitat LA's retail operations for the years ended June 30:

	2021	2020
Revenue and support:		
ReStore sales	$ 8,797,273	$ 7,595,070
Fair market value of donated items sold	7,997,159	7,147,248
Total revenue and support	16,794,432	14,742,318
Expenses:		
Cost of goods sold - purchased	882,861	791,508
Cost of goods sold - donated	7,978,524	6,870,726
Operating expenses	5,610,978	5,106,458
Total expenses	14,472,363	12,768,692
Total ReStore revenue over expenses	$ 2,322,069	$ 1,973,626

10. Property and Equipment, Net

Property and equipment consists of the following as of June 30:

	2021	2020
Autos and trucks	$ 365,601	$ 319,786
Land and building	4,752,119	4,728,039
Construction equipment	13,265	13,265
Furniture and equipment	55,670	55,670
Computer software and hardware	265,419	254,579
Leasehold improvements	534,346	511,694
Total	5,986,420	5,883,033
Less: accumulated depreciation	(1,548,243)	(1,480,569)
Property and equipment, net	$ 4,438,177	$ 4,402,464

Depreciation expense for the years ended June 30, 2021 and 2020 was $67,674 and $43,565, respectively.

11. Deposits and Other Assets

Deposits and other assets consist of the following as of June 30:

	2021	2020
Deposits	$ 470,488	$ 228,548
Loan fees	146,667	146,667
Beneficial interest in charitable remainder trusts	76,833	76,833
Other receivables	71,896	72,784
	$ 765,884	$ 524,832

Habitat LA received a 47.5% interest in a charitable remainder insurance trust which it has valued at $76,833 using a 5.0% discount rate to estimate the present value of the future benefits based on the income beneficiary's life expectancy.

12. Notes Payable – Other

In December 2018, Habitat LA entered into a Credit and Security Agreement and Business Loan Agreement with Cathay Bank set forth below. The borrowings from Cathay Bank are subject to various covenants including the following financial covenants: (i) maintain a minimum liquidity of not less than $1.5 million as of each quarter-end; (ii) maintain a minimum current ratio of not less than 2.00 to 1.00; (iii) maximum debt to tangible net worth (total net assets) ratio of not more than 2.00 to 1.00 as of each quarter-end; (iv) maintain minimum effective tangible net worth (total net assets) of not less than $19.0 million as of each quarter-end; (v) maintain minimum net income (change in net assets) of not less than $1.00; and (vi) maintain a consolidated debt service coverage ratio (as defined in the Cathay Bank agreements) of not less than 1.20 to 1.00. At June 30, 2021, Habitat LA was in substantial compliance with these covenants and its interpretation thereof.

12. Notes Payable – Other, continued

Habitat LA's notes payable are summarized as follows as of June 30:

	2021	2020
Revolving loans, due on the earliest of (i) the date that is 18 months from the date the advance was made, or (ii) December 20, 2022; with interest at the U.S. prime rate plus .50%. The Note is secured by substantially all the assets of Habitat LA, including a Second Deed of Trust of up to $5.0 million on its corporate facility located in Bellflower, California.	$ 1,168,000	$ 122,000
Term loan, payable in equal monthly principal installments of $10,000 maturing on December 31, 2023, with interest at a fixed rate of 5.25%.	460,000	580,000
Promissory Note maturing on January 1, 2026, interest at a fixed rate of 5.07%, payable in monthly principal and interest payments of $28,996, with the balance due at maturity. The Note is collateralized by a Deed of Trust on Habitat LA's corporate facility located in Bellflower, California.	4,641,954	4,748,288
Promissory note maturing on January 1, 2022, interest at the prime rate plus .50%, principal and interest due on January 1, 2022. The Note has an interest reserve of $58,000 and is collateralized by a Deed of Trust on the 200 – 210 East 14th Street, 1332 Locust Avenue, Long Beach properties.	1,000,000	1,000,000
Promissory note maturing on August 31, 2023, interest at 6.5% fixed through maturity date, principal and interest due on August 31, 2023. The Note is collateralized by a Deed of Trust on the 1307 - 1311 W. 109th Street, Los Angeles properties.	74,050	-
Promissory note maturing on August 31, 2023, interest at 6.5% fixed through maturity date, principal and interest due on August 31, 2023. The Note is collateralized by a Deed of Trust on the 1310 and 1312 W. 94th Street, Los Angeles properties.	11,739	-
Total	$ 7,355,743	$ 6,450,288

