TWIN CITIES HABITAT FOR HUMANITY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2022 AND 2021

TWIN CITIES HABITAT FOR HUMANITY
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Finance Committee
Twin Cities Habitat for Humanity
St. Paul, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Twin Cities Habitat for Humanity (a nonprofit organization), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Twin Cities Habitat for Humanity as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Twin Cities Habitat for Humanity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Twin Cities Habitat for Humanity's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Twin Cities Habitat for Humanity's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Twin Cities Habitat for Humanity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements 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 derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

Finance Committee
Twin Cities Habitat for Humanity

The information has been subjected to the auditing procedures applied in the audits 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.

Emphasis-of-Matter Regarding Supplemental Information

Twin Cities Habitat for Humanity, Inc. restated amounts on the supplementary information (consolidating balance sheet and consolidating statement of activities) to reclassify certain line items between the two entities for the year ended June 30, 2022. TCHFH Lending, Inc.'s liabilities were decreased by $1,283,909, beginning net assets were increased by $415,000, and its change in net assets was increased by $868,909. Twin Cities Habitat for Humanity's receivables were decreased by $1,283,909, beginning net assets were decreased by $415,000, and its change in net assets was decreased by $868,909. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 6, 2022, except for the supplemental information, for
which the date is March 22, 2023

TWIN CITIES HABITAT FOR HUMANITY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	$ 29,941,132	$ 14,092,133
Investments (Note 14)	3,046,147	1,582,991
Accounts Receivable	851,620	731,047
Mortgage Servicing Asset, Net (Note 16)	1,573,116	1,087,597
Contributions Receivable, Net (Note 2)	1,556,207	3,259,428
Inventory (Note 3)	14,649,791	12,400,727
Land Held in Trust	1,132,782	1,132,782
Prepaid and Other Assets	964,711	990,628
Leveraged Loan Receivable (Note 5)	3,549,683	3,586,500
Property and Equipment, Net (Note 4)	8,046,322	8,427,662
Mortgages Receivable (Note 6):		
Mortgages Receivable Held, at Face Value	46,360,123	50,837,577
Mortgages Receivable Held for Sale, at Face Value	2,941,937	2,315,736
Less: Unamortized Discount and Allowance	(14,375,127)	(16,434,258)
Mortgages Receivable, Net	34,926,933	36,719,055
Total Assets	$ 100,238,444	$ 84,010,550
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 465,547	$ 357,882
Accrued Expenses	1,300,551	1,240,473
Line of Credit (Note 8)	6,761,350	4,055,060
Unearned Grant Revenue	2,028,874	2,091,869
Long-Term Notes Payable (Note 7):		
Long-Term Notes Payable, at Face Value	26,225,421	29,536,350
Less: Unamortized Discount and Origination Fees	(3,550,888)	(4,115,896)
Long-Term Notes Payable, Net	22,674,533	25,420,454
Total Liabilities	33,230,855	33,165,738
NET ASSETS		
Without Donor Restrictions	62,788,483	44,328,770
With Donor Restrictions (Note 12 and 13)	4,219,106	6,516,042
Total Net Assets	67,007,589	50,844,812
Total Liabilities and Net Assets	$ 100,238,444	$ 84,010,550

See accompanying Notes to Consolidated Financial Statements.

TWIN CITIES HABITAT FOR HUMANITY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Operating Revenue:			
Home Sales (Mortgages Received)	$ 10,079,052	$ -	$ 10,079,052
Investment Income (Loss)	18,900	(208,407)	(189,507)
ReStore Sales (Net of Direct Expense of $5,027,750)	540,798	-	540,798
PPP Loan Forgiveness	1,712,600	-	1,712,600
Other	1,021,453	-	1,021,453
Total Operating Revenue	13,372,803	(208,407)	13,164,396
Support:			
Contributions	23,840,474	837,779	24,678,253
Public Sector Funds	3,389,577	-	3,389,577
In-Kind (Note 10)	721,552	-	721,552
Special Events (Net of Direct Expense of $432,648)	508,678	-	508,678
Total Support	28,460,281	837,779	29,298,060
Net Assets Released from Restrictions (Note 12)	2,926,308	(2,926,308)	-
Total Operating Revenue and Support	44,759,392	(2,296,936)	42,462,456
OPERATING EXPENSES			
Program Services	23,353,325	-	23,353,325
Management and General	2,368,332	-	2,368,332
Fundraising	2,537,028	-	2,537,028
Total Operating Expenses	28,258,685	-	28,258,685
OPERATING INCREASE (DECREASE) IN NET ASSETS	16,500,707	(2,296,936)	14,203,771
NONOPERATING ACTIVITIES			
Gain on Fixed Asset Disposal	453,737	-	453,737
Amortization of Discount on Mortgages	2,059,131	-	2,059,131
Amortization of Discount on Long-Term Notes Payable	(553,862)	-	(553,862)
NONOPERATING INCREASE IN NET ASSETS	1,959,006	-	1,959,006
TOTAL INCREASE (DECREASE) IN NET ASSETS	18,459,713	(2,296,936)	16,162,777
Net Assets - Beginning of Year	44,328,770	6,516,042	50,844,812
NET ASSETS - END OF YEAR	$ 62,788,483	$ 4,219,106	$ 67,007,589

See accompanying Notes to Consolidated Financial Statements.

