

**TWIN CITIES HABITAT FOR HUMANITY, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**TWIN CITIES HABITAT FOR HUMANITY, INC.  
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## INDEPENDENT AUDITORS' REPORT

Finance Committee  
Twin Cities Habitat for Humanity, Inc.  
Minneapolis, Minnesota

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

We have audited the accompanying consolidated financial statements of Twin Cities Habitat for Humanity, Inc., which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 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 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.

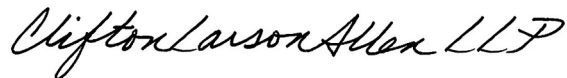
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of activities 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.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 1, 2020

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 12,234,992	\$ 5,797,414
Investments (Note 14)	1,240,962	780,498
Accounts Receivable	932,437	1,047,330
Mortgage Servicing Asset, Net (Note 16)	998,052	523,212
Contributions Receivable, Net (Note 2)	3,465,655	4,739,614
Inventory (Note 3)	13,189,967	13,533,037
Land Held in Trust	1,131,221	859,719
Prepaid and Other Assets	551,121	624,110
Leveraged Loans Receivable (Note 5)	3,623,316	10,127,032
Property and Equipment, Net (Note 4)	8,950,327	8,897,512
Mortgages Receivable (Note 6):		
Mortgages Receivable Held, at Face Value	54,663,434	58,922,701
Mortgages Receivable Held for Sale, at Face Value	2,334,177	5,393,223
Less: Unamortized Discount and Allowance	<u>(18,637,368)</u>	<u>(20,764,519)</u>
Mortgages Receivable, Net	<u>38,360,243</u>	<u>43,551,405</u>
 Total Assets	 <u>\$ 84,678,293</u>	 <u>\$ 90,480,883</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 908,990	\$ 821,623
Accrued Expenses	1,185,724	838,604
Line of Credit (Note 8)	3,677,769	6,942,389
Unearned Grant Revenue	3,284,157	1,894,002
Long-Term Notes Payable (Note 7):		
Long-Term Notes Payable, at Face Value	35,873,458	46,304,659
Less: Unamortized Discount and Origination Fees	<u>(5,101,371)</u>	<u>(5,831,390)</u>
Long-Term Notes Payable, Net	<u>30,772,087</u>	<u>40,473,269</u>
 Total Liabilities	 39,828,727	 50,969,887
<b>NET ASSETS</b>		
Without Donor Restrictions	39,537,265	33,338,040
With Donor Restrictions (Note 12 and 13)	5,312,301	6,172,956
Total Net Assets	<u>44,849,566</u>	<u>39,510,996</u>
 Total Liabilities and Net Assets	 <u>\$ 84,678,293</u>	 <u>\$ 90,480,883</u>

See accompanying Notes to Consolidated Financial Statements.

**TWIN CITIES HABITAT FOR HUMANITY, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT</b>			
Operating Revenue:			
Home Sales (Mortgages Received)	\$ 9,439,633	\$ -	\$ 9,439,633
Investment Income (Loss)	211,082	(28,893)	182,189
ReStore Sales (Net of Direct Expense of \$1,546,423 and \$1,492,421, Respectively)	18,548	-	18,548
Other	877,315	-	877,315
Total Operating Revenue	<u>10,546,578</u>	<u>(28,893)</u>	<u>10,517,685</u>
Support:			
Contributions	9,653,185	1,909,108	11,562,293
Public Sector Funds	3,711,112	-	3,711,112
In-Kind (Note 10)	1,000,148	-	1,000,148
Special Events (Net of Direct Expense of \$264,704 and \$491,300, Respectively)	542,126	-	542,126
Total Support	<u>14,906,571</u>	<u>1,909,108</u>	<u>16,815,679</u>
Net Assets Released from Restrictions (Note 12)	<u>2,740,870</u>	<u>(2,740,870)</u>	<u>-</u>
Total Operating Revenue and Support	<u>28,194,019</u>	<u>(860,655)</u>	<u>27,333,364</u>
<b>OPERATING EXPENSES</b>			
Program Services	21,190,616	-	21,190,616
Management and General	2,382,650	-	2,382,650
Fundraising	2,482,262	-	2,482,262
Total Operating Expenses	<u>26,055,528</u>	<u>-</u>	<u>26,055,528</u>
<b>OPERATING INCREASE (DECREASE) IN NET ASSETS</b>	<u>2,138,491</u>	<u>(860,655)</u>	<u>1,277,836</u>
<b>NONOPERATING ACTIVITIES</b>			
Contribution of Below Market Interest Rate Debt	344	-	344
Gain (Loss) on New Market Tax Credit	2,651,100	-	2,651,100
Amortization of Discount on Mortgages	2,127,151	-	2,127,151
Amortization of Discount on Long-Term Notes Payable	(717,861)	-	(717,861)
<b>NONOPERATING INCREASE IN NET ASSETS</b>	<u>4,060,734</u>	<u>-</u>	<u>4,060,734</u>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<u>6,199,225</u>	<u>(860,655)</u>	<u>5,338,570</u>
Net Assets - Beginning of Year	<u>33,338,040</u>	<u>6,172,956</u>	<u>39,510,996</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 39,537,265</u>	<u>\$ 5,312,301</u>	<u>\$ 44,849,566</u>

See accompanying Notes to Consolidated Financial Statements.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 10,114,361	\$ -	\$ 10,114,361
254,615	40,610	295,225
313,346	-	313,346
521,720	-	521,720
<u>11,204,042</u>	<u>40,610</u>	<u>11,244,652</u>
8,001,971	1,728,326	9,730,297
3,332,566	-	3,332,566
511,774	-	511,774
551,371	-	551,371
<u>12,397,682</u>	<u>1,728,326</u>	<u>14,126,008</u>
<u>3,487,256</u>	<u>(3,487,256)</u>	<u>-</u>
27,088,980	(1,718,320)	25,370,660
23,605,258	-	23,605,258
2,592,124	-	2,592,124
2,583,882	-	2,583,882
<u>28,781,264</u>	<u>-</u>	<u>28,781,264</u>
(1,692,284)	(1,718,320)	(3,410,604)
106,887	-	106,887
-	-	-
2,163,088	-	2,163,088
<u>(762,390)</u>	<u>-</u>	<u>(762,390)</u>
<u>1,507,585</u>	<u>-</u>	<u>1,507,585</u>
(184,699)	(1,718,320)	(1,903,019)
<u>33,522,739</u>	<u>7,891,276</u>	<u>41,414,015</u>
<u>\$ 33,338,040</u>	<u>\$ 6,172,956</u>	<u>\$ 39,510,996</u>