12. Notes Payable – Other, continued

Minimum scheduled future principal payments for notes payable are summarized as follows:

For the year ending June 30:	
2022	$ 1,235,657
2023	1,409,659
2024	433,762
2025	134,614
2026	4,142,051
Total	$ 7,355,743

13. Notes Payable – Governmental Agencies

Habitat LA is awarded grants by governmental agencies, generally in the form of loans to finance, in part, the acquisition and development of specific housing projects. The grant/loan agreements require a written Disposition and Development Agreement ("DDA") between Habitat LA and the city granting the funds. These loans are secured by deeds of trust on the development property and are generally non-interest bearing with a maturity date of the earlier of one to two years or the sale/transfer of the property. No payments of interest or principal are due during the loan term except in the case of an "Event of Default" as defined in the loan agreement. Upon project completion, if Habitat LA sells/transfers the property to a qualified buyer, the proportionate amount of debt owed by Habitat LA on the property is forgiven as to Habitat LA but remains a lien on the property that transfers to the homeowner as a mortgage. Accordingly, at the date the property sale/transfer and fulfillment of the terms of the loan agreement occur, the amount of outstanding debt being forgiven is recorded as additional home sale proceeds by Habitat LA.

As set forth herein, the terms and conditions of notes payable – governmental agencies do not require Habitat LA to remit principal or interest payments on the obligations.

The following is a summary of Habitat LA's notes payable – governmental agencies as of June 30:

	2021	2020
City of Culver City	$ -	$ 1,230,300
City of Los Angeles	725,000	1,050,000
City of Long Beach	1,016,527	28,194
	$ 1,741,527	$ 2,308,494

14. Paycheck Protection Program

In April 2020, Habitat LA received a loan in the original principal amount of $1,581,688 under the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP is administered by the Small Business Administration ("SBA"). Under the terms of the CARES Act, PPP loan recipients can apply for, and the SBA can grant forgiveness of all or a portion of loans made under the PPP if the recipients use the PPP loan proceeds for eligible purposes, as set forth in the CARES Act. In May 2021, Habitat LA received $1,581,688 of principal and $16,544 of accrued interest in PPP loan forgiveness. Additionally, in April 2021, Habitat LA received a second-draw forgivable loan of $1,703,287 under the Paycheck Protection Program. The loans bear interest at an annual rate of 1.00% and mature five years from the date of the loan disbursement. Unless the loans are forgiven pursuant to the provisions as set forth in the CARES Act, Habitat LA must begin paying principal and interest. Interest will continue to accrue during the applicable deferment period. Habitat LA is currently in the process of applying for loan forgiveness and management anticipate that the loans will be fully forgiven.

15. Related Party Transactions

Habitat LA remits a discretionary portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International on an annual basis (the "Tithe"). The Tithe is used to construct homes in economically depressed areas around the world. In addition, Habitat LA receives significant pass-through contributions on behalf of domestic and international Habitat affiliates. In general, these pass-through contributions are credited towards the Tithe. These pass-through contributions generally do not provide Habitat LA with variance power as to which affiliates the funds are designated for; accordingly, the Organization does not recognize contribution revenue upon receipt of the funds and does not record an expense upon the disbursement of these funds since Habitat LA is an agent in these transactions. During the years ended June 30, 2021 and 2020, Habitat LA recorded $86,628 and $129,230, respectively, in Tithes expense. At June 30, 2021 and 2020, Tithes due Habitat International were $15,059 and $103,431, respectively.