TWIN CITIES HABITAT FOR HUMANITY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Operating Revenue:			
Home Sales (Mortgages Received)	$ 9,535,092	$ -	$ 9,535,092
Investment Income	52,261	287,800	340,061
ReStore Sales (Net of Direct Expense of $4,268,734)	421,053	-	421,053
PPP Loan Forgiveness	1,730,100	-	1,730,100
Other	529,775	-	529,775
Total Operating Revenue	12,268,281	287,800	12,556,081
Support:			
Contributions	8,848,830	3,253,291	12,102,121
Public Sector Funds	4,005,983	-	4,005,983
In-Kind (Note 10)	585,490	-	585,490
Special Events (Net of Direct Expense of $138,258)	810,370	-	810,370
Total Support	14,250,673	3,253,291	17,503,964
Net Assets Released from Restrictions (Note 12)	2,337,350	(2,337,350)	-
Total Operating Revenue and Support	28,856,304	1,203,741	30,060,045
OPERATING EXPENSES			
Program Services	20,000,391	-	20,000,391
Management and General	2,546,425	-	2,546,425
Fundraising	2,755,834	-	2,755,834
Total Operating Expenses	25,302,650	-	25,302,650
OPERATING INCREASE IN NET ASSETS	3,553,654	1,203,741	4,757,395
NONOPERATING ACTIVITIES			
Amortization of Discount on Mortgages	2,203,110	-	2,203,110
Amortization of Discount on Long-Term Notes Payable	(965,259)	-	(965,259)
NONOPERATING INCREASE IN NET ASSETS	1,237,851	-	1,237,851
TOTAL INCREASE IN NET ASSETS	4,791,505	1,203,741	5,995,246
Net Assets - Beginning of Year	39,537,265	5,312,301	44,849,566
NET ASSETS - END OF YEAR	$ 44,328,770	$ 6,516,042	$ 50,844,812

See accompanying Notes to Consolidated Financial Statements.

TWIN CITIES HABITAT FOR HUMANITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services						Support Services			
	Homeownership									
	Creating	Financing	Preserving	ReStores	Community Engagement	Total Program Services	Management and General	Fundraising	Total Support Services	Total All All Services
Cost of Homes - Sold	$ 12,636,106	$ -	$ 224,942	$ -	$ -	$ 12,861,048	$ -	$ -	$ -	$ 12,861,048
Cost of Homes - In-Kind	359,586	-	12,440	47,527	-	419,553	-	-	-	419,553
Salaries, Taxes, and Benefits	4,659,047	693,250	900,683	1,041,282	502,969	7,797,231	1,678,994	1,712,324	3,391,318	11,188,549
Professional Fees	243,831	72,727	49,225	6,228	64,632	436,643	302,736	447,530	750,266	1,186,909
Printing and Media	2,657	213	2,836	101,678	987	108,371	153,641	219,409	373,050	481,421
Postage	4,205	559	812	4,113	364	10,053	23,101	28,904	52,005	62,058
Insurance	126,778	33,447	25,281	-	11,405	196,911	28,346	37,545	65,891	262,802
Telephone	48,575	1,688	6,605	6,096	1,722	64,686	4,090	5,322	9,412	74,098
Occupancy	256,488	6,431	51,070	694,915	8,523	1,017,427	23,363	51,544	74,907	1,092,334
Vehicle Fleet	66,974	2,573	12,065	42,108	2,462	126,182	6,196	8,559	14,755	140,937
General Supplies, Tools, and Site Supplies	125,940	2,661	14,143	25,892	2,697	171,333	12,143	143,420	155,563	326,896
Equipment Lease and Maintenance	10,231	938	2,133	(2,081)	853	12,074	2,100	6,766	8,866	20,940
Warranty	7,172	-	-	-	-	7,172	-	-	-	7,172
Meals and Travel	28,857	1,751	3,187	2,095	3,319	39,209	17,227	167,197	184,424	223,633
Staff Development	38,049	5,404	6,671	2,335	8,945	61,404	46,156	20,003	66,159	127,563
Resale Merchandise	1,658	-	-	2,853,502	-	2,855,160	-	-	-	2,855,160
Habitat International Tithe and Fees	274,190	-	-	-	-	274,190	-	-	-	274,190
Property Taxes	2,359	180	1,984	90	267	4,880	392	643	1,035	5,915
Loan Servicing and Bank Fees	582	142,233	89	68,178	179	211,261	34,545	59,300	93,845	305,106
Miscellaneous	8,403	116,584	1,357	95	1,932	128,371	469	1,324	1,793	130,164
Affordability Gap and Closing Cost Subsidies	-	657,518	-	-	-	657,518	-	-	-	657,518
Interest Expense and Discount Amortization	-	1,054,263	-	-	-	1,054,263	-	-	-	1,054,263
Depreciation	206,144	20,704	41,236	133,697	18,216	419,997	34,833	59,886	94,719	514,716
Total	$ 19,107,832	$ 2,813,124	$ 1,356,759	$ 5,027,750	$ 629,472	$ 28,934,937	$ 2,368,332	$ 2,969,676	$ 5,338,008	$ 34,272,945
Operating	$ 19,107,832	$ 2,259,262	$ 1,356,759	$ -	$ 629,472	$ 23,353,325	$ 2,368,332	$ 2,537,028	$ 4,905,360	$ 28,258,685
Nonoperating - Amortization of Discount on Long-Term Notes Payable	-	553,862	-	-	-	553,862	-	-	-	553,862
Expenses Netted Against Revenues	-	-	-	5,027,750	-	5,027,750	-	432,648	432,648	5,460,398
Total	$ 19,107,832	$ 2,813,124	$ 1,356,759	$ 5,027,750	$ 629,472	$ 28,934,937	$ 2,368,332	$ 2,969,676	$ 5,338,008	$ 34,272,945
Percentage	55.75 %	8.21 %	3.96 %	14.67 %	1.84 %	84.43 %	6.91 %	8.66 %	15.57 %	100.00 %