See accompanying Notes to Consolidated Financial Statements.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	Program Services					Total Program Services	Support Services			Total All All Services
	Creating Local and International Homeownership	Financing Homeownership	Preserving Homeownership	ReStores	Community Engagement		Management and General	Fundraising	Total Support Services	
Cost of Production - Cash	\$ 9,813,488	\$ -	\$ 452,126	\$ -	\$ -	\$ 10,265,614	\$ -	\$ -	\$ -	\$ 10,265,614
Cost of Production - In-Kind	996,819	-	20,637	-	-	1,017,456	-	-	-	1,017,456
Salaries, Taxes, and Benefits	4,430,542	507,951	913,846	752,312	400,829	7,005,480	1,663,246	1,698,469	3,361,715	10,367,195
Professional Fees	221,889	53,224	24,381	12,287	24,569	336,350	227,859	226,408	454,267	790,617
Printing and Media	2,105	394	2,242	7,739	2,649	15,129	229,212	305,394	534,606	549,735
Postage	6,362	1,521	1,327	483	600	10,293	28,339	29,091	57,430	67,723
Insurance	114,670	34,571	23,613	-	10,301	183,155	23,154	32,812	55,966	239,121
Telephone	39,167	1,369	6,860	3,330	1,815	52,541	3,712	5,617	9,329	61,870
Occupancy	249,310	5,553	66,323	483,971	9,542	814,699	13,767	48,824	62,591	877,290
Vehicle Fleet	46,170	1,445	13,375	27,088	2,672	90,750	3,581	6,888	10,469	101,219
General Supplies, Tools, and Site Supplies	169,617	2,701	28,386	31,558	8,074	240,336	15,006	165,068	180,074	420,410
Equipment Lease and Maintenance	10,446	603	1,935	7,806	679	21,469	1,494	4,877	6,371	27,840
Meals and Travel	30,581	1,223	6,367	3,235	19,404	60,810	13,790	65,021	78,811	139,621
Staff Development	53,887	4,183	10,883	450	6,961	76,364	38,473	25,344	63,817	140,181
Habitat International Tithe and Fees	242,125	-	-	-	-	242,125	-	-	-	242,125
Loan Servicing and Bank Fees	351	234,331	54	38,442	135	273,313	36,826	24,950	61,776	335,089
Miscellaneous	18,517	912	5,049	46,768	1,062	72,308	6,402	485	6,887	79,195
Affordability Gap and Closing Cost Subsidies	-	589,203	-	-	-	589,203	-	-	-	589,203
Discount Amortization and Interest Expense	94,256	1,440,453	19,409	-	8,467	1,562,585	19,033	26,970	46,003	1,608,588
Depreciation	287,896	22,930	59,437	130,954	23,703	524,920	58,756	80,748	139,504	664,424
<b>Total</b>	<b>\$ 16,828,198</b>	<b>\$ 2,902,567</b>	<b>\$ 1,656,250</b>	<b>\$ 1,546,423</b>	<b>\$ 521,462</b>	<b>\$ 23,454,900</b>	<b>\$ 2,382,650</b>	<b>\$ 2,746,966</b>	<b>\$ 5,129,616</b>	<b>\$ 28,584,516</b>
Operating	\$ 16,828,198	\$ 2,184,706	\$ 1,656,250	\$ -	\$ 521,462	\$ 21,190,616	\$ 2,382,650	\$ 2,482,262	\$ 4,864,912	\$ 26,055,528
Nonoperating - Amortization of Discount on Long-Term Notes Payable	-	717,861	-	-	-	717,861	-	-	-	717,861
Expenses Netted Against Revenues	-	-	-	1,546,423	-	1,546,423	-	264,704	264,704	1,811,127
<b>Total</b>	<b>\$ 16,828,198</b>	<b>\$ 2,902,567</b>	<b>\$ 1,656,250</b>	<b>\$ 1,546,423</b>	<b>\$ 521,462</b>	<b>\$ 23,454,900</b>	<b>\$ 2,382,650</b>	<b>\$ 2,746,966</b>	<b>\$ 5,129,616</b>	<b>\$ 28,584,516</b>
Percentage	58.87 %	10.15 %	5.79 %	5.41 %	1.82 %	82.05 %	8.34 %	9.61 %	17.95 %	100.00 %

See accompanying Notes to Consolidated Financial Statements.



**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Program Services					Total Program Services	Support Services			Total All All Services
	Creating Local and International Homeownership	Financing Homeownership	Preserving Homeownership	ReStores	Community Engagement		Management and General	Fundraising	Total Support Services	
Cost of Production - Cash	\$ 12,438,026	\$ -	\$ 447,368	\$ -	\$ -	\$ 12,885,394	\$ -	\$ -	\$ -	\$ 12,885,394
Cost of Production - In-Kind	716,271	-	56,185	-	-	772,456	-	-	-	772,456
Salaries, Taxes, and Benefits	4,132,617	524,160	796,845	755,861	423,844	6,633,327	1,752,180	1,518,648	3,270,828	9,904,155
Professional Fees	252,314	79,507	26,939	5,461	15,928	380,149	207,906	329,159	537,065	917,214
Printing and Media	3,522	937	3,491	12,114	5,828	25,892	287,305	358,029	645,334	671,226
Postage	9,108	700	1,831	607	1,072	13,318	24,179	26,043	50,222	63,540
Insurance	111,331	27,046	22,042	-	10,725	171,144	23,309	31,813	55,122	226,266
Telephone	43,824	1,194	8,353	3,580	2,009	58,960	4,105	5,457	9,562	68,522
Occupancy	279,176	7,700	75,918	454,649	13,748	831,191	21,679	52,517	74,196	905,387
Vehicle Fleet	55,498	1,673	18,303	31,386	3,798	110,658	4,709	8,566	13,275	123,933
General Supplies, Tools, and Site Supplies	307,165	4,994	38,043	14,919	13,983	379,104	18,009	286,394	304,403	683,507
Equipment Lease and Maintenance	12,611	641	3,070	-	894	17,216	1,804	9,479	11,283	28,499
Meals and Travel	34,132	6,763	8,078	2,844	25,198	77,015	37,456	251,675	289,131	366,146
Staff Development	88,448	12,579	21,877	1,240	14,532	138,676	44,590	31,252	75,842	214,518
Habitat International Tithe and Fees	245,800	-	-	-	-	245,800	-	-	-	245,800
Loan Servicing and Bank Fees	391	202,084	60	46,306	120	248,961	44,183	31,459	75,642	324,603
Miscellaneous	9,390	719	4,173	41,838	575	56,695	3,685	3,345	7,030	63,725
Affordability Gap and Closing Cost Subsidies	-	594,268	-	-	-	594,268	23,703	-	23,703	617,971
Discount Amortization and Interest Expense	183,286	1,497,740	36,288	-	17,656	1,734,970	38,374	52,374	90,748	1,825,718
Depreciation	265,947	19,516	52,408	121,616	25,388	484,875	54,948	75,156	130,104	614,979
<b>Total</b>	<b>\$ 19,188,857</b>	<b>\$ 2,982,221</b>	<b>\$ 1,621,272</b>	<b>\$ 1,492,421</b>	<b>\$ 575,298</b>	<b>\$ 25,860,069</b>	<b>\$ 2,592,124</b>	<b>\$ 3,071,366</b>	<b>\$ 5,663,490</b>	<b>\$ 31,523,559</b>
Operating	\$ 19,188,857	\$ 2,219,831	\$ 1,621,272	\$ -	\$ 575,298	\$ 23,605,258	\$ 2,592,124	\$ 2,583,882	\$ 5,176,006	\$ 28,781,264
Nonoperating - Amortization of Discount on Long-Term Notes Payable	-	762,390	-	-	-	762,390	-	-	-	762,390
Expenses Netted Against Revenues	-	-	-	1,492,421	-	1,492,421	-	487,484	487,484	1,979,905
<b>Total</b>	<b>\$ 19,188,857</b>	<b>\$ 2,982,221</b>	<b>\$ 1,621,272</b>	<b>\$ 1,492,421</b>	<b>\$ 575,298</b>	<b>\$ 25,860,069</b>	<b>\$ 2,592,124</b>	<b>\$ 3,071,366</b>	<b>\$ 5,663,490</b>	<b>\$ 31,523,559</b>
Percentage	60.87 %	9.46 %	5.14 %	4.73 %	1.82 %	82.03 %	8.22 %	9.74 %	17.97 %	100.00 %

