

**Habitat For Humanity Greater
San Francisco, Inc. and Subsidiary**

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2021
(With Comparative Totals for 2020)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3 - 4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 26
Single Audit Reports and Schedules	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28 - 29
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	30 - 31
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34 - 35
Summary Schedule of Prior Audit Findings	36



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
San Francisco, California

We have audited the accompanying consolidated financial statements of Habitat For Humanity Greater San Francisco, Inc. and Subsidiary (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 auditor's 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 Habitat For Humanity Greater San Francisco, Inc. and Subsidiary as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective July 1, 2020. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Habitat For Humanity Greater San Francisco, Inc. and Subsidiary's 2020 consolidated financial statements, and our report dated October 30, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

November 22, 2021

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Consolidated Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,854,037	\$ 9,380,106
Accounts receivable	153,486	62,880
Current portion of mortgage notes receivable	945,455	1,118,564
Current portion of grants and contributions receivable	1,229,644	1,411,778
Inventory of homes	518,195	-
Prepaid expenses and other current assets	10,962	96,603
Total current assets	12,711,779	12,069,931
Property and equipment, net	53,009	65,822
Other assets		
Mortgage notes receivable, net of current portion and unamortized discount	6,239,494	8,188,558
Grants and contributions receivable, net of current portion	118,616	1,274,558
Construction in progress	18,274,943	9,834,256
Deposits	98,288	98,288
Total other assets	24,731,341	19,395,660
Total assets	\$ 37,496,129	\$ 31,531,413

The accompanying notes are an integral part of these consolidated financial statements.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Consolidated Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable, operating	\$ 90,062	\$ 111,369
Accounts payable, construction	592,048	383,982
Accrued liabilities	563,988	428,512
Unearned revenue	162,820	45,762
Current portion of notes payable	131,819	67,269
Refundable advances - Paycheck Protection Program	1,004,064	853,500
Total current liabilities	2,544,801	1,890,394
Long-term liabilities		
Notes payable, net of current portion and unamortized discount	4,611,005	1,475,925
Refundable advances - governmental grants	1,334,000	1,334,000
Deferred lease obligation	18,976	44,665
Total long-term liabilities	5,963,981	2,854,590
Total liabilities	8,508,782	4,744,984
Net assets		
Without donor restrictions		
Undesignated	23,565,634	21,359,459
Board designated operating reserve	3,251,452	4,163,576
Total without donor restrictions	26,817,086	25,523,035
With donor restrictions	2,170,261	1,263,394
Total net assets	28,987,347	26,786,429
Total liabilities and net assets	\$ 37,496,129	\$ 31,531,413

The accompanying notes are an integral part of these consolidated financial statements.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Support, revenues, and gains				
Support				
Grants and contributions	\$ 3,192,908	\$ 2,117,568	\$ 5,310,476	\$ 4,718,851
Contribution revenue - Paycheck Protection Program	860,755	-	860,755	-
Special events	363,321	-	363,321	474,655
Contribution from discount on note payable issued (Note 9)	-	1,054,545	1,054,545	-
Donated services	228,379	-	228,379	194,647
Donated materials	20,668	-	20,668	16,788
Total support	<u>4,666,031</u>	<u>3,172,113</u>	<u>7,838,144</u>	<u>5,404,941</u>
ReStore revenue	20,933	-	20,933	274,469
Mortgage discount amortization	490,081	-	490,081	478,556
Sale of homes	-	-	-	725,785
Gain on sale of mortgage notes receivable	702,101	-	702,101	535,035
Gain (loss) on disposal of property and equipment	16,809	-	16,809	(103,318)
Other income	64,957	-	64,957	43,406
Net assets released from restriction	2,265,246	(2,265,246)	-	-
Total support, revenues, and gains	<u>8,226,158</u>	<u>906,867</u>	<u>9,133,025</u>	<u>7,358,874</u>
Functional expenses				
Program services				
Housing Development	1,659,125	-	1,659,125	2,667,277
Homeowner Development, Volunteers, Home Preservation	1,579,048	-	1,579,048	2,174,598
ReStore	-	-	-	341,841
Total program services	<u>3,238,173</u>	<u>-</u>	<u>3,238,173</u>	<u>5,183,716</u>
Support services				
General and administrative	2,025,190	-	2,025,190	2,222,069
Fundraising	1,668,744	-	1,668,744	1,466,361
Total support services	<u>3,693,934</u>	<u>-</u>	<u>3,693,934</u>	<u>3,688,430</u>
Total functional expenses	<u>6,932,107</u>	<u>-</u>	<u>6,932,107</u>	<u>8,872,146</u>
Change in net assets	1,294,051	906,867	2,200,918	(1,513,272)
Net assets, beginning of year	<u>25,523,035</u>	<u>1,263,394</u>	<u>26,786,429</u>	<u>28,299,701</u>
Net assets, end of year	<u>\$ 26,817,086</u>	<u>\$ 2,170,261</u>	<u>\$ 28,987,347</u>	<u>\$ 26,786,429</u>