See accompanying Notes to Consolidated Financial Statements.

TWIN CITIES HABITAT FOR HUMANITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services						Support Services			
	Homeownership									
	Creating	Financing	Preserving	ReStores	Community Engagement	Total Program Services	Management and General	Fundraising	Total Support Services	Total All All Services
Cost of Homes - Sold	$ 9,999,170	$ -	$ 278,123	$ -	$ -	$ 10,277,293	$ 34	$ -	$ 34	$ 10,277,327
Cost of Homes - In-Kind	677,911	-	9,560	-	-	687,471	-	-	-	687,471
Salaries, Taxes, and Benefits	4,184,077	601,794	891,540	878,009	428,689	6,984,109	1,805,127	1,740,558	3,545,685	10,529,794
Professional Fees	224,603	38,510	62,013	8,787	37,880	371,793	265,920	317,109	583,029	954,822
Printing and Media	4,388	168	3,519	15,518	3,462	27,055	249,962	322,945	572,907	599,962
Postage	5,219	972	1,024	529	745	8,489	24,625	25,607	50,232	58,721
Insurance	136,097	29,752	27,512	-	11,100	204,461	31,505	44,741	76,246	280,707
Telephone	41,744	1,574	6,343	5,417	1,549	56,627	4,169	6,081	10,250	66,877
Occupancy	241,196	5,733	56,599	665,499	7,793	976,820	22,687	50,543	73,230	1,050,050
Vehicle Fleet	34,295	1,046	8,624	41,597	1,314	86,876	2,893	6,288	9,181	96,057
General Supplies, Tools, and Site Supplies	116,726	2,052	17,426	20,209	1,853	158,266	10,836	235,295	246,131	404,397
Equipment Lease and Maintenance	10,228	778	2,010	4,697	690	18,403	1,984	2,972	4,956	23,359
Warranty	2,049	-	-	-	-	2,049	-	-	-	2,049
Meals and Travel	14,838	12	729	1,377	168	17,124	393	6,394	6,787	23,911
Staff Development	22,697	3,648	4,112	1,175	5,880	37,512	35,856	12,000	47,856	85,368
Resale Merchandise	1,749	-	217	2,378,378	16	2,380,360	9	16	25	2,380,385
Habitat International Tithe and Fees	260,000	-	-	-	-	260,000	-	-	-	260,000
Property Taxes	1,827	144	3,000	-	304	5,275	346	692	1,038	6,313
Loan Servicing and Bank Fees	432	160,420	67	47,556	133	208,608	38,359	37,883	76,242	284,850
Miscellaneous	6,222	-	-	379	88	6,689	12,655	341	12,996	19,685
Affordability Gap and Closing Cost Subsidies	749	362,958	374	-	-	364,081	-	-	-	364,081
Discount Amortization and Interest Expense	-	1,536,134	-	-	-	1,536,134	-	-	-	1,536,134
Depreciation	260,741	24,613	52,944	199,607	20,984	558,889	39,065	84,627	123,692	682,581
Total	$ 16,246,958	$ 2,770,308	$ 1,425,736	$ 4,268,734	$ 522,648	$ 25,234,384	$ 2,546,425	$ 2,894,092	$ 5,440,517	$ 30,674,901
Operating	$ 16,246,958	$ 1,805,049	$ 1,425,736	$ -	$ 522,648	$ 20,000,391	$ 2,546,425	$ 2,755,834	$ 5,302,259	$ 25,302,650
Nonoperating - Amortization of Discount on Long-Term Notes Payable	-	965,259	-	-	-	965,259	-	-	-	965,259
Expenses Netted Against Revenues	-	-	-	4,268,734	-	4,268,734	-	138,258	138,258	4,406,992
Total	$ 16,246,958	$ 2,770,308	$ 1,425,736	$ 4,268,734	$ 522,648	$ 25,234,384	$ 2,546,425	$ 2,894,092	$ 5,440,517	$ 30,674,901
Percentage	52.96 %	9.03 %	4.65 %	13.92 %	1.70 %	82.26 %	8.30 %	9.43 %	17.74 %	100.00 %