During the years ended June 30, 2021 and 2020, Habitat LA recorded $1,103,871 and $1,329,398, respectively, in contributions and pledge payments from members of Habitat LA's Board of Directors or from parties related to Board members.

16. New Market Tax Credit Transactions

In April 2015, the Organization became an investor in HFHI NMTC Leverage Lender 2013-1, LLC (Leverage Lender) for $1,436,986 along with three (3) other Habitat Affiliates, of which Habitat NMTC Management, LLC was the managing member. U.S. Bancorp Community Development Corporation ("USBCDC") structured the transaction in order to qualify for New Markets Tax Credits. Through a series of transactions, the Organization obtained a loan from HFHI NMTC Sub-CDE I, LLC ("CDE I") in an amount of $2,104,359 with interest at 0.682930% per annum, payable in semi-annual payments of interest only through May 5, 2024, at which time the Organization shall make semi-annual principal payments in amounts sufficient to amortize the loan over twenty-one (21) years. The closing costs and structuring fees associated with this transaction were $146,667, which are being amortized over seven (7) years and a cash reserve fund of $105,647 was established. As a result of the 2015 NMTC Transaction, the Organization received $415,059 of net cash to invest in the construction of low-income housing projects. This amount represents the net profit the Organization expects to realize on the 2015 NMTC Transaction.

16. New Market Tax Credit Transactions, continued

The loan payable to CDE I is a below market interest rate loan. Furthermore, the cash flows of the 2015 NMTC Transaction are structured such that the Organization will not be obligated to fund any cash flow for repayment of the debt due CDE I. For consolidated financial statement presentation purposes, the Organization has offset the investment in Leverage Lender with its loan payable to CDE I based on a right of offset because of the economic substance of the 2015 NMTC Transaction. Accordingly, the Organization's financial statements report only the net asset value of the 2015 NMTC Transaction, after offsetting the discounted note payable CDE, transaction costs and the investment in LLC.

The Organization recorded net deferred revenue of $668,291 from the 2015 NMTC Transaction, which is being amortized over seven (7) years, the expected life of the transaction. Accordingly, at June 30, 2021 and 2020, Habitat LA reported deferred revenue of $95,471 and $190,941, respectively, associated with the 2015 NMTC Transaction.

17. Commitments

Habitat LA leases two ReStore facilities under non-cancellable operating leases through July 2024 and August 2027. Rent expense for the years ended June 30, 2021 and 2020 under these operating leases was $741,531 and $751,019, respectively. In addition, Habitat LA leases various vehicles under non-cancellable operating leases through May 2026. Vehicle rental expense for the years ended June 30, 2021 and 2020 was $208,515 and $253,777, respectively.

Future minimum rental payments under non-cancellable operating leases are as follows:

	Building Leases	Equipment Leases	Total
Year ending June 30:			
2022	$ 741,181	$ 256,146	$ 997,327
2023	731,954	250,646	982,600
2024	785,168	192,951	978,119
2025	515,374	155,994	671,368
2026	504,238	148,146	652,384
Thereafter	827,564	2,759	830,323
Total	$ 4,105,479	$ 1,006,642	$ 5,112,121

18. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 consist of amounts restricted by donor-imposed stipulations as follows:

	2021	2020
Home Sponsorships	$ 1,781,928	$ 1,991,485
Community Programs	429,357	589,045
Wildfire Relief	907,655	1,512,185
Charitable Remainder Trusts	142,145	142,145
Multi-Year Capital Campaign Funds	206,887	287,287
Total net assets with donor restrictions	$ 3,467,972	$ 4,522,147

Net assets released from restrictions are as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Restricted by purpose:		
Home Sponsorships	$ 2,107,762	$ 2,552,413
Community Programs	3,020,981	1,377,399
Wildfire Relief	534,697	-
Total net assets released from restrictions	$ 5,663,440	$ 3,929,812

19. Legal Contingencies

Habitat LA is subject to various legal proceedings and claims which arise in the normal course of its activities and that have not been fully adjudicated. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against Habitat LA in a reporting period for amounts in excess of management's expectations, Habitat LA's financial condition and operating results for that reporting period could be materially adversely affected. Although it is not possible to predict the outcome of these matters, in the opinion of management, there was not at least a reasonable possibility Habitat LA may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims.

20. Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic, which continues to spread throughout the United States and the world. COVID-19 is having an unprecedented impact on the U.S. economy as federal, state and local governments react to this public health crisis. The spread of COVID-19 has caused significant volatility in U.S. and international financial markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. Habitat LA has been able to operate its ReStores during the pandemic as they qualify as essential businesses. However, the pandemic has forced Habitat LA to cancel certain of its in person fundraising events, which has resulted in a decrease of special events revenue during the years ended June 30, 2021 and 2020. Because of these uncertainties, the Organization is unable to determine if the pandemic will have a material impact to its future operations, financial position or statement of activities.

Supplementary Information

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

(with summarized comparative information as of June 30, 2020)

	2021					
	Habitat for Humanity - Greater Los Angeles	Partnership Housing, Inc.	Subtotal	Elimination	Consolidated	2020 Totals
ASSETS						
Cash and cash equivalents	$ 4,881,710	$ 27,082	$ 4,908,792	$ -	$ 4,908,792	$ 4,536,518
Program service grants receivable	-	30,000	30,000	(30,000)	-	47,134
Unconditional promises to give, net of unamortized discount	2,488,838	-	2,488,838	-	2,488,838	2,771,205
Mortgage notes receivable, net of unamortized discount	13,008,063	163,852	13,171,915	-	13,171,915	12,814,961
Prepaid expenses	210,252	-	210,252	-	210,252	177,566
Inventories	1,729,033	-	1,729,033	-	1,729,033	1,863,466
Construction in process	10,210,173	-	10,210,173	-	10,210,173	7,962,076
Property and equipment, net of accumulated depreciation	4,438,177	-	4,438,177	-	4,438,177	4,402,464
Deposits and other assets	765,884	-	765,884	-	765,884	524,832
Total assets	$ 37,732,130	$ 220,934	$ 37,953,064	$ (30,000)	$ 37,923,064	$ 35,100,222
LIABILITIES AND NET ASSETS						
Accounts payable	$ 1,058,167	$ 1,147	$ 1,059,314	$ (30,000)	$ 1,029,314	$ 673,513
Accrued expenses	1,217,342	131	1,217,473	-	1,217,473	1,101,190
Deferred revenue	500,471	-	500,471	-	500,471	600,941
Note payable - Paycheck Protection Program	1,703,287	-	1,703,287	-	1,703,287	1,581,688
Notes payable - governmental agencies	1,741,527	-	1,741,527	-	1,741,527	2,308,494
Notes payable - other	7,355,743	-	7,355,743	-	7,355,743	6,450,288
Total liabilities	13,576,537	1,278	13,577,815	(30,000)	13,547,815	12,716,114
Commitments						
Net assets:						
Without donor restrictions	20,687,621	219,656	20,907,277	-	20,907,277	17,861,961
With donor restrictions	3,467,972	-	3,467,972	-	3,467,972	4,522,147
Total net assets	24,155,593	219,656	24,375,249	-	24,375,249	22,384,108
Total liabilities and net assets	$ 37,732,130	$ 220,934	$ 37,953,064	$ (30,000)	$ 37,923,064	$ 35,100,222

Habitat for Humanity of Greater Los Angeles, Inc.