The accompanying notes are an integral part of these consolidated financial statements.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Housing Development	Homeowner Development, Volunteers, Home Preservation	Total Program Services	General and Administrative	Fundraising	Total Support Services	2021 Total	2020 Total
Direct housing expenses								
Cost of sales - homes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739,750
Loss on sale of homes	-	-	-	-	-	-	-	103,596
Total direct housing expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>843,346</u>
Salaries and benefits								
Salaries and wages	681,380	922,602	1,603,982	1,116,710	944,210	2,060,920	3,664,902	3,950,004
Employee benefits	123,693	123,265	246,958	137,780	95,718	233,498	480,456	439,527
Payroll taxes	48,393	68,987	117,380	77,684	69,366	147,050	264,430	294,995
Workers' compensation insurance	12,594	10,186	22,780	8,984	6,311	15,295	38,075	16,121
Stipend - Vista/AmeriCorp	-	-	-	-	-	-	-	4,500
Total salaries and benefits	<u>866,060</u>	<u>1,125,040</u>	<u>1,991,100</u>	<u>1,341,158</u>	<u>1,115,605</u>	<u>2,456,763</u>	<u>4,447,863</u>	<u>4,705,147</u>
Professional services	234,547	161,669	396,216	313,654	314,742	628,396	1,024,612	713,754
Rent	160,945	120,329	281,274	105,446	52,723	158,169	439,443	512,096
Tithe	200,000	-	200,000	-	-	-	200,000	172,000
Postage and printing	5,369	6,884	12,253	9,588	83,636	93,224	105,477	155,805
Communications	32,183	25,648	57,831	27,815	13,555	41,370	99,201	62,669
Computer software/hardware	12,783	17,616	30,399	34,146	28,408	62,554	92,953	16,951
Office expenses	8,761	8,120	16,881	41,027	8,985	50,012	66,893	150,784
Interest	56,040	-	56,040	7,255	-	7,255	63,295	63,941
Insurance	23,350	14,697	38,047	15,098	8,537	23,635	61,682	62,773
Depreciation	-	-	-	49,079	-	49,079	49,079	52,637
Neighborhood revitalization project expense	-	45,514	45,514	-	-	-	45,514	303,738
Promotions and supplies	342	41,912	42,254	-	-	-	42,254	29,112
Discontinued construction	37,166	-	37,166	-	-	-	37,166	130,319
Taxes and licenses	-	-	-	34,637	-	34,637	34,637	3,864
Donated services and goods	15,237	5,295	20,532	6,719	-	6,719	27,251	74,800
Bad debt	-	-	-	23,553	-	23,553	23,553	334,512
Travel and training	4,655	5,726	10,381	7,845	2,912	10,757	21,138	55,004
Special events expenses	-	-	-	-	20,278	20,278	20,278	121,388
Bank fees	1,321	223	1,544	156	16,830	16,986	18,530	55,723
Employee engagement	366	28	394	5,193	354	5,547	5,941	15,416
Marketing	-	-	-	2,821	2,179	5,000	5,000	48,330
Equipment rental and maintenance	-	347	347	-	-	-	347	5,545
Discount on mortgage issued	-	-	-	-	-	-	-	182,492
	<u>\$ 1,659,125</u>	<u>\$ 1,579,048</u>	<u>\$ 3,238,173</u>	<u>\$ 2,025,190</u>	<u>\$ 1,668,744</u>	<u>\$ 3,693,934</u>	<u>\$ 6,932,107</u>	<u>\$ 8,872,146</u>