See accompanying Notes to Consolidated Financial Statements.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 5,338,570	\$ (1,903,019)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	664,424	614,979
In-Kind Contributions of Goods	(946,771)	(447,030)
Discounts on Current-Year Borrowings Under Long-Term Notes Payable	(344)	(106,887)
Amortization of Discounts on Mortgages Receivable	(2,127,151)	(2,163,088)
Recognition of Earned Advanced Grant Funds	(876,132)	(333,887)
Origination of Mortgages Held for Sale	(21,399,308)	(18,996,154)
Proceeds from Sale of Mortgages Held for Sale	24,420,765	16,935,725
Amortization of Discount on Long-Term Notes Payable	717,861	762,390
Gain on Sale for Mortgage Servicing Rights	(474,840)	(323,715)
Gain on New Market Tax Credit	(2,651,100)	-
Other	71,287	(412,373)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	114,893	(351,914)
Contributions Receivable, Net	1,273,959	1,454,872
Leverage Loan Receivable	34,816	(3,660,132)
Inventory	1,477,239	(589,825)
Prepaid and Other Assets	72,989	(197,301)
Accounts Payable	87,367	(33,446)
Accrued Expenses	367,120	(46,825)
Unearned Grant Revenue	2,266,287	1,589,142
Net Cash Provided (Used) by Operating Activities	8,431,931	(8,208,488)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments Received on Mortgages Held	3,800,367	3,906,165
Purchase of Investments	(500,000)	(39,144)
Purchases of Property and Equipment	(724,649)	(362,340)
Net Cash Provided by Investing Activities	2,581,468	3,504,681
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Proceeds (Payments) on Line of Credit	(3,264,620)	4,243,439
Payments on Long-Term Notes Payable	(3,045,551)	(5,769,071)
Borrowings on Long-Term Notes Payable	1,734,350	6,623,085
Net Cash Provided (Used) by Financing Activities	(4,575,821)	5,097,453
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,437,578	393,646
Cash and Cash Equivalents - Beginning of Year	5,797,414	5,403,768
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 12,234,992	\$ 5,797,414
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 960,728	\$ 1,046,161
<b>NONCASH ITEMS</b>		
Inventory and Equipment Contributed by Donors	\$ 1,000,148	\$ 511,774
Contributions and Pledge Payments of Investment Securities	\$ 796,049	\$ 472,817

See accompanying Notes to Consolidated Financial Statements.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Purpose**

Twin Cities Habitat for Humanity, Inc. is a Minnesota nonprofit corporation, incorporated in 1985. The mission of Twin Cities Habitat for Humanity (TCHFH or the Organization) is to eliminate poverty housing from the Twin Cities and to make decent, affordable shelter for all people a matter of conscience. TCHFH fulfills its mission through five major program initiatives which address homeownership needs in the community while engaging the community in the issues of affordable homeownership.

Creating affordable homeownership is the primary program. TCHFH builds or renovates homes utilizing volunteer labor, donated materials, and contributed funds. The homes are then sold to pre-qualified, low-income families. Homebuyers are selected based on need, ability to repay the TCHFH mortgage, and willingness to partner. The Organization also tithes a portion of its general donations to Habitat for Humanity International to improve the housing conditions for people living in poverty around the world.

Long-term mortgage financing is a key component which makes Habitat homes affordable. Homes are sold to local low-income buyers with affordable mortgages provided by TCHFH Lending Inc. based on households paying no more than 30% of their monthly income for housing costs. The mortgages are profit-free.

Preserving homeownership includes three activities which allow existing homeowners in the community to remain in their home. "A Brush with Kindness" and "Age Well at Home" programs offer painting and critical remodeling services throughout the metropolitan area, serving low-income, elderly, or disabled homeowners seeking to stay in an affordable home. Volunteers and subcontractors provide these services and materials are received in-kind. In circumstances where repairs are more extensive, homeowners take out a loan through Federal Home Loan Bank sources. "Mortgage Foreclosure Prevention Program" is a contract service for any City of Minneapolis resident in need of foreclosure prevention counseling or intervention.

TCHFH operates two ReStores, which sell donated building materials and supplies to the general public. The ReStores relies significantly on volunteers to staff store operations, providing them with an opportunity to advance the TCHFH mission. Through the activities of the ReStores, TCHFH is also able to divert tons of usable materials from landfills each year. ReStore net profits help fund TCHFH programs.

Community engagement is a program initiative which runs throughout the activities of the Organization. These initiatives include soliciting and coordinating volunteers, educating the public about affordable housing, advocating for housing issues, community outreach, and initiatives to serve veterans.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Consolidation**

The consolidated financial statements include the activities of TCHFH Lending, Inc., Twin Cities Habitat for Humanity St. Paul HQ, LLC (TCHFH St. Paul HQ, LLC), and Twin Cities Habitat for Humanity – Community Housing Development Organization, Inc. (CHDO). TCHFH is the sole member of TCHFH Lending, Inc. TCHFH controls and has a 100% ownership interest in TCHFH St. Paul HQ, LLC. Twin Cities Habitat for Humanity, Inc. controls the CHDO's board of directors and economic interest exists between the entities. The CHDO had no activity in fiscal year 2020 and 2019 and therefore has not been presented in consolidating schedules.

All intercompany transactions and accounts have been eliminated in the consolidated financial statements.

**Consolidated Financial Statement Presentation**

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Resources over which the board of directors has discretionary control.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization has elected to present net assets that have no donor-stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met with the same reporting period, as without donor-restricted support.

Nonoperating activities include all noncash activities relating to discounting mortgages receivable, debt and contributions for capital purposes, and the close out of a previous new market tax credit transaction.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. At times, amounts may exceed Federal Deposit Insurance Corporation insured limits.

**Investments**

Investments consist of stocks, mutual funds, and exchange-traded and closed-end funds. They are recorded at fair value.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

In accordance with fair value measurements, the Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the consolidating balance sheets are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

**Accounts Receivable**

Accounts receivable are recorded at net realizable value. The Organization accounts for doubtful accounts receivable by the reserve method, based on management's best estimate and past history. All accounts receivable are due on demand. Receivables are assessed individually for collectibility based on the surrounding facts and circumstances and management's past history. When all collection efforts have been exhausted, the accounts are written off against the related allowance. As of June 30, 2020 and 2019, no allowance for doubtful accounts was necessary for accounts receivable.

**Leveraged Loans Receivable**

Leveraged loans receivable consists of the leveraged loan that was included as part of the new market tax credit transaction entered into during 2019. In addition, the leveraged loan receivable for year ended June 30, 2019 consisted of the Leveraged Loans A and B, which were part of the new market tax credit transaction from 2014 involving TCHFH St. Paul HQ, LLC which was terminated during the year ended June 30, 2020.

**Mortgages Receivable**

Mortgage notes receivable entered into at rates substantially below market rates are discounted to net present value. The discounts are charged directly to operations at the inception of the mortgage and amortized over the life of the contract. Discount amortization is reported as amortization of discount on mortgages on the consolidated statements of activities in the period amortized.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Mortgages Receivable (Continued)**

Mortgage receivables held with the intention of selling the mortgages are reported as mortgages held for sale on the consolidated balance sheets, while those held without the intention of being sold are reported as mortgages receivable held.