See accompanying Notes to Consolidated Financial Statements.

TWIN CITIES HABITAT FOR HUMANITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	$ 16,162,777	$ 5,995,246
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	514,716	682,581
In-Kind Contributions of Goods	(670,546)	(527,459)
Amortization of Discounts on Mortgages Receivable	(2,059,131)	(2,203,110)
Non-Cash PPP Loan Forgiveness	(1,712,600)	(1,730,100)
Recognition of Earned Advanced Grant Funds	(876,132)	(1,415,037)
Origination of Mortgages Held for Sale	(20,124,361)	(16,296,200)
Proceeds from Sale of Mortgages Held for Sale	19,468,483	15,504,315
Amortization of Discount on Long-Term Notes Payable	553,862	965,259
Gain on Sale for Mortgage Servicing Rights	(485,519)	(89,545)
Other	(161,028)	(135,118)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(120,573)	201,390
Contributions Receivable, Net	1,703,221	101,078
Leverage Loan Receivable	36,817	36,816
Inventory	(1,578,518)	1,774,038
Prepaid and Other Assets	25,917	(439,507)
Accounts Payable	107,665	(551,108)
Accrued Expenses	80,078	54,749
Unearned Grant Revenue	813,137	222,749
Net Cash Provided by Operating Activities	11,678,265	2,151,037
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Received on Mortgages Held	4,477,454	4,158,543
Purchase of Investments	(2,424,259)	(761,261)
Proceeds from Sale of Investments	686,270	692,203
Proceeds from the Sale of Property and Equipment	517,226	30,000
Purchases of Property and Equipment	(193,918)	(183,664)
Net Cash Provided by Investing Activities	3,062,773	3,935,821
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds (Payments) on Line of Credit	2,706,291	377,291
Payments on Long-Term Notes Payable	(1,598,330)	(6,319,608)
Borrowings on Long-Term Notes Payable	-	1,712,600
Net Cash Provided (Used) by Financing Activities	1,107,961	(4,229,717)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,848,999	1,857,141
Cash and Cash Equivalents - Beginning of Year	14,092,133	12,234,992
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 29,941,132	$ 14,092,133
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 452,492	$ 843,826
NONCASH ITEMS		
Contributions and Pledge Payments of Investment Securities	$ 454,639	$ 465,054

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Twin Cities Habitat for Humanity is a Minnesota nonprofit corporation, incorporated in 1985. The mission of Twin Cities Habitat for Humanity (TCHFH or the Organization) is to bring people together to create, preserve, and promote affordable homeownership and advance racial equity in housing. 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-and moderate-income households. 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, staff, and subcontractors provide these services. In circumstances where repairs are more extensive, homeowners take out a loan through Federal Home Loan Bank sources. The Mortgage Foreclosure Prevention Program is available for homeowners in need of foreclosure prevention counseling or intervention.

TCHFH operates two ReStore Home Improvement Outlets, which sell donated building materials and supplies to the general public. The ReStore Outlets rely significantly on volunteers to staff store operations, providing them with an opportunity to advance the TCHFH mission. Through the activities of the ReStore Outlets, TCHFH is also able to divert tons of usable materials from landfills each year. ReStore outlet 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 and community outreach.

Basis of Consolidation

The consolidated financial statements include the activities of TCHFH Lending, Inc. as TCHFH is the sole member of TCHFH Lending, Inc.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, unless held for reinvestment as part of the investment portfolio or otherwise restricted or designated.