The accompanying notes are an integral part of these consolidated financial statements.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 2,200,918	\$ (1,513,272)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	49,079	52,637
(Gain) loss on sale and disposal of property and equipment	(16,809)	103,318
Gain on sale of mortgage notes receivable	(702,101)	(535,035)
Sales of homes	-	(725,785)
Amortization of mortgage notes receivable discount	(490,081)	(478,556)
Contribution from discount on note payable issued (Note 9)	(1,054,545)	-
Discount on mortgage notes issued	-	182,492
Amortization of notes payable discount	56,040	63,941
Bad debt write-off	23,553	334,512
Changes in operating assets and liabilities		
Accounts receivable	(90,605)	(730)
Grants and contributions receivable	1,314,523	784,522
Inventory of homes	(518,195)	342,732
Prepaid expenses and other current assets	85,641	(2,410)
Construction in progress	(8,232,621)	(2,864,964)
Deposits	-	3,822
Accounts payable	(21,308)	(42,704)
Accrued liabilities	135,476	15,956
Unearned revenue	117,058	35,762
Deferred lease obligation	(25,689)	-
Refundable advances - Paycheck Protection Program	150,564	853,500
Net cash used in operating activities	(7,019,102)	(3,390,262)
Cash flows from investing activities		
Purchase of property and equipment	(39,195)	(44,773)
Proceeds from sales of property and equipment	19,738	-
Payments received on mortgage notes receivable	1,260,564	1,210,130
Proceeds from mortgage notes receivable sold	2,053,791	1,076,830
Net cash provided by investing activities	3,294,898	2,242,187
Cash flows from financing activities		
Payments on notes payable	(235,669)	(122,731)
Proceeds from issuance of notes payable	4,433,804	-
Net cash provided by (used in) financing activities	4,198,135	(122,731)
Net increase (decrease) in cash	473,931	(1,270,806)
Cash and cash equivalents, beginning of year	9,380,106	10,650,912
Cash and cash equivalents, end of year	\$ 9,854,037	\$ 9,380,106

Supplemental schedule of noncash investing and financing activities

Construction in progress acquired by short term liabilities	\$ 592,048	\$ 383,982
---	------------	------------

The accompanying notes are an integral part of these consolidated financial statements.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION

Habitat for Humanity Greater San Francisco, Inc. and Subsidiary, (the "Organization" or "Habitat"), is a nonprofit public benefit corporation incorporated in California in 1988 (originally as Peninsula Habitat for Humanity). Effective August 1, 2008, Habitat for Humanity San Francisco merged into Peninsula Habitat for Humanity and the combined entities were renamed Habitat for Humanity Greater San Francisco, Inc. The new Organization serves San Francisco, San Mateo, and Marin Counties. The Organization is affiliated with Habitat for Humanity International, Inc.

HFHGSF Funding Company, LLC (the "Company"), a limited liability company incorporated in California in July 2019, is a wholly-owned subsidiary of the Organization. The Company acquired from the Organization all of its rights, title and interest in nine mortgage notes in May of 2019, and an additional 10 mortgage loans in June of 2021. The Company pledged mortgage notes as collateral to secure two notes from the Northern Trust Company (see Note 9).

The Organization partners with working families and the community to develop affordable homes for first-time home ownership. The Organization builds homes by engaging volunteers to work alongside carefully selected candidate families. The candidate families invest approximately 500 hours of "sweat equity" in the home in lieu of a down payment. The Organization provides financing for the homes at zero percent interest.

The following is a brief description of the Organization's program services:

Housing development

- *Land acquisition* - Fosters relationships with Marin, San Francisco and San Mateo Counties and their municipalities; locates and acquires land for home construction; obtains funding from multiple affordable housing sources.
- *Construction* - Builds and rehabilitates homes; trains, organizes and supervises on-site volunteers.
- *Tithe* - Contributes a portion of undesignated donated funds annually to Habitat for Humanity International, Inc. for the construction of homes outside the United States.

Programs

- *Homeowner development* - Selects, qualifies, and mentors candidate families, and provides them financial and home ownership education; manages long-term homeowner relationships.
- *Volunteer services* - Recruits, trains, schedules, and supports volunteers for work at the construction sites, HP projects, in the office, and on committees.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION (continued)

Programs (continued)

- *Home Preservation (HP)* - Beautifies parks and community gardens, renovates community assets like schools and community centers and delivers critical home repairs to improve health, safety, and well-being of residents in three focus neighborhoods: the Bayview in San Francisco, Belle Haven in Menlo Park, and East Palo Alto.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The Organization reports its financial position and operating activities in two classes of net assets:

- *Net assets without donor restrictions* - include those assets that are not subject to donor imposed restrictions and can be used for the general operations of the Organization. The Board of Directors has discretionary control in carrying out the operations of the Organization.
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no net assets restricted in perpetuity as of June 30, 2021 and 2020.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the full retrospective method. The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. No changes were required to previously reported revenue as a result of the adoption of this standard.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary - HFHGSF Funding Company, LLC. All significant intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor-restricted receipts and amounts designated for long-term purposes.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Mortgage notes receivable

The Organization records home sale mortgages at the gross amount of payments to be received over the lives of the mortgages. The mortgage notes receivable bear no interest and, accordingly, the notes are discounted to reflect imputed interest over the lives of the mortgages. The discount rates used to impute interest are based on the Freddie Mac 30 year fixed-rate mortgage rates for the years ended June 30, 2021 and 2020. Prior to July 1, 2018, the rates were based on estimated interest rates by Habitat for Humanity International.