**Loans Held for Sale**

Mortgages held for sale are mortgages originated with the intent to be sold and are carried at the lower of book or estimated fair value. The Organization has an agreement with one financial institution to purchase the loans at cost. No gain or loss on the loan corpus is recognized on the sale, however a gain may be recognized on the sale related to the servicing rights.

**Valuation of Servicing Rights**

The Organization recognizes assets for the rights to service loans for others that result from the sale of loans it originates (asset transfers) at fair value in accordance with ASC 860. Servicing rights from asset transfers are initially capitalized and recorded at fair value. The Organization determines the fair value of servicing rights using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds (including housing price volatility), discount rate, default rates, cost to service (including delinquency and foreclosure costs) and contractual servicing fee income.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Impairment is determined by assessing risk characteristics, such as interest rate and loan types. The Organization did not recognize any impairment on servicing rights for the years ended June 30, 2020 and 2019.

**Allowance for Credit Losses**

The Organization's allowance for credit losses is that amount considered adequate to absorb probable losses based on management's evaluations of the size and current risk characteristics of the mortgage loan portfolios. Such evaluations consider historical and current portfolio performance information and experience with clients. Specific allowances for credit losses are established for large impaired notes on an individual basis. A note is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Credit Losses (Continued)**

At June 30, 2020, the Organization has individually evaluated mortgage notes for impairment. Management believes all mortgages receivable are realizable through either collection or foreclosure proceeds if not collected, with the exception of one program. Due to current market conditions and credit quality, one mortgage program recorded an allowance for doubtful accounts of \$69,071 as of June 30, 2020 and 2019.

At June 30, 2020, the Organization has individually evaluated leveraged loans receivable for impairment and no allowance is deemed necessary.

**Contributions Receivable**

Contributions receivable are recorded at net realizable value. Conditional pledges are not included as support until such time as the conditions are substantially met. Donor advised funds (DAF) are controlled by the fund, not the individual donor, so individual pledges from a DAF are not recorded until they are received or pledged from the fund. Receivables are assessed individually for collectibility based on the surrounding facts and circumstances and management's past history. When all collection efforts have been exhausted, the accounts are written off against the related allowance. As of June 30, 2020 and 2019, the allowance for doubtful accounts was \$36,078 and \$45,078, respectively.

**Inventory**

Inventories are valued at cost based on a specific identification method. In-kind inventory is recorded at its estimated market value when received. Inventory for homeownership is expensed to cost of production sold at time of sale to homeowners.

**Land Held in Trust**

Land held in trust represents the cost basis of land for homes sold where the land that the home is built upon is placed in a land trust to be held for a period of 99 years.

**Property and Equipment**

Property and equipment purchased are stated at cost. The Organization capitalizes items over \$1,000. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as without donor restriction. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets.

**In-Kind Contributions**

In-kind contributions consist of donated land, homes, materials, and specialized labor. Donated land is valued using independent appraisals, or if unavailable, comparative market analysis or the tax appraisal values. Donated materials and specialized labor are valued at market value on the date of donation.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Home Sales**

Nearly all sales to homeowners have been financed by TCHFH or its subsidiary TCHFH Lending, Inc. and are recorded when title is transferred. The amount of the first mortgage for homes TCHFH developed is classified as operating revenues and the related discount is recorded at the same time as nonoperating activity. Noninterest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing the effective interest method, this discount will be recognized as income over the term of the mortgage. Interest-bearing mortgages are evaluated at inception for potential discount. Interest-bearing mortgages have been deemed to be at a market rate thus far and no discount has been recognized on these mortgages.

**Contributions**

The organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

**Public Sector Funds**

A portion of the Organization's revenue is derived from cost reimbursable federal, state and local government contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as unearned grant revenue in the consolidated statement of financial position. The Organization received cost reimbursable grants of \$6,256,577 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$3,284,157 recognized in the consolidated statement of financial position as unearned grant revenue.

**Income Taxes**

The Organization, the CHDO and TCHFH Lending, Inc. have exempt status relative to federal and Minnesota corporate income taxes under Internal Revenue Code Section 501(c)(3) and applicable state statutes. The Organization and the CHDO are not private foundations and contributions to the Organization qualify as a charitable tax deduction by the contributor. TCHFH Lending, Inc. is a supporting organization of the Organization. TCHFH St. Paul HQ, LLC is a 100% owned LLC of Twin Cities Habitat for Humanity. TCHFH St. Paul HQ, LLC will file a Form 1065.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the consolidated financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization as a result of the implementation of this standard. The Organization's returns are subject to review and examination by federal and state authorities.



**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expense**

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on the best estimates of management. Expenses that are not directly identifiable by program or support service that are allocated based on personnel time spent on the activity include certain professional fees, tools and site supplies, and occupancy costs including rent, maintenance and utilities. Depreciation expenses are allocated based on personnel costs specifically related to the utilization of property and equipment assets.

**Paycheck Protection Program**

On April 6, 2020, the Organization received a loan from Sunrise Banks N.A. in the amount of \$1,730,100 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 6, 2020 to September 27, 2020 is the time that a business has to spend their PPP Loan funds. This is included in long-term notes payable in the consolidated statement of financial position.

**Unearned Grant Revenue**

Advance payments received on certain public sector funds are recorded as unearned grant revenue until the conditions of the grant agreement have been met, at which time the payments received are recognized as revenue.

**Estimates**

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**TWIN CITIES HABITAT FOR HUMANITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

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

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 1, 2020, the date the consolidated financial statements were available to be issued.

**NOTE 2 CONTRIBUTIONS RECEIVABLE**

The present value of the contributions receivable were summarized as follows at June 30:

	2020	2019
Gross Contributions Receivable	\$ 3,561,746	\$ 4,902,675
Less: Allowance for Doubtful Accounts	(36,078)	(45,078)
Less: Present Value Discount - 3%	(60,013)	(117,983)
Net Contributions Receivable	<u>\$ 3,465,655</u>	<u>\$ 4,739,614</u>
Amounts Due in:		
Less Than One Year	\$ 2,174,390	\$ 2,414,563
One to Five Years	1,387,356	2,488,112
Total	<u>\$ 3,561,746</u>	<u>\$ 4,902,675</u>

At June 30, 2020 and 2019, three contributors comprised 36% and two contributors comprised 23%, respectively, of the contributions receivable.