Consolidating Statement of Activities

For the year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

	2021												
	Habitat for Humanity- Greater Los Angeles			Partnership Housing, Inc.			Elimination			Consolidated			
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals	2020 Totals
Support and revenue:													
Contributions	$ 2,300,838	$ 2,136,243	$ 4,437,081	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,300,838	$ 2,136,243	$ 4,437,081	$ 6,291,918
In-kind contributions	125,746	768,884	894,630	-	-	-	-	-	-	125,746	768,884	894,630	1,696,987
Sales of homes	5,640,276	-	5,640,276	-	-	-	-	-	-	5,640,276	-	5,640,276	10,440,961
ReStore sales	8,797,273	-	8,797,273	-	-	-	-	-	-	8,797,273	-	8,797,273	7,595,070
ReStore value of donated goods received	7,997,159	-	7,997,159	-	-	-	-	-	-	7,997,159	-	7,997,159	7,147,248
Government grants	-	30,754	30,754	-	-	-	-	-	-	-	30,754	30,754	-
Special events revenue, net of costs of direct benefit to donors	547,090	-	547,090	-	-	-	-	-	-	547,090	-	547,090	548,806
Mortgage loan discount amortization	1,243,181	-	1,243,181	418,372	-	418,372	-	-	-	1,661,553	-	1,661,553	699,218
Other income	169,891	90,123	260,014	30,000	-	30,000	-	-	-	199,891	90,123	290,014	384,829
Net assets released from restrictions:													
Satisfaction of program restrictions	5,663,440	(5,663,440)	-	-	-	-	-	-	-	5,663,440	(5,663,440)	-	-
Total revenue, gains, and other support	32,484,894	(2,637,436)	29,847,458	448,372	-	448,372	-	-	-	32,933,266	(2,637,436)	30,295,830	34,805,037
Expenses:													
Cost of homes sold and program support	26,633,421	-	26,633,421	340,992	-	340,992	-	-	-	26,974,413	-	26,974,413	30,949,819
Fundraising	1,601,453	-	1,601,453	-	-	-	-	-	-	1,601,453	-	1,601,453	1,468,936
Management and general	1,225,258	-	1,225,258	198	-	198	-	-	-	1,225,456	-	1,225,456	1,364,540
Total functional expenses	29,460,132	-	29,460,132	341,190	-	341,190	-	-	-	29,801,322	-	29,801,322	33,783,295
Unallocated payments to national organization	86,628	-	86,628	-	-	-	-	-	-	86,628	-	86,628	129,230
Total expenses	29,546,760	-	29,546,760	341,190	-	341,190	-	-	-	29,887,950	-	29,887,950	33,912,525
Increase in net assets from operations	2,938,134	(2,637,436)	300,698	107,182	-	107,182	-	-	-	3,045,316	(2,637,436)	407,880	892,512
Increase in net assets from non-operating activities:													
Forgiveness of debt - Paycheck Protection Program	-	1,583,261	1,583,261	-	-	-	-	-	-	-	1,583,261	1,583,261	-
Change in net assets	2,938,134	(1,054,175)	1,883,959	107,182	-	107,182	-	-	-	3,045,316	(1,054,175)	1,991,141	892,512
Net assets, beginning of year	17,749,487	4,522,147	22,271,634	112,474	-	112,474	-	-	-	17,861,961	4,522,147	22,384,108	21,491,596
Net assets, end of year	$ 20,687,621	$ 3,467,972	$ 24,155,593	$ 219,656	$ -	$ 219,656	$ -	$ -	$ -	$ 20,907,277	$ 3,467,972	$ 24,375,249	$ 22,384,108