Mortgage notes receivable is reported net of unamortized discount. Prior to July 1, 2018, the amortization was calculated using the effective interest method; from July 1, 2018 forward, the straight-line method was used. Management estimates that the difference between amortization calculated using the straight-line method and amortization calculated using the effective interest method is not material. Discount amortization is recognized as revenue on the consolidated statement of activities.

Management does not believe an allowance for doubtful accounts is necessary because the mortgage notes receivable is secured by the properties.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions

Grants and contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the Organization. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the same year in which the grants and contributions are recognized. Net assets released from restriction represent the satisfaction of donor restrictions or the passage of time. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises as of June 30, 2021.

Grants and contributions receivable

Grants and contributions receivable that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions income.

The Organization evaluates grants and contributions receivable for collectability based upon economic situation, historical collection information and any relevant factors. Prior to July 1, 2019, no allowance for doubtful accounts was considered necessary because the Organization believed all grants and contributions receivable to be fully collectible. For the years ended June 30, 2021 and 2020, the Organization reviewed the prior year's bad debt write-off and current year's balances of each grant and contribution receivable and set up a 3% loss reserve based on the total outstanding unconditional promises to give.

Property and equipment

Furniture, equipment, leasehold improvements, and vehicles are carried at cost or, if donated, at their fair value at the date of donation. The Organization capitalizes all acquisitions of property and equipment in excess of \$3,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven years.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the years ended June 30, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Inventory of homes

The Organization classifies inventory as the following: completed new construction homes; homes purchased for resale program in which rehabilitation is substantially complete; and Habitat built homes that are bought back from the homeowner (resale homes). Completed new construction homes and purchased or repurchased homes are stated at the lower of cost or market using the specific identification method. Habitat resale homes are stated at buy back cost (the original sales price plus appreciation).

Construction in progress

Construction in progress is stated at the lower of cost or market using the specific identification method. Construction in progress consists of new home building projects under construction, purchased or repurchased homes undergoing rehabilitation, pre-development costs of future projects, and personnel costs (see Note 7).

Discount on notes payable

U.S. GAAP requires that notes payable bearing no interest are discounted to reflect imputed interest over the lives of the loan, if the financial statement impact is material. Notes payable to governmental entities are exempt from the requirement to impute interest.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses (included as "Marketing" in the accompanying consolidated statement of functional expenses) for the years ended June 30, 2021 and 2020, were \$5,000 and \$48,330, respectively.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited based on a time study analysis and other reasonable methods.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from state income tax under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2021 for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent events

The Organization has evaluated subsequent events through November 22, 2021, the date the financial statements were available to be issued. See Note 21 for subsequent events that have a material impact on the presentation of the Organization's consolidated financial statements.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

3. MORTGAGE NOTES RECEIVABLE

As of June 30, 2021, the Organization holds 134 mortgage notes receivable, totaling \$14,343,320 at gross value with maturities of 1 to 40 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. According to an agreement with Habitat for Humanity International, Inc., the collections on these notes receivable are to be used to construct additional homes. The notes have been discounted at a rate of 3.20% for mortgages issued during the year ended June 30, 2021 and at a rate of 3.33% for mortgages issued during the year ended June 30, 2020, and using the straight-line method to amortize unamortized discount (see Note 2) over the lives of the mortgages. Mortgages are reported net of unamortized discount.

Principal payments due on mortgage notes receivable are as follows:

<u>Year ending June 30,</u>	
2022	\$ 945,455
2023	929,249
2024	907,604
2025	889,965
2026	840,371
Thereafter	<u>9,830,676</u>
	14,343,320
Less: unamortized discount	<u>(7,158,371)</u>
Net present value of mortgage notes	7,184,949
Less current portion	<u>(945,455)</u>
	<u><u>\$ 6,239,494</u></u>

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consisted of the following:

	2021	2020
Receivable in less than one year	\$ 1,229,644	\$ 1,411,778
Receivable in one to five years	<u>205,000</u>	<u>1,465,576</u>
	<u>1,434,644</u>	<u>2,877,354</u>
Less discounts to net present value (see Note 2)	(40,300)	(104,697)
Less allowance for doubtful accounts	<u>(46,084)</u>	<u>(86,321)</u>
	<u>(86,384)</u>	<u>(191,018)</u>
Less current portion	<u>(1,229,644)</u>	<u>(1,411,778)</u>
	<u>\$ 118,616</u>	<u>\$ 1,274,558</u>

5. INVENTORY OF HOMES

Inventory of homes consisted of the following:

	2021	2020
Habitat resale homes	<u>\$ 518,195</u>	<u>\$ -</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2021	2020
Furniture and equipment	\$ 207,571	\$ 175,210
Vehicles	49,741	67,241
Leasehold improvements	<u>60,512</u>	<u>60,512</u>
	317,824	302,963
Accumulated depreciation	<u>(264,815)</u>	<u>(237,141)</u>
	<u>\$ 53,009</u>	<u>\$ 65,822</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$49,079 and \$52,637, respectively.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