**NOTE 3 INVENTORY**

Inventory consists of the following at June 30:

	2020	2019
Land and Acquired Property	\$ 6,586,534	\$ 6,539,994
Building Material	5,890,314	6,332,251
Held for Resale	492,045	439,718
Total Inventory	<u>\$ 13,189,967</u>	<u>\$ 13,533,037</u>

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 PROPERTY AND EQUIPMENT**

A summary of the property and equipment costs and related accumulated depreciation at June 30 is as follows:

	2020		Life
	Cost	Accumulated Depreciation	
Land	\$ 1,602,372	\$ -	N/A
Buildings and Improvements	8,514,293	1,747,453	5 to 39 Years
Furniture and Equipment	1,819,659	1,435,635	5 to 7 Years
Vehicles	694,006	496,915	3 to 5 Years
Total	<u>\$ 12,630,330</u>	<u>\$ 3,680,003</u>	
Property and Equipment, Net		<u>\$ 8,950,327</u>	

	2019		Life
	Cost	Accumulated Depreciation	
Land	\$ 1,593,192	\$ -	N/A
Buildings and Improvements	8,056,325	1,435,078	5 to 39 Years
Furniture and Equipment	2,411,812	1,928,547	5 to 7 Years
Vehicles	659,530	459,722	3 to 5 Years
Total	<u>\$ 12,720,859</u>	<u>\$ 3,823,347</u>	
Property and Equipment, Net		<u>\$ 8,897,512</u>	

**NOTE 5 LEVERAGED LOANS RECEIVABLE**

At June 30, the composition of leveraged loans receivable was as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Leveraged Loan A, 2.4316%, Due in interest-only installments with principal due on April 16, 2020.	\$ -	\$ 3,700,000
Leveraged Loan B, 2.4316%, Due in interest-only installments through April 16, 2020, Commencing May 1, 2020 due in monthly installments of \$13,098 with principal due on April 16, 2043.	-	2,766,900
Investment in Leveraged Lender, 0.694151%, Due in interest-only installments through May 5, 2025, Commencing August 23, 2025 due in semi-annual installments of \$38,120 with principal due on August 22, 2048.	<u>3,623,316</u>	<u>3,660,132</u>
Total	<u>\$ 3,623,316</u>	<u>\$ 10,127,032</u>

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 5 LEVERAGED LOANS RECEIVABLE (CONTINUED)**

The loans are secured by substantially all assets of the borrower. As of June 30, 2020 and 2019, the Organization has not reserved any allowance for losses on the leveraged loans receivable, as these loans are being collected consistent with their payment terms.

**NOTE 6 MORTGAGES RECEIVABLE**

An Organization-developed home is considered sold when a formal closing transaction has been finalized. Homes are priced at fair market value based on an appraisal of the property. Contract periods span 20 to 30 years, and monthly payments are no greater than 30% of the family's income at the time of sale. At June 30, 2020 and 2019, the Organization had 781 and 823 mortgages outstanding, respectively.

When the first mortgage on each home is less than the market value, the Organization also provides a second mortgage for the difference between the first mortgage and market value. The second mortgage, which is forgiven at the end of the first mortgage term, is assumed to have no economic value and, accordingly, is not recognized in the Organization's financial statements unless such mortgage becomes collectible in accordance with the terms of the mortgage agreement.

The Organization has two portfolios of mortgages receivable outstanding: loans held by the Organization and loans held for sale. The mortgages receivable within the held portfolio primarily consist of no-interest first mortgages provided on homes that the Organization developed and sold to homebuyers through October 2016. The mortgages receivable held for sale portfolio includes interest-bearing first mortgages originated since November 2016 by TCHFH Lending Inc. with intent to sell to outside partner investors. These mortgages are originated to homebuyers purchasing a home developed by the Organization as well as mortgages provided to homebuyers purchasing a home on the open market.

The outstanding mortgages receivable held for sale portfolio is \$2,334,177 and \$5,393,223 at June 30, 2020 and 2019, respectively. This portfolio has no delinquent mortgages and is considered to be fully collectible within the coming year, so the Organization has not recorded an allowance or discount on the mortgages receivable held for sale portfolio as of June 30, 2020 and 2019.

For the held portfolio, the mortgage loans receivable are noninterest-bearing mortgages. At June 30, the composition of mortgages receivable held is as follows:

	<u>2020</u>	<u>2019</u>
Mortgages Receivable Held	\$ 54,663,434	\$ 58,922,701
Less: Unamortized Discount	(18,568,297)	(20,695,448)
Less: Allowance for Credit Losses	(69,071)	(69,071)
Total	<u>\$ 36,026,066</u>	<u>\$ 38,158,182</u>

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 MORTGAGES RECEIVABLE (CONTINUED)**

The held mortgages receivable have been discounted in order to reflect their economic value. The interest rates used to determine the discount range from 3.74% to 8.17% based on prevailing market rates in the year the mortgage originated. These original discounts and related amortization are reflected as a nonoperating activity in the consolidated statement of activities.

The allowance for credit losses and recorded investment in loans is as follows:

	<u>2020</u>	<u>2019</u>
Allowance for Credit Losses:		
Balance at Beginning of the Year	\$ 69,071	\$ 69,071
Provision for Loan Losses	-	-
Loans Charged-Off	-	-
Recoveries on Sales of Loans	-	-
Balance at End of Year	<u>\$ 69,071</u>	<u>\$ 69,071</u>

The following tables show an aging analysis of the mortgages receivable held loan portfolio by time past due:

	<u>2020</u>			
	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total</u>
Mortgages Receivable	\$ 52,564,531	\$ 874,780	\$ 1,224,123	\$ 54,663,434

	<u>2019</u>			
	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total</u>
Mortgages Receivable	\$ 55,979,210	\$ 1,647,314	\$ 1,296,177	\$ 58,922,701

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 LONG-TERM NOTES PAYABLE**

Long-term notes payable consists of the following as of June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
<i><u>Interest-Bearing Notes:</u></i>		
Notes Payable, 3%, Secured by Specifically Identified Mortgages Receivable, Due in Monthly Installments of \$2,841 with Maturity Dates from September 1, 2018 to January 1, 2020 (a)	\$ -	\$ 19,689
Note Payable, 1%, Secured by Specifically Identified Mortgages Receivable, Due in Monthly Installments of \$1,738 through March 1, 2022 (a)	36,173	56,560
Note Payable, 2.83%, Secured by Specifically Identified Mortgages Receivable, Due in Monthly Installments of \$88,977 through September 1, 2040 (a)	13,300,896	13,981,099
Note Payable, 4.25%, Secured by Specific Mortgages Receivable, Due in Monthly Installments of \$7,683 through July 1, 2023	268,581	347,316
Note Payable, 3%, Unsecured, Due in Quarterly Interest-Only Installments of \$9,750 with Principal Balance Due in Full on October 1, 2022	1,300,000	1,300,000
Note Payable, 3.75%, Secured by specifically identified mortgages receivable, Due in monthly installments of \$7,505 through May 1, 2021	81,391	166,578
Note Payable, 2%, Unsecured, Due in quarterly interest-only installments of \$5,000 with principal balance due on April 4, 2021	1,000,000	1,000,000
Note Payable, 1.43%, Unsecured, Annual interest-only payments of \$14,300 with principal balance due on July 14, 2025	1,000,000	1,000,000
Note Payable, 2%, Unsecured, Annual interest-only payments of \$20,000 with principal balance due on December 20, 2019	-	1,000,000
Note Payable, 2.99%, Secured by specifically identified mortgages receivable, Due in monthly installments of \$4,491 through February 1, 2020	-	35,532
Note Payable, 3.40%, Secured by specifically identified mortgages receivable, Due in monthly installments of \$4,540 through March 1, 2022	-	142,720
Note Payable, 4%, Secured by specifically identified mortgages receivable, Due in monthly installments of \$7,593 through July 1, 2022	182,759	264,627

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 LONG-TERM NOTES PAYABLE (CONTINUED)**