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

	2021																
	Habitat for Humanity- Greater Los Angeles			Partnership Housing, Inc.			Subtotal			Eliminations			Consolidated				
	Cost of Homes Transferred and Program Support	Fundraising	Management and General	Cost of Homes Transferred and Program Support	Fundraising	Management and General	Cost of Homes Transferred and Program Support	Fundraising	Management and General	Cost of Homes Transferred and Program Support	Fundraising	Management and General	Cost of Homes Transferred and Program Support	Fundraising	Management and General	Totals	2020 Totals
Cost of homes sold - construction costs	$ 4,098,788	$ -	$ -	$ -	$ -	$ -	$ 4,098,788	$ -	$ -	$ -	$ -	$ -	$ 4,098,788	$ -	$ -	$ 4,098,788	$ 8,687,282
Cost of homes sold - mortgage discount	1,638,094	-	-	325,214	-	-	1,963,308	-	-	-	-	-	1,963,308	-	-	1,963,308	3,385,648
Cost of goods sold - ReStore	882,861	-	-	-	-	-	882,861	-	-	-	-	-	882,861	-	-	882,861	791,508
Value of donated goods sold - ReStore	7,978,524	-	-	-	-	-	7,978,524	-	-	-	-	-	7,978,524	-	-	7,978,524	6,870,726
Salaries	5,422,315	703,473	775,894	14,208	-	-	5,436,523	703,473	775,894	-	-	-	5,436,523	703,473	775,894	6,915,890	6,545,819
Payroll taxes and benefits	1,110,300	125,131	133,573	1,570	-	-	1,111,870	125,131	133,573	-	-	-	1,111,870	125,131	133,573	1,370,574	1,296,509
Americorp	61,379	-	-	-	-	-	61,379	-	-	-	-	-	61,379	-	-	61,379	79,475
Bank fees and charges	216,773	74,445	37,468	-	-	119	216,773	74,445	37,587	-	-	-	216,773	74,445	37,587	328,805	276,267
Home repair	1,036,500	-	-	-	-	-	1,036,500	-	-	-	-	-	1,036,500	-	-	1,036,500	1,099,657
Build events and community programs	406,854	398,377	45,546	-	-	-	406,854	398,377	45,546	-	-	-	406,854	398,377	45,546	850,777	754,648
Special events other costs	-	141,586	-	-	-	-	-	141,586	-	-	-	-	-	141,586	-	141,586	172,765
Depreciation	67,674	-	-	-	-	-	67,674	-	-	-	-	-	67,674	-	-	67,674	43,565
Facilities - rent / lease costs	741,531	-	-	-	-	-	741,531	-	-	-	-	-	741,531	-	-	741,531	751,019
Insurance	173,120	11,743	11,722	-	-	69	173,120	11,743	11,791	-	-	-	173,120	11,743	11,791	196,654	172,003
Interest and amortization of loan fees	286,299	-	-	-	-	-	286,299	-	-	-	-	-	286,299	-	-	286,299	305,758
Office and other	679,006	34,597	71,362	-	-	10	679,006	34,597	71,372	-	-	-	679,006	34,597	71,372	784,975	619,616
Professional and outside services	765,526	100,399	132,682	-	-	-	765,526	100,399	132,682	-	-	-	765,526	100,399	132,682	998,607	887,977
Real estate - closing and development	10,178	-	-	-	-	-	10,178	-	-	-	-	-	10,178	-	-	10,178	24,386
Telephone	93,162	9,421	10,960	-	-	-	93,162	9,421	10,960	-	-	-	93,162	9,421	10,960	113,543	125,447
Travel	14,937	2,281	6,051	-	-	-	14,937	2,281	6,051	-	-	-	14,937	2,281	6,051	23,269	63,563
Utilities and facility maintenance	593,729	-	-	-	-	-	593,729	-	-	-	-	-	593,729	-	-	593,729	419,735
Vehicles	355,871	-	-	-	-	-	355,871	-	-	-	-	-	355,871	-	-	355,871	409,922
Totals	$ 26,633,421	$ 1,601,453	$ 1,225,258	$ 340,992	$ -	$ 198	$ 26,974,413	$ 1,601,453	$ 1,225,456	$ -	$ -	$ -	$ 26,974,413	$ 1,601,453	$ 1,225,456	$ 29,801,322	$ 33,783,295

Habitat for Humanity of Greater Los Angeles, Inc.