7. CONSTRUCTION IN PROGRESS

Construction in progress consisted of the following:

	2021	2020
New construction		
Redwood City: Jefferson Avenue (20 homes)	\$ 11,090,323	\$ 5,166,009
Daly City: Geneva (6 Homes)	3,369,386	1,573,951
San Francisco: Amber Drive (8 Homes)	2,866,065	2,737,479
	17,325,774	9,477,439
Pre-development		
North Bay development	844,151	356,817
Redwood City	105,018	-
	949,169	356,817
	<u>\$ 18,274,943</u>	<u>\$ 9,834,256</u>

8. LINES OF CREDIT

In July 2019, the Organization entered into a revolving line of credit agreement (loan #110274) with the Bank of San Francisco ("Bank"). The line of credit is for a maximum amount of \$2,000,000, and is secured by the Organization's assets. The line of credit expired in July 2021. In July 2021, the Organization extended the line of credit for another two years (see Note 21). Interest accrues monthly at an annual variable rate. Interest is due monthly on the fifteenth calendar day of the following month. Any unpaid interest will be added to principal amount due. There were no amounts outstanding on this line of credit as of June 30, 2021.

In July 2019, the Organization entered into a non-revolving line of credit agreement (loan #120429) with the Bank. The line of credit is for a maximum amount of \$3,000,000, and is secured by the Organization's assets. The line of credit expired in July 2021. In July 2021, the Organization extended the line of credit for another five years from the effective date to April 2026 (see Note 21). Interest accrues monthly at an annual rate of 5.5%. Interest is due monthly on the fifteenth calendar day of the following month. Any unpaid interest will be added to the principal amount due. There were no amounts outstanding on this line of credit as of June 30, 2021.

In May 2020, the Organization entered into an irrevocable stand-by letter of credit agreement with the Bank, to assist with the Jefferson Avenue project, in favor of the beneficiary of County of San Mateo Department of Housing, with a maximum draw amount of \$1,029,387. The letter of credit is attached to the loan #120429, and no additional underwriting was required. The letter of credit expires upon the earlier of the close of business on October 14, 2021, or the day that the Bank honors the full amount of the letter of credit. The letter of credit is automatically extended for an additional period of one year from the expiration date, through the final expiration date of October 14, 2022.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

8. LINES OF CREDIT (continued)

In June 2020, the Organization entered into a stand-by letter of credit agreement with the Bank to assist with the Geneva Avenue project, in favor of the beneficiary of County of San Mateo Department of Housing, with a maximum draw amount of \$223,118. The letter of credit is attached to the loan #120429, and no additional underwriting was required. The letter of credit expires upon the earlier of the close of business on November 30, 2021, or the day that the Bank honors the full amount of the letter of credit. The letter of credit is automatically extended for an additional period of one year from the expiration date, through the final expiration date of November 30, 2022.

9. NOTES PAYABLE

Notes payable are detailed as follows:

	2021	2020
Payable to the County of San Mateo - Home Program federal funds used for site construction costs of two housing units, secured by individual deeds of trust on property located in Brisbane, California, due in semi-annual non-interest bearing payments of \$698 through June 2037.	\$ 21,864	\$ 23,260
Payable to the County of San Mateo - Home Program federal funds used for site construction costs of five housing units, secured by individual deeds of trust on property located in Brisbane, California, due in semi-annual non-interest bearing payments of \$2,111 through June 2032.	45,102	49,325
Payable to the County of San Mateo - Home Program federal funds used for site construction of four housing units, secured by individual deeds of trust on property located in South San Francisco, California, due in semi-annual non-interest bearing payments of \$7,261 through December 2025.	61,217	75,739
Payable to Habitat for Humanity International, Inc. - 0% interest, federal funds used for housing construction costs, payable in 47 monthly installments of \$581 through November 2021.	2,917	8,727