<u>Description</u>	<u>2020</u>	<u>2019</u>
<i>Interest-Bearing Notes (Continued):</i>		
Note Payable, 3%, Secured by specifically identified mortgages receivable. Due in monthly installments of \$3,557 with principal balance due on April 1, 2042 (a)	\$ 677,432	\$ 699,429
Note Payable, 1.5%, Unsecured, Quarterly interest-only payments of \$3,750 with principal balance due on January 31, 2028	1,000,000	1,000,000
Note Payable, 2.86%, 2.55% and 2.38% based on date of when funds were drawn, Unsecured, Annual interest-only payments of \$22,880 with principal balance due on September 30, 2025	<u>800,000</u>	<u>800,000</u>
Subtotal - Interest-Bearing Notes	19,647,232	21,813,550
<i>Qualified Low Income Community Investment Notes:</i>		
QALICI Note A, 2.315%, Secured by specific parcels of land, buildings, improvements, fixtures and personal property thereon and leases, rents, issues and profits therefrom, was due in interest-only installments. Was forgiven during 2020.	-	3,700,000
QALICI Note B, 2.315%, Secured by specific parcels of land, buildings, improvements, fixtures and personal property thereon and leases, rents, issues and profits therefrom, was due in interest-only installments. Was forgiven during 2020.	-	2,766,900
QALICI Note C, 2.315%, Secured by specific parcels of land, buildings, improvements, fixtures and personal property thereon and leases, rents, issues and profits therefrom, was due in interest-only installments. Was forgiven during 2020.	-	2,653,100
QLICI Note Payable, 0.694151%, Secured by notes receivable of \$3,623,316, Due in semi-annual interest-only installments of \$18,410 through May 5, 2025. Due in semi-annual principal and interest installments through August 22, 2048	<u>5,304,335</u>	<u>5,304,335</u>
Subtotal - Qualified Low Income Community Investment Notes	5,304,335	14,424,335
<i>Noninterest Bearing Notes:</i>		
Notes Payable, Noninterest-bearing, Secured by Specifically Identified Mortgages Receivable, Due in Monthly Installments Based on the Term of the Loans, Current Monthly Installments of \$68,938 with Balances Due through June 1, 2043 (a)	8,386,902	9,186,966
Notes Payable, Noninterest-bearing, Unsecured, Due in Monthly Installments to Habitat for Humanity International for the SHOP program over 48 months (b)	94,953	151,206

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 7 LONG-TERM NOTES PAYABLE (CONTINUED)**

<u>Description</u>	<u>2020</u>	<u>2019</u>
<i>Noninterest Bearing Notes (Continued):</i>		
Note Payable, Noninterest-bearing, Secured by Underlying Interest in Property, Amount Due in Monthly Installments of \$1,000 or once a year at \$12,000 through December 31, 2019	\$ -	\$ 12,000
Note Payable, Noninterest-bearing, Unsecured, Amount Due in Yearly Installments of \$6,667 through January 1, 2036	<u>106,663</u>	<u>113,329</u>
Subtotal - Noninterest Bearing Notes	8,588,518	9,463,501
<i>Forgivable Notes:</i>		
Paycheck Protection Program unsecured loan as described in Note 1.	1,730,100	-
Note Payable, Noninterest-bearing, Unsecured, No Payments Required, Forgivable on January 31, 2023 Contingent on Specific Requirements Being Met	80,000	80,000
Notes Payable, Noninterest-bearing, Unsecured, No Payments Required, Forgivable between July 1, 2032 and June 1, 2038 Contingent on Specific Requirements Being Met	<u>523,273</u>	<u>523,273</u>
Subtotal - Forgivable Notes	<u>2,333,373</u>	<u>603,273</u>
Total	35,873,458	46,304,659
Less: Unamortized Discount	(4,488,114)	(5,149,735)
Less: Unamortized Origination Fees	<u>(613,257)</u>	<u>(681,655)</u>
Long-Term Notes Payable, Net	<u>\$ 30,772,087</u>	<u>\$ 40,473,269</u>

(a) Notes Payable due to Habitat for Humanity of Minnesota, Inc., an affiliate of Habitat for Humanity International

Maturities of long-term notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Repayable</u>	<u>Forgivable</u>
2021	\$ 2,841,900	\$ 582,726
2022	1,737,838	1,147,374
2023	2,953,002	80,000
2024	1,586,120	-
2025	1,615,262	-
Thereafter	<u>22,805,963</u>	<u>523,273</u>
Total	<u>\$ 33,540,085</u>	<u>\$ 2,333,373</u>



**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 7 LONG-TERM NOTES PAYABLE (CONTINUED)**

The interest-bearing notes payable were made to the Organization at rates below the prevailing market rates and are discounted at the prevailing market rate at time of origination. These discounts are reflected as contributions in the year of origination.

These original discounts and related amortization are reflected as nonoperating activity in the consolidated statement of activities.

Certain note payable agreements required the Organization to meet certain financial and other covenants of which they were in compliance as of June 30, 2020 or have obtained a waiver.

**New Market Tax Credit Financing**

In April 2013, TCHFH St. Paul HQ, LLC obtained a new market tax credit enhanced mortgage loan for a total of \$9,120,000 (consisting of QALICI Notes A, B, and C) to finance project costs related to the construction of the new corporate headquarters for TCHFH and TCHFH St. Paul HQ, LLC. TCHFH St. Paul HQ, LLC is a 95% owned LLC of Twin Cities Habitat for Humanity, Inc. with the remaining 5% owned by another nonprofit affordable housing organization, and subject to a member control agreement. TCHFH and the other nonprofit affordable housing organization contributed \$359,237 and \$18,907, respectively, of capital to TCHFH St. Paul HQ, LLC. Participating lenders received an allocation of new market tax credits pursuant to Section 45D of the Code in order to assist eligible businesses in making new investments in certain communities. As part of the NMTC transaction, TCHFH loaned \$6,466,900 (consisting of Leveraged Loans A and B) to a third-party investment fund, which along with new market tax credit equity from a participating bank, loaned NMTC proceeds to TCHFH St. Paul HQ, LLC in the form of QALICI Notes A, B, and C. In April 2020, Habitat for Humanity, Inc. exercised the call option to purchase the full ownership interest of the Investment Fund. In doing so, they obtained full control over Notes A, B and C. These three notes were then forgiven along with the Leverages Loans A and B held by Habitat for Humanity, Inc. The transaction resulted in a net gain of \$2,651,100 on the consolidated statement of activities. Subsequent to this transaction, TCHFH St. Paul HQ, LLC also transferred all ownership interest in assets owned to Habitat for Humanity, Inc. Subsequent to year-end, as of August 25, 2020, the LLC had dissolved as a legal entity.

In August 2018, the Organization participated in a NMTC program. The program provides tax credits to eligible organizations for investment in “qualified low-income community investments”. Program compliance requirements included creation of a promissory note and investment in a qualified community development activity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period. The Organization originally recorded its 24.44% investment in Twain Investment Fund 306, LLC at the cost of \$3,691,733. The Organization’s corresponding note payable is \$5,304,335, consisting of one QLICl loan. In August 2025, under the terms of the put option agreement, the put option will be exercised. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund.

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 LINE OF CREDIT**

The Organization has two lines of credit with interest rates ranging from 1.00% to the Prime rate less 1.50%, never to drop below 3.25%. One revolving line of credit, which expires in June 2028, permits borrowings up to \$25,000,000. The agreement is unsecured. There was an outstanding balance of \$2,250,000 and \$2,625,000 as of June 30, 2020 and 2019, respectively. The Organization's subsidiary, TCHFH Lending, Inc., has a warehouse line of credit to borrow up to \$5,000,000. The line of credit expires in April 2021. The agreement is secured by mortgage loans in transit. As of June 30, 2020 and 2019, there is an outstanding balance of \$1,427,769 and \$4,317,389, respectively.