Consolidating Statement of Cash Flows

For the year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

	2021					
	Habitat for Humanity - Greater Los Angeles	Partnership Housing, Inc.	Subtotal	Elimination	Consolidated	2020 Totals
Operating activities:						
Change in net assets	$ 1,883,959	$ 107,182	$ 1,991,141	$ -	$ 1,991,141	$ 892,512
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:						
Origination of non-interest bearing mortgages, net	(2,163,000)	(400,000)	(2,563,000)	-	(2,563,000)	(4,396,000)
Issuance of unamortized mortgage discounts	1,638,094	325,214	1,963,308	-	1,963,308	3,385,648
Mortgage discount amortization	(1,243,183)	(418,373)	(1,661,556)	-	(1,661,556)	(699,218)
Net change in discount on multi-year pledges	(13,094)	-	(13,094)	-	(13,094)	30,318
In-kind contributions of property, construction costs, and other assets	(1,670,479)	-	(1,670,479)	-	(1,670,479)	(304,199)
Forgiveness of debt - Paycheck Protection Program	(1,583,261)	-	(1,583,261)	-	(1,583,261)	-
Forgiveness / transfer of notes payable, government agencies and related accrued interest to homeowners	(1,555,394)	-	(1,555,394)	-	(1,555,394)	(3,051,700)
Depreciation	67,674	-	67,674	-	67,674	43,565
(Increase) decrease in assets:						
Program service grants receivable	47,134	-	47,134	-	47,134	(47,134)
Contributions receivable	295,461	-	295,461	-	295,461	(341,919)
Prepaid expenses	(32,687)	-	(32,687)	-	(32,687)	17,884
Inventories	134,433	-	134,433	-	134,433	(132,796)
Construction in process, net of non-cash items	412,382	-	412,382	-	412,382	5,580,072
Deposits and other assets (except loan fees)	(252,710)	370,000	117,290	-	117,290	80,845
Increase (decrease) in liabilities:						
Accounts payable	386,706	(894)	385,812	-	385,812	(56,365)
Accrued expenses, net of accrued capitalized interest and forgiven interest	123,114	131	123,245	-	123,245	(1,291)
Deposits and impounds	11,658	-	11,658	-	11,658	(54,157)
Deferred revenue	309,530	(410,000)	(100,470)	-	(100,470)	(95,470)
Net cash and cash equivalents (used in) provided by operating activities	(3,203,663)	(426,740)	(3,630,403)	-	(3,630,403)	850,595

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS, Continued

For the year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

	2021					
	Habitat for Humanity - Greater Los Angeles	Partnership Housing, Inc.	Subtotal	Elimination	Consolidated	2020 Totals
Investing activities:						
Acquisition of property and equipment	(103,398)	-	(103,398)	-	(103,398)	(76,305)
Mortgage payments received	1,494,294	410,000	1,904,294	-	1,904,294	823,334
Net cash and cash equivalents provided by investing activities	1,390,896	410,000	1,800,896	-	1,800,896	747,029
Financing activities:						
Proceeds from line of credit	1,168,000	-	1,168,000	-	1,168,000	232,000
Payments on line of credit	(122,000)	-	(122,000)	-	(122,000)	(110,000)
Cash proceeds from notes payable	668,139	-	668,139	-	668,139	1,183,417
Cash proceeds from Paycheck Protection Program	1,703,287	-	1,703,287	-	1,703,287	1,581,688
Principal payments on notes payable	(1,208,684)	-	(1,208,684)	-	(1,208,684)	(2,306,262)
Payments on capitalized lease obligations payable	(6,961)	-	(6,961)	-	(6,961)	(6,712)
Net cash and cash equivalents provided by (used in) financing activities	2,201,781	-	2,201,781	-	2,201,781	574,131
Net change in cash and cash equivalents	389,014	(16,740)	372,274	-	372,274	2,171,755
Cash and cash equivalents, beginning of the year	4,492,696	43,822	4,536,518	-	4,536,518	2,364,763
Cash and cash equivalents, end of the year	$ 4,881,710	$ 27,082	$ 4,908,792	$ -	$ 4,908,792	$ 4,536,518