The Organization maintains checking and savings accounts. 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 collectability 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, 2022 and 2021, no allowance for doubtful accounts was necessary for accounts receivable.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Accounting Standards Codification (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, 2022 and 2021.

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.

At June 30, 2022 and 2021, 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, 2022 and 2021.

At June 30, 2022 and 2021 , the Organization has individually evaluated leveraged loans receivable for impairment and no allowance is deemed necessary.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 collectability 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, 2022 and 2021, the allowance for doubtful accounts was $36,078.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 has been awarded cost reimbursable grants of $11,936,614 that have not been recognized as revenue at June 30, 2022 because qualifying expenditures have not yet been incurred, with an advance payment of $2,028,874 recognized in the consolidated statement of financial position as unearned grant revenue. The Organization has been awarded cost reimbursable grants of $9,248,148 that have not been recognized as revenue at June 30, 2021 because qualifying expenditures have not yet been incurred, with an advance payment of $2,091,869 recognized in the consolidated statement of financial position as unearned grant revenue.

Income Taxes

The Organization 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 is not a private foundation and contributions to the Organization qualify as charitable tax deductions by the contributor. TCHFH Lending, Inc. is a supporting organization of the Organization.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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). In February 2021, the SBA formally approved forgiveness. The Organization recognized $1,730,100 of revenue related to this agreement during the year ended June 30, 2021, which represents the portion of the PPP loan funds for which the performance barriers have been met. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

On February 8, 2021, the Organization received a second loan from Sunrise Banks N.A. in the amount of $1,712,600 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the PPP Loan. In October 2021, the SBA formally approved forgiveness. The Organization recognized $1,712,600 of revenue related to this agreement during the year ended June 30, 2022, which represents the portion of the PPP loan funds for which the performance barriers have been met. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's 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 (GAAP). 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB issued this ASU to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. The Organization's consolidated financial statements reflect the application of ASU 2020-07 guidance retrospectively.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effects on the change in net assets or total net assets 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 6, 2022, 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:

	2022	2021
Gross Contributions Receivable	$ 1,667,570	$ 3,370,791
Less: Allowance for Doubtful Accounts	(36,078)	(36,078)
Less: Present Value Discount - 3%	(75,285)	(75,285)
Net Contributions Receivable	$ 1,556,207	$ 3,259,428
Amounts Due in:		
Less Than One Year	$ 867,571	$ 1,897,076
One to Five Years	799,999	1,473,715
Total	$ 1,667,570	$ 3,370,791

At June 30, 2022 and 2021, three contributors comprised 69% and three contributors comprised 64%, respectively, of the contributions receivable.

NOTE 3 INVENTORY

Inventory consists of the following at June 30:

	2022	2021
Home in Progress	$ 4,699,460	$ 5,929,110
Land and Acquired Property	9,128,731	5,601,516
Building Material	512,954	561,941
Held for Resale	308,646	308,160
Total Inventory	$ 14,649,791	$ 12,400,727

NOTE 4 PROPERTY AND EQUIPMENT

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

	2022		
	Cost	Accumulated Depreciation	Life
Land	$ 1,570,872	$ -	N/A
Buildings and Improvements	8,445,461	2,425,608	5 to 39 Years
Furniture and Equipment	1,473,207	1,175,887	5 to 7 Years
Vehicles	729,423	571,146	3 to 5 Years
Total	$ 12,218,963	$ 4,172,641	
Property and Equipment, Net		$ 8,046,322	

	2021		
	Cost	Accumulated Depreciation	Life
Land	$ 1,602,372	$ -	N/A
Buildings and Improvements	8,506,478	2,141,184	5 to 39 Years
Furniture and Equipment	1,510,789	1,154,769	5 to 7 Years
Vehicles	634,706	530,730	3 to 5 Years
Total	$ 12,254,345	$ 3,826,683	
Property and Equipment, Net		$ 8,427,662	

NOTE 5 LEVERAGED LOAN RECEIVABLE

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

Description	2022	2021
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.	$ 3,549,683	$ 3,586,500

The loan is secured by substantially all assets of the borrower. As of June 30, 2022 and 2021, the Organization has not reserved any allowance for losses on the leveraged loan receivable, as this loan is being collected consistent with its 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, 2022 and 2021, the Organization had 717 and 749 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 $2,941,937 and $2,315,736 at June 30, 2022 and 2021, 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, 2022 and 2021.