**NOTE 9 LEASES**

The Organization leases a warehouse facility, office space for the Homebuyer Program and Mortgage Foreclosure Prevention Program, and two outlet stores under noncancelable operating lease agreements. Each of these leases requires monthly rent payments and requires the Organization to pay its portion of taxes, maintenance, and operating expenses. Rent expense for the years ended June 30, 2020 and 2019 was \$592,487 and \$567,579, respectively.

Minimum lease payments for operating leases in future years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 508,424
2022	385,948
2023	340,808
2024	269,622
2025	197,825
Thereafter	-
Total Minimum Lease Payments	<u>\$ 1,702,627</u>

**NOTE 10 IN-KIND CONTRIBUTIONS**

In-kind contributions consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Land and Building Materials	\$ 477,471	\$ 29,523
Tools and Equipment	469,300	417,507
Specialized Labor	53,377	64,744
Subtotal In-Kind Contributions	<u>1,000,148</u>	<u>511,774</u>
Special Event Donated Material	73,962	154,729
Total In-Kind Contributions	<u>\$ 1,074,110</u>	<u>\$ 666,503</u>

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 10 IN-KIND CONTRIBUTIONS (CONTINUED)**

In-kind contributions were expended as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Cost of Homes Sold	\$ 1,017,456	\$ 772,456
Specialized Labor and Services	53,377	64,744
Materials and Equipment	469,300	417,507
Special Event Direct Benefits	73,962	154,729
Total In-Kind Expenses	<u>\$ 1,614,095</u>	<u>\$ 1,409,436</u>

The difference between revenue and expense is due to in-kind contributions that are either held in inventory or expensed out of inventory.

**NOTE 11 DEFINED CONTRIBUTION PLAN**

The Organization sponsors a 401(k) and Profit Sharing Plan. Under this plan, eligible employees may elect to defer up to 80% of their eligible compensation.

Under the plan, the Organization contributes an amount on behalf of each eligible participant equal to 100% of their contribution up to 3% of the employees' contributions. Contributions to these plans by the Organization were \$192,018 and \$163,001 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Time Restricted Pledges	\$ 3,465,655	\$ 4,739,614
Restricted for Program Purposes	583,151	640,954
Unappropriated Endowment Earnings	98,132	127,025
Endowment to be Held in Perpetuity	1,165,363	665,363
Total	<u>\$ 5,312,301</u>	<u>\$ 6,172,956</u>

Net assets released from restriction consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Net Pledges Received	\$ 2,144,137	\$ 2,606,465
Program Expenditures Incurred	596,733	880,791
Total Releases from Restriction	<u>\$ 2,740,870</u>	<u>\$ 3,487,256</u>

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 13 ENDOWMENT**

**Donor-Restricted Endowments**

During the year ended June 30, 2004, the Organization received a \$665,363 foundation contribution that was perpetually restricted for endowment purposes. Prior to June 30, 2008, all endowment earnings were made available and used to support operating activities. During the year ended June 30, 2020, the Organization received a \$500,000 endowment contribution.

The composition of endowment funds by type of fund are as follows at June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ -	\$ 1,263,495	\$ 1,263,495

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	\$ -	\$ 792,388	\$ 792,388

The summary of changes in endowment net assets is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2019	\$ -	\$ 792,388	\$ 792,388
Contributions	-	500,000	500,000
Investment Loss	-	(28,893)	(28,893)
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2020	\$ -	\$ 1,263,495	\$ 1,263,495

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2018	\$ -	\$ 751,778	\$ 751,778
Contributions	-	-	-
Investment Income	-	40,610	40,610
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2019	\$ -	\$ 792,388	\$ 792,388

**TWIN CITIES HABITAT FOR HUMANITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 13 ENDOWMENT (CONTINUED)**

**Donor-Restricted Endowments (Continued)**

This donor-restricted endowment fund was established for the purpose of securing the Organization's long-term financial viability. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as maintaining the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Investment Objectives and Strategies**

The Organization has adopted an investment policy to guide the investing of this single donor endowment asset. Under the approved policy this endowment asset is invested in a manner that is intended to maintain its principal, in accordance with the donors' wishes.

**Spending Policy**

The board of directors authorized appropriations as it deems prudent. The Organization has a practice of appropriating for distribution only investment earnings in excess of original endowment principal. Unappropriated earnings for the fiscal years 2009 - 2020 total \$98,132.

**NOTE 14 INVESTMENTS**

Investments at market value consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mutual Funds	\$ 354,572	\$ 380,479
Stocks	756,110	333,766
Exchange-Traded and Closed-End Funds	130,280	66,253
Total	<u>\$ 1,240,962</u>	<u>\$ 780,498</u>

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 15 FAIR VALUE HIERARCHY**

The following table presents the fair value hierarchy for the balances of financial assets and liabilities the Organization measured at fair value on a recurring basis as of June 30:

	2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 354,572	\$ -	\$ -	\$ 354,572
Stocks	756,110	-	-	756,110
Exchange-Traded and Closed-End Funds	130,280	-	-	130,280
Total	\$ 1,240,962	\$ -	\$ -	\$ 1,240,962
	2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 380,479	\$ -	\$ -	\$ 380,479
Stocks	333,766	-	-	333,766
Exchange-Traded and Closed-End Funds	66,253	-	-	66,253
Total	\$ 780,498	\$ -	\$ -	\$ 780,498

**NOTE 16 MORTGAGE SERVICING RIGHTS**

The Organization's subsidiary, TCHFH Lending Inc., has mortgage servicing rights on mortgages that it originated and sold with servicing retained. The value of these rights was \$998,052 and \$523,212 as of June 30, 2020 and 2019, respectively. The servicing asset for June 30, 2020 was determined using a weighted-average note rate of 2.98%, discount rate of 14.0%, and conditional prepayment rate of 4.91%. The servicing asset for June 30, 2019 was determined using a weighted-average note rate of 2.93%, discount rate of 14.50%, and conditional prepayment rate of 5.50%.

The following revenues related to servicing rights are recognized as Other Revenue during the years ended June 30:

	2020	2019
Servicing Fees Earned	\$ 223,711	\$ 107,520
Gain on Loan Sales	474,840	266,446

Activity for servicing rights under the amortization method is as follows for the years ended June 30:

	2020	2019
Balance at Beginning of the Year	\$ 523,212	\$ 256,766
Additions	474,840	266,446
Impairment	-	-
Balance at End of the Year	\$ 998,052	\$ 523,212

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 17 LIQUIDITY AND AVAILABILITY**

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenses. The Organization regularly monitors the liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the return on its available funds. The Organization has a few sources of liquidity at its disposal, including cash and cash equivalents and lines of credit. See note 8 for information about the Organization's lines of credit.

For purposes of analyzing resources available to meet general expenses over a 12-month period, the Organization considers all expenses related to its ongoing program and support activities to be general expenses. If assets are not available to meet current operating needs, then they are not included in our analysis below. Inventory and Mortgages held for resale are not included in our analysis because they require the Organization to sell the assets.

In addition to financial assets available to meet general expenses over the next 12 months, the Organization operates within its budget and anticipates collecting sufficient funding to cover general expenses not covered by donor-restricted resources.