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

9. NOTES PAYABLE (continued)

	2021	2020
<p>Payable to the Housing Authority of the County of San Mateo - 0% interest, used for the purpose of acquiring the property located at the Jefferson Avenue project, secured by individual deeds of trust on the property. Should all requirements of the agreement be met, the loan is to be forgiven in five equal installments of \$100,000 over the last 5 years of the term of the loan, from July 2042 to June 2047.</p>	500,000	500,000
<p>Payable to the Northern Trust Company, 0% interest, secured by deeds of nine mortgage loans. Due in various monthly installments through July 2047.</p>	1,807,965	1,905,325
<p>Payable to the County of San Mateo Department of Housing - Community Development Block Grant federal funds are used for the construction of the 612 Jefferson Avenue project. The loan matures 45 years from date of project completion. No interest accrues until project completion at which time the simple interest will be 3%. The outstanding balance will be forgiven in five equal installments of \$200,000 over the last 5 years of the note (years 41-45).</p>	1,000,000	-
<p>Payable to the County of San Mateo - the fund is used for 612 Jefferson Avenue project. The loan matures 45 years from date of project completion. No interest accrues until project completion at which time the simple interest will be 3%. The outstanding balance will be forgiven in five equal installments of \$16,000 over the last 5 years of the note (years 41-45).</p>	80,000	-
<p>Payable to the Housing Authority of the County of San Mateo - 0% interest, the fund is used for the purpose of development of the 612 Jefferson Avenue project. The loan matures 45 years from date of project completion. The outstanding balance will be forgiven in five equal installments of \$100,000 over the last 5 years of the loan (years 41-45).</p>	500,000	-

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

9. NOTES PAYABLE (continued)

	2021	2020
<p>Payable to the Housing Authority of the County of San Mateo - the fund is used for the purpose of development of Geneva Avenue project. The loan matures 45 years from date of project completion. No interest accrues until project completion at which time the simple interest will be 3%. The outstanding balance will be forgiven in five equal installments \$84,000 over the last 5 years of the loan (years 41-45).</p>	420,000	-
<p>Payable to the Northern Trust Company, 0% interest, secured by deeds of fifteen mortgage loans. Due in various monthly installments through January 2048. The Organization recognized a contribution from the discount totaling \$1,054,545 in the consolidated statement of activities during the year ended June 30, 2021.</p>	<u>2,321,446</u> 6,760,511	<u>-</u> 2,562,376
Less discount on notes payable	(2,017,687)	(1,019,182)
	4,742,824	1,543,194
Current portion	(131,819)	(67,269)
	<u>\$ 4,611,005</u>	<u>\$ 1,475,925</u>

The discount rates on the notes payable range from 3.20% to 8% based on an annual simple average using rates published by Habitat for Humanity International, Inc and the Federal Home Loan Mortgage Corporation. Amortization of these discounts on the notes payable for the years ended June 30, 2021 and 2020 was \$56,040 and \$63,941, respectively.

The discounted principal payments due on the notes payable are as follows:

<u>Year ending June 30,</u>		
2022	\$	131,819
2023		132,853
2024		132,310
2025		128,663
2026		127,699
Thereafter		<u>4,089,480</u>
	<u>\$</u>	<u>4,742,824</u>

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

10. REFUNDABLE ADVANCES - PAYCHECK PROTECTION PROGRAM

On April 16, 2020, the Organization obtained a Small Business Administration ("SBA") Paycheck Protection Program Loan ("PPP") through the Bank of San Francisco, in the amount of \$853,500, plus interest of \$7,255, at a rate of 1%. No payments are due on the PPP loan for ten months from the date of first disbursement of the loan. Interest will continue to accrue during the deferment period. The PPP loan is subject to forgiveness to the extent that proceeds are used to pay eligible program expenses including payroll costs, rent obligations, and utility payments.

On January 1, 2021, the Organization obtained the second PPP loan through the Bank of San Francisco, in the amount of \$1,004,064, with interest rate of 1%. The second loan has a maturity of five years. Payments of principal and interest are deferred for the first ten months of the loan.

Under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, the Organization can apply for and be granted forgiveness for all or a portion of the PPP loan amounts if employees are kept on payroll for a covered period of time, and the money is used for payroll within certain limitations, rent, mortgage interest, or utilities. Forgiveness amounts will be reduced if the borrower terminates employees or reduces salaries during the covered period.

In accordance with U.S. GAAP, the Organization has two options to record the transactions of a PPP loan. An organization can record the PPP loan as a loan payable when it receives the loan proceeds, and other income when it receives loan forgiveness approval. Alternatively if an organization expects to meet the PPP eligibility criteria and concludes that the PPP loan represents a grant, the PPP loan can be recorded as a refundable advance at receiving, and recognize the loan as contribution revenue when conditions are met.

The Organization expects to meet the PPP's eligibility criteria and, therefore, has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven. As a result, the Organization has accounted for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. On February 23, 2021, the Organization received forgiveness for its first loan of \$853,500 from the SBA, resulting in recognition of the entire amount as contribution revenue in the accompanying consolidated financial statements.

The second PPP loan is still pending forgiveness as of the date of the accompanying independent auditor's report.