NOTE 6 MORTGAGES RECEIVABLE (CONTINUED)

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

	2022	2021
Mortgages Receivable Held	$ 46,360,123	$ 50,837,577
Less: Unamortized Discount	(14,306,056)	(16,365,187)
Less: Allowance for Credit Losses	(69,071)	(69,071)
Total	$ 31,984,996	$ 34,403,319

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 8.1% 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:

	2022	2021
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	$ 69,071	$ 69,071

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

	2022			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Mortgages Receivable	$ 44,180,432	$ 786,818	$ 1,392,873	$ 46,360,123

	2021			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Mortgages Receivable	$ 49,282,928	$ 642,990	$ 911,659	$ 50,837,577

NOTE 7 LONG-TERM NOTES PAYABLE

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

Description	2022	2021
Note Payable, 1%, Secured by Specifically Identified Mortgages Receivable, Due in Monthly Installments of $1,738 through March 1, 2022 (a)	$ -	$ 15,580
Note Payable, 2.83%, Secured by Specifically Identified Mortgages Receivable, Due in Monthly Installments of $88,977 through September 1, 2040 (a)	10,382,482	11,041,818
Note Payable, 4.25%, Secured by Specific Mortgages Receivable, Due in Monthly Installments of $7,683 through July 1, 2023	100,505	186,350
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, 4%, Secured by specifically identified mortgages receivable, Due in monthly installments of installments of $7,593 through July 1, 2022	-	97,484
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 funds were drawn, Unsecured, Annual interest-only payments of '$22,880 with principal balance due on September 30, 2025	800,000	800,000
Subtotal - Interest-Bearing Notes	13,282,987	14,141,232
Qualified Low Income Community Investment Notes:		
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	5,304,335	5,304,335
Subtotal - Qualified Low Income Community Investment Notes	5,304,335	5,304,335

NOTE 7 LONG-TERM NOTES PAYABLE (CONTINUED)

Description	2022	2021
Noninterest Bearing Notes:		
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)	$ 6,925,517	$ 7,634,991
Notes Payable, Noninterest-bearing, Unsecured, Due in Monthly Installments to Habitat for Humanity International for the SHOP program over 48 months	15,981	39,924
Note Payable, Noninterest-bearing, Unsecured, Amount Due in Yearly Installments of $6,667 through January 1, 2036	93,328	99,995
Subtotal - Noninterest Bearing Notes	7,034,826	7,774,910
Forgivable Notes:		
Paycheck Protection Program unsecured loan as described in Note 1.	-	1,712,600
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	523,273	523,273
Subtotal - Forgivable Notes	603,273	2,315,873
Total	26,225,421	29,536,350
Less: Unamortized Discount	(3,092,998)	(3,606,563)
Less: Unamortized Origination Fees	(457,890)	(509,333)
Long-Term Notes Payable, Net	$ 22,674,533	$ 25,420,454

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

NOTE 7 LONG-TERM NOTES PAYABLE (CONTINUED)

Maturities of long-term notes payable are as follows:

Year Ending June 30,	Repayable	Forgivable
2023	$ 1,474,078	$ 80,000
2024	1,414,064	-
2025	1,420,507	-
2026	3,446,757	-
2027	1,668,833	-
Thereafter	16,197,909	523,273
Total	$ 25,622,148	$ 603,273

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, 2022 or have obtained a waiver.

New Market Tax Credit Financing

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 QLICI 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.

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 $3,975,000 and $1,875,000 as of June 30, 2022 and 2021, 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 2023. The agreement is secured by mortgage loans in transit. As of June 30, 2022 and 2021, there is an outstanding balance of $2,786,350 and $2,180,060, 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, 2022 and 2021 was $768,859 and $786,981, respectively.

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

Year Ending June 30,	Amount
2023	$ 544,291
2024	548,076
2025	557,308
2026	324,135
2027	310,984
Thereafter	86,033
Total Minimum Lease Payments	$ 2,370,827

NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	2022	2021
Land and Building Materials	$ 393,799	$ 130,100
Tools and Equipment	276,747	397,359
Specialized Labor	51,006	58,031
Subtotal Contributed Nonfinancial Assets	721,552	585,490
Clothing and Household Goods (ReStore)	2,550,281	2,211,672
Special Event Donated Material	77,217	139,068
Total Contributed Nonfinancial Assets	$ 3,349,050	$ 2,936,230

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

Donated land, building materials, and tools and equipment received by the Organization are used to repair or build homes. The Organization estimates the value of donated land using fair value of similar land parcels. The value of building materials, tools and equipment is determined using purchase price of similar materials, tools and equipment.

Donated specialized labor received by the organization is valued and reported at the estimated fair value based on current rates for similar specialized labor services. The Organization also receives a significant amount of donated services from unpaid volunteers who assist in special projects. No amounts have been recognized in the statements of activities for these services because the criteria for recognition have not been satisfied.