As of June 30, 2020 and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenses:

	<u>2020</u>	<u>2019</u>
Available Assets		
Cash and Cash Equivalents	\$ 12,234,992	\$ 5,797,414
Accounts Receivable	932,437	1,047,330
Contributions Receivable, Due in One Year	2,174,390	2,414,563
Mortgages Held, Due in One Year	3,068,000	3,360,000
	<u>18,409,819</u>	<u>12,619,307</u>
Other Balances		
Less: Restricted Cash Accounts	(186,527)	(221,931)
Less: Restricted Receipts Not Yet Spent	(538,930)	(596,733)
Total Available Assets, Net	<u>\$ 17,684,362</u>	<u>\$ 11,800,643</u>
Line of Credit Balances Available for General Operations	<u>\$ 22,750,000</u>	<u>\$ 27,275,000</u>

**TWIN CITIES HABITAT FOR HUMANITY, INC.**  
**CONSOLIDATING BALANCE SHEET**  
**JUNE 30, 2020**

<b>ASSETS</b>	Twin Cities Habitat for Humanity, Inc.	Lending, Inc.	TCHFH St. Paul HQ, LLC	Eliminations	Consolidated
Cash and Cash Equivalents	\$ 10,999,131	\$ 1,235,861	\$ -	\$ -	\$ 12,234,992
Investments	1,240,962	-	-	-	1,240,962
Accounts Receivable	904,612	27,825	-	-	932,437
Mortgage Servicing Asset, Net	-	998,052	-	-	998,052
Contributions Receivable, Net	3,465,655	-	-	-	3,465,655
Related Entity Receivable	1,969,521	-	-	(1,969,521)	-
Inventory	13,189,967	-	-	-	13,189,967
Land Held in Trust	1,131,221	-	-	-	1,131,221
Prepaid and Other Assets	541,226	9,895	-	-	551,121
Leveraged Loans Receivable	3,623,316	-	-	-	3,623,316
Property and Equipment, Net	9,301,749	-	-	(351,422)	8,950,327
Mortgages Receivable:					
Mortgages Receivable Held, at Face Value	54,663,434	-	-	-	54,663,434
Mortgages Receivable Held for Sale, at Face Value	-	2,334,177	-	-	2,334,177
Less: Unamortized Discount and Allowance	(18,637,368)	-	-	-	(18,637,368)
Mortgages Receivable, Net	<u>36,026,066</u>	<u>2,334,177</u>	<u>-</u>	<u>-</u>	<u>38,360,243</u>
 Total Assets	 <u>\$ 82,393,426</u>	 <u>\$ 4,605,810</u>	 <u>\$ -</u>	 <u>\$ (2,320,943)</u>	 <u>\$ 84,678,293</u>
 <b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 903,755	\$ 5,235	\$ -	\$ -	\$ 908,990
Accrued Expenses	1,185,724	-	-	-	1,185,724
Related Entity Payable	-	1,969,521	-	(1,969,521)	-
Line of Credit	2,250,000	1,427,769	-	-	3,677,769
Unearned Grant Revenue	2,752,555	531,602	-	-	3,284,157
Long-Term Notes Payable:					
Long-Term Notes Payable at Face Value	35,873,458	-	-	-	35,873,458
Less: Unamortized Discount and Origination Fees	(5,101,371)	-	-	-	(5,101,371)
Long-Term Notes Payable, Net	<u>30,772,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,772,087</u>
 Total Liabilities	 37,864,121	 3,934,127	 -	 (1,969,521)	 39,828,727
 <b>NET ASSETS</b>					
Without Donor Restrictions	39,217,004	671,683	-	(351,422)	39,537,265
With Donor Restrictions	5,312,301	-	-	-	5,312,301
Total Net Assets	<u>44,529,305</u>	<u>671,683</u>	<u>-</u>	<u>(351,422)</u>	<u>44,849,566</u>
 Total Liabilities and Net Assets	 <u>\$ 82,393,426</u>	 <u>\$ 4,605,810</u>	 <u>\$ -</u>	 <u>\$ (2,320,943)</u>	 <u>\$ 84,678,293</u>



**TWIN CITIES HABITAT FOR HUMANITY, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Twin Cities Habitat for Humanity, Inc.		Lending, Inc.	TCHFH St. Paul HQ, LLC	Eliminations	Consolidated	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions		Without Donor Restrictions	With Donor Restrictions
<b>OPERATING REVENUE AND SUPPORT</b>							
Operating Revenue:							
Home Sales (Mortgages Received)	\$ 9,439,633	\$ -	\$ -	\$ -	\$ -	\$ 9,439,633	\$ -
Investment Income (Loss)	160,767	(28,893)	50,315	-	-	211,082	(28,893)
ReStore Sales (Net of Direct Expense of \$1,546,423)	18,548	-	-	-	-	18,548	-
Service and Other Revenue from Related Entity	120,000	-	281,082	-	(401,082)	-	-
Other	160,575	-	716,740	200,000	(200,000)	877,315	-
Total Operating Revenue	9,899,523	(28,893)	1,048,137	200,000	(601,082)	10,546,578	(28,893)
Support:							
Contributions	9,653,185	1,909,108	-	-	-	9,653,185	1,909,108
Public Sector Funds	3,542,714	-	168,398	-	-	3,711,112	-
Contribution from Related Entity	-	-	1,000	-	(1,000)	-	-
In-Kind	1,000,148	-	-	-	-	1,000,148	-
Special Events (Net of Direct Expense of \$264,704)	542,126	-	-	-	-	542,126	-
Total Support	14,738,173	1,909,108	169,398	-	(1,000)	14,906,571	1,909,108
Net Assets Released from Restrictions	2,740,870	(2,740,870)	-	-	-	2,740,870	(2,740,870)
Total Operating Revenue and Support	27,378,566	(860,655)	1,217,535	200,000	(602,082)	28,194,019	(860,655)
<b>OPERATING EXPENSES</b>							
Program Services	20,292,764	-	991,311	410,397	(503,856)	21,190,616	-
Management and General	2,333,670	-	79,541	60,170	(90,731)	2,382,650	-
Fundraising	2,432,110	-	-	85,268	(35,116)	2,482,262	-
Total Operating Expenses	25,058,544	-	1,070,852	555,835	(629,703)	26,055,528	-
<b>OPERATING INCREASE (DECREASE) IN NET ASSETS</b>	2,320,022	(860,655)	146,683	(355,835)	27,621	2,138,491	(860,655)
<b>NONOPERATING ACTIVITIES</b>							
Contribution of Below Market Interest Rate Debt	344	-	-	-	-	344	-
Gain (Loss) on New Market Tax Credit	(6,468,900)	-	-	9,120,000	-	2,651,100	-
Transfer of Assets	7,852,867	-	-	(7,852,867)	-	-	-
Amortization of Discount on Mortgages	2,127,151	-	-	-	-	2,127,151	-
Amortization of Discount on Long-Term Notes Payable	(717,861)	-	-	-	-	(717,861)	-
<b>NONOPERATING INCREASE IN NET ASSETS</b>	2,793,601	-	-	1,267,133	-	4,060,734	-
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	5,113,623	(860,655)	146,683	911,298	27,621	6,199,225	(860,655)
Net Assets - Beginning of Year	34,103,381	6,172,956	525,000	(911,298)	(379,043)	33,338,040	6,172,956
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 39,217,004</u>	<u>\$ 5,312,301</u>	<u>\$ 671,683</u>	<u>\$ -</u>	<u>\$ (351,422)</u>	<u>\$ 39,537,265</u>	<u>\$ 5,312,301</u>