11. REFUNDABLE ADVANCES - GOVERNMENTAL GRANTS

The Organization receives funds from governmental agencies for the purpose of constructing homes, and ultimately lowering the mortgage of the prospective homeowners. There are no payments or interest due by the Organization. At the time of homes sale, the loans are transferred to the buyers and forgiven over varying time periods. The Organization recognizes revenue from the sale of homes upon the transfer of their liabilities to the homeowners. As of June 30, 2021 and 2020 no refundable advances were reconveyed to homebuyers for mortgage funds.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

11. REFUNDABLE ADVANCES - GOVERNMENTAL GRANTS (continued)

Refundable advances are detailed as follows:

	2021	2020
Department of Housing and Community Development (CalHome Program) - various projects	\$ 25,000	\$ 25,000
Housing Endowment and Regional Trust of San Mateo County (HEART): used for the acquisition of real property at 612 Jefferson Avenue, Redwood City, California.	500,000	500,000
Daly City Housing Development - Geneva	809,000	809,000
	\$ 1,334,000	\$ 1,334,000

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include those assets which are subject to donor imposed stipulations. Those restrictions may involve purpose (i.e. the donation is restricted to a specific use) or time (i.e. the assets are used in a future period). In some cases, both a time and purpose restriction may apply.

The Organization's net assets with donor restrictions for the year ended June 30, 2021, consisted of the following:

	Balance at June 30, 2020	Contributions	Releases	Balance at June 30, 2021
Contribution from discount on note payable issued	\$ 979,710	\$ 1,054,545	\$ (48,463)	\$ 1,985,792
Low-income housing acquisition and construction	185,928	1,996,991	(1,998,450)	184,469
Homeowner development and neighborhood revitalization	97,756	120,577	(218,333)	-
	\$ 1,263,394	\$ 3,172,113	\$ (2,265,246)	\$ 2,170,261

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

13. SALE OF HOMES

During the fiscal year ended June 30, 2021 the Organization sold no homes. During the fiscal year ended June 30, 2020 the Organization sold three repurchased homes with a total cost of \$829,381. The sales revenue was \$725,785 and the loss from the sales totaled \$103,596.

14. SPECIAL EVENTS REVENUE, NET

Special events revenue is presented on the consolidated statement of activities net of event related expense. For the years ended June 30, 2021 and 2020, revenue from special events was \$363,321 and \$474,655 and the related expense was \$20,278 and \$121,388, respectively.

15. DONATED MATERIALS AND SERVICES

Donated materials

The value of donated office supplies and construction materials for the years ended June 30, 2021 and 2020 was \$20,668 and \$16,788, respectively.

Donated services

Donated services which require a specialized skill and which the Organization would have paid for if not donated, are recorded in the consolidated financial statements as in-kind contribution revenue at the estimated fair value at the time the services are rendered.

Donated services of a specialized or professional nature consisted of the following:

	2021	2020
Legal services	\$ 152,272	\$ 178,569
Construction services	76,107	16,078
	\$ 228,379	\$ 194,647

The Organization also receives significant donated services of an unskilled nature, primarily volunteers who work on the construction and rehabilitation of homes, as well as in the office. During the years ended June 30, 2021 and 2020, volunteers donated 18,702 and 10,429 hours, respectively, whose value management has estimated at \$594,719 and \$312,831, respectively. The value of the donated hours were not recorded in the consolidated financial statements.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

16. RETIREMENT PLAN

The Organization has a 403(b) retirement plan in which the employer matches employee contributions up to 5% of gross salary. The plan covers all employees with one year of service or more and who are at least 21 years of age. Employer contributions to the employee accounts for the years ended June 30, 2021 and 2020, were \$114,301 and \$96,185, respectively.

17. RELATED PARTY TRANSACTIONS

HFHI Tithe

The Organization donates to Habitat for Humanity International, Inc. (HFHI) annually for the construction of homes outside of the United States, as determined by the Organization's Board of Directors. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2021 and 2020, the amount contributed was \$200,000 and \$172,000, respectively, and is included in housing development expense under program services in the consolidated statement of functional expenses.

Insurance policy

The Organization has a blanket policy for auto, general and builder's risk insurance through Habitat for Humanity International, Inc. For the years ended June 30, 2021 and 2020, the insurance expense was \$61,682 and \$62,773, respectively.

SHOP loans

The Organization has received a SHOP (Self-Help Ownership Program) loan from Habitat for Humanity International, Inc. The balance of the loan as of June 30, 2021 and 2020, was \$2,917, and \$8,727, respectively.

18. COMMITMENTS

Right of first purchase

Upon the acquisition of land granted to the Organization for construction, various agreements require the Organization to maintain the properties as affordable housing for a certain period of time. These affordability restrictions vary from 45 to 55 years. A right of first purchase is recorded at the time of sale giving the Organization the right to purchase the property should the homeowner decide to sell. The Organization resells purchased Habitat built homes to newly qualified families at an updated but below market value price, at which time the required affordability term continues.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

18. COMMITMENTS (continued)

Office and warehouse leases

The Organization leases commercial office space in the city of San Francisco under a non-cancelable lease expiring in December 2021. The Organization is working with the landlord to sign a new lease.