NOTE 10 IN-KIND CONTRIBUTIONS (CONTINUED)

Donated appliances, building materials and furniture (ReStore) received by the Organization is sold in the ReStore stores. The Organization estimates the value of donated appliances, building materials and furniture using the sale price of the goods.

Donated special event material recognized comprise donated items or services donated to the Organization to be sold during the live auction of the special event. Donated goods and services were valued and reported at the estimated fair value based on the current rates for similar goods and services.

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 $203,282 and $200,017 for the years ended June 30, 2022 and 2021, respectively.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Time Restricted Pledges	$ 1,539,147	$ 3,276,964
Restricted for Program Purposes	1,305,375	1,656,087
Unappropriated Endowment Earnings	177,525	385,932
Endowment to be Held in Perpetuity	1,197,059	1,197,059
Total	$ 4,219,106	$ 6,516,042

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

	2022	2021
Net Pledges Received	$ 1,701,817	$ 1,798,420
Program Expenditures Incurred	1,224,491	538,930
Total Releases from Restriction	$ 2,926,308	$ 2,337,350

NOTE 13 ENDOWMENT

Donor-Restricted Endowments

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ -	$ 1,374,584	$ 1,374,584

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ -	$ 1,582,991	$ 1,582,991

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2021	$ -	$ 1,582,991	$ 1,582,991
Contributions	-	-	-
Investment Loss	-	(208,407)	(208,407)
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2022	$ -	$ 1,374,584	$ 1,374,584

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2020	$ -	$ 1,263,495	$ 1,263,495
Contributions	-	31,696	31,696
Investment Loss	-	287,800	287,800
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2021	$ -	$ 1,582,991	$ 1,582,991

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 GAAP, 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 - 2022 total $177,525.

NOTE 14 INVESTMENTS

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

	2022	2021
Mutual Funds	$ 442,236	$ 426,828
Stocks	720,154	933,248
Fixed Income	1,671,563	-
Exchange-Traded and Closed-End Funds	212,194	222,915
Total	$ 3,046,147	$ 1,582,991

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:

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 442,236	$ -	$ -	$ 442,236
Stocks	720,154	-	-	720,154
Fixed Income	-	1,671,563	-	1,671,563
Exchange-Traded and Closed-End Funds	212,194	-	-	212,194
Total	$ 1,374,584	$ 1,671,563	$ -	$ 3,046,147

	2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 426,828	$ -	$ -	$ 426,828
Stocks	933,248	-	-	933,248
Exchange-Traded and Closed-End Funds	222,915	-	-	222,915
Total	$ 1,582,991	$ -	$ -	$ 1,582,991

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 $1,573,116 and $1,087,597 as of June 30, 2022 and 2021, respectively. The servicing asset for June 30, 2022 was determined using a weighted-average note rate of 2.65%, discount rate of 14%, and conditional prepayment rate of 4.02%. The servicing asset for June 30, 2021 was determined using a weighted-average note rate of 2.851%, discount rate of 14%, and conditional prepayment rate of 3.93%.

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

	2022	2021
Servicing Fees Earned	$ 383,558	$ 305,167
Gain on Loan Sales	485,519	89,545

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

	2022	2021
Balance at Beginning of the Year	$ 1,087,597	$ 998,052
Additions	485,519	89,545
Balance at End of the Year	$ 1,573,116	$ 1,087,597

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, 2022 and 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenses:

	2022	2021
Available Assets		
Cash and Cash Equivalents	$ 29,941,132	$ 14,092,133
Accounts Receivable	851,620	731,047
Contributions Receivable, Due in One Year	867,571	1,897,076
Mortgages Held, Due in One Year	3,400,000	3,370,000
	35,060,323	20,090,256
Other Balances		
Less: Restricted Cash Accounts	(122,072)	(158,834)
Less: Restricted Receipts Not Yet Spent	(1,710,310)	(1,599,491)
Total Available Assets, Net	$ 33,227,941	$ 18,331,931
Line of Credit Balances Available for General Operations	$ 21,025,000	$ 23,125,000

TWIN CITIES HABITAT FOR HUMANITY, INC.
CONSOLIDATING BALANCE SHEET
JUNE 30, 2022

	Twin Cities Habitat for Humanity, Inc.	Lending, Inc.	Eliminations	Consolidated
ASSETS				
Cash and Cash Equivalents	$ 27,520,354	$ 2,420,778	$ -	$ 29,941,132
Investments	3,046,147	-	-	3,046,147
Accounts Receivable	812,943	38,677	-	851,620
Mortgage Servicing Asset, Net	-	1,573,116	-	1,573,116
Contributions Receivable, Net	1,556,207	-	-	1,556,207
Related Entity Receivable	1,675,046	-	(1,675,046)	-
Inventory	14,649,791	-	-	14,649,791
Land Held in Trust	1,132,782	-	-	1,132,782
Prepaid and Other Assets	951,070	13,641	-	964,711
Leveraged Loan Receivable	3,549,683	-	-	3,549,683
Property and Equipment, Net	8,046,322	-	-	8,046,322
Mortgages Receivable:				
Mortgages Receivable Held, at Face Value	45,568,537	791,586	-	46,360,123
Mortgages Receivable Held for Sale, at Face Value	-	2,941,937	-	2,941,937
Less: Unamortized Discount and Allowance	(14,375,127)	-	-	(14,375,127)
Mortgages Receivable, Net	31,193,410	3,733,523	-	34,926,933
Total Assets	$ 94,133,755	$ 7,779,735	$ (1,675,046)	$ 100,238,444
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	$ 465,050	$ 497	$ -	$ 465,547
Accrued Expenses	1,299,533	1,018		1,300,551
Related Entity Payable	-	1,675,046	(1,675,046)	-
Line of Credit	3,975,000	2,786,350	-	6,761,350
Unearned Grant Revenue	955,000	1,073,874	-	2,028,874
Long-Term Notes Payable:				
Long-Term Notes Payable at Face Value	26,225,421	-	-	26,225,421
Less: Unamortized Discount and Origination Fees	(3,550,888)	-	-	(3,550,888)
Long-Term Notes Payable, Net	22,674,533	-	-	22,674,533
Total Liabilities	29,369,116	5,536,785	(1,675,046)	33,230,855
NET ASSETS				
Without Donor Restrictions	60,545,533	2,242,950	-	62,788,483
With Donor Restrictions	4,219,106	-	-	4,219,106
Total Net Assets	64,764,639	2,242,950	-	67,007,589
Total Liabilities and Net Assets	$ 94,133,755	$ 7,779,735	$ (1,675,046)	$ 100,238,444

TWIN CITIES HABITAT FOR HUMANITY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Twin Cities Habitat for Humanity, Inc.		Lending, Inc.		Consolidated	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions
OPERATING REVENUE AND SUPPORT						
Operating Revenue:						
Home Sales (Mortgages Received)	$ 10,079,052	$ -	$ -	$ -	$ 10,079,052	$ -
Investment Income (Loss)	(25,142)	(208,407)	44,042	-	18,900	(208,407)
ReStore Sales (Net of Direct Expense of $5,002,150)	540,798	-	-	-	540,798	-
PPP Loan Forgiveness	1,712,600	-	-	-	1,712,600	-
Other	272,376	-	1,116,783	(367,706)	1,021,453	-
Total Operating Revenue	12,579,684	(208,407)	1,160,825	(367,706)	13,372,803	(208,407)
Support:						
Contributions	23,840,474	837,779	981,909	(981,909)	23,840,474	837,779
Public Sector Funds	3,052,910	-	336,667	-	3,389,577	-
In-Kind	721,552	-	-	-	721,552	-
Special Events (Net of Direct Expense of $432,648)	508,678	-	-	-	508,678	-
Total Support	28,123,614	837,779	1,318,576	(981,909)	28,460,281	837,779
Net Assets Released from Restrictions	2,926,308	(2,926,308)	-	-	2,926,308	(2,926,308)
Total Operating Revenue and Support	43,629,606	(2,296,936)	2,479,401	(1,349,615)	44,759,392	(2,296,936)
OPERATING EXPENSES						
Program Services	23,420,745	-	1,282,195	(1,349,615)	23,353,325	-
Management and General	2,347,226	-	21,106	-	2,368,332	-
Fundraising	2,537,028	-	-	-	2,537,028	-
Total Operating Expenses	28,304,999	-	1,303,301	(1,349,615)	28,258,685	-
OPERATING INCREASE (DECREASE) IN NET ASSETS	15,324,607	(2,296,936)	1,176,100	-	16,500,707	(2,296,936)
NONOPERATING ACTIVITIES						
Gain on Fixed Asset Disposal	453,737	-	-	-	453,737	-
Amortization of Discount on Mortgages	2,059,131	-	-	-	2,059,131	-
Amortization of Discount on Long-Term Notes Payable	(553,862)	-	-	-	(553,862)	-
NONOPERATING INCREASE IN NET ASSETS	1,959,006	-	-	-	1,959,006	-
TOTAL INCREASE (DECREASE) IN NET ASSETS	17,283,613	(2,296,936)	1,176,100	-	18,459,713	(2,296,936)
Net Assets - Beginning of Year	43,261,920	6,516,042	1,066,850	-	44,328,770	6,516,042
NET ASSETS - END OF YEAR	$ 60,545,533	$ 4,219,106	$ 2,242,950	$ -	$ 62,788,483	$ 4,219,106