On October 15, 2019, the Organization signed a three-year lease agreement to rent a warehouse in the city of San Francisco, with a base rent of \$7,669, increasing 3% annually. The Organization has an option to renew the lease for another three-year term when the rent expires on November 30, 2022.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2022	\$ 268,055
2023	<u>48,818</u>
	<u>\$ 316,873</u>

The rent expense for the years ended June 30, 2021 and 2020, was \$439,443 and \$512,096, respectively.

19. LIQUIDITY AND FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To meet liquidity needs, the Organization maintains adequate levels of cash and cash equivalents available. Accounts receivable, current portion of mortgage notes receivable and unrestricted contributions receivable will be collected within one year. Unrestricted short-term grants and contributions receivable will be available to support general operations of the Organization.

The Board requires that the Organization maintains a minimum of six months of operating reserve at all times. As of June 30, 2021, the balance of the reserve was \$3,251,452. However, the Board can undesignate the funds for operational needs at any time.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

19. LIQUIDITY AND FINANCIAL ASSETS (continued)

The following is a quantitative disclosure which describes financial assets that are available as of June 30, 2021 to fund general expenditures and other obligations when they become due for one year:

Financial assets	
Cash and cash equivalents	\$ 9,854,037
Accounts receivable	153,486
Current portion of contributions receivable	1,229,644
Current portion of mortgage notes receivable	<u>945,455</u>
	<u>12,182,622</u>
Less: Amounts unavailable for general expenditure within one year:	
Net assets with purpose restrictions	<u>(184,469)</u>
	<u>(184,469)</u>
	<u>\$ 11,998,153</u>

20. COVID-19 IMPACT

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition several states in the United States including California, where the Organization is located, have declared a state of emergency. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations.

COVID-19 could adversely affect the economics and financial markets of many countries, including the United States, resulting in an economic downturn that could affect the Organization in a variety of ways. The Organization cannot anticipate all of the ways in which COVID-19 could adversely impact the Organization's operations. There are few aspects of the Organization's work that have been unaffected by COVID-19. When the Stay at Home orders were first issued in March 2020, in-person fundraising events were postponed or canceled, and many private and institutional donors focused their efforts on causes more directly aligned with healthcare - all of which negatively impacted the Organization's level of financial support from the community. Government funding sources stayed intact, but receipts of reimbursement funding and building permits were delayed due to the disruption of work at government agencies. While construction crews were largely able to continue essential work on build sites unabated, home repairs and any volunteer-supported projects were suspended for several months. Through the CARES Act Paycheck Protection Program, the Organization was able to retain staff without furloughs through the end of the year. The Organization also initiated a remote work protocol for the majority of its in-office staff and expects to maintain a low level of office occupancy throughout early 2022.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

21. SUBSEQUENT EVENTS

On July 27, 2021, the Organization renewed the line of credit agreement with the Bank of San Francisco, for a maximum amount of \$2,000,000 (loan #110274). The maturity date is extended to July 25, 2023, with an interest rate of 3.25%.

On July 27, 2021, the Organization renewed the line of credit agreement with the Bank of San Francisco, for a maximum amount of \$3,000,000 (loan #120429). The maturity date is extended to April 25, 2026, with an interest rate of 5.5%.

On August 18, 2021, the Organization sold a property located on Habitat Way for a price of \$452,372.

SINGLE AUDIT REPORTS AND SCHEDULES



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat For Humanity Greater San Francisco, Inc. and Subsidiary (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



An independent firm
associated with Moore
Global Network Limited

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
San Jose, California

November 22, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Directors
Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited Habitat For Humanity Greater San Francisco, Inc. and Subsidiary (a California nonprofit corporation) (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Armanino^{LLP}
San Jose, California

November 22, 2021

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</u>				
US Department of Housing and Urban Development Direct awards				
Community Development Block Grant Program	14.218		\$ 1,000,000	\$ -
Total Expenditures of Federal Awards			<u>\$ 1,000,000</u>	<u>\$ -</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Habitat For Humanity Greater San Francisco, Inc. and Subsidiary (the "Organization") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

Grant periods for certain of the grants included in the Schedule may be different from the fiscal year of the Organization. Expenditures reported in the Schedule only include expenditures for the period of July 1, 2020 through June 30, 2021, which is the Organization's fiscal year.

3. INDIRECT COSTS

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grant Program	14.218
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Habitat For Humanity Greater San Francisco, Inc. and Subsidiary
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

There were no prior year findings.