

**FLOWER CITY HABITAT FOR  
HUMANITY, INC.**

**Financial Statements  
as of June 30, 2021  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

November 30, 2021

To the Board of Directors of  
Flower City Habitat for Humanity, Inc.:

We have audited the accompanying financial statements of Flower City Habitat for Humanity, Inc. (a New York non-profit corporation), which comprise the balance sheet as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Opinion*

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

### *Report on Summarized Comparative Information*

We have previously audited Flower City Habitat for Humanity, Inc.'s 2020 financial statements, and our report dated February 1, 2021 expressed an unmodified opinion on those audited 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 financial statements from which it has been derived.

*RDG+Partners CPAs PLLC*

Pittsford, New York

# FLOWER CITY HABITAT FOR HUMANITY, INC.

## BALANCE SHEET

JUNE 30, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash, cash equivalents and restricted cash:		
Operating	\$ 1,361,903	\$ 386,869
Restricted cash	109,538	128,988
Total cash, cash equivalents and restricted cash	1,471,441	515,857
Current portion of mortgages receivable	154,471	154,563
Grants receivable, net	106,000	414,499
Employee Retention Credit receivable	154,581	-
Other receivables	25,385	34,394
Other current assets	5,258	3,700
Total current assets	1,917,136	1,123,013
PROPERTY AND EQUIPMENT, net	494,873	569,433
OTHER ASSETS:		
Mortgages receivable, net of current portion	2,206,120	2,204,423
Construction in progress, net	498,053	152,080
Homes available for sale, net	300,000	691,585
Investments	286,930	206,267
Total other assets	3,291,103	3,254,355
	<u>\$ 5,703,112</u>	<u>\$ 4,946,801</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Current portion of notes payable - affiliate	\$ 37,144	\$ 35,386
Accounts payable	103,964	15,642
Accrued expenses and other current liabilities	53,554	88,586
Deferred revenue	-	26,310
Total current liabilities	194,662	165,924
NON-CURRENT LIABILITIES:		
Notes payable - affiliate, net of current portion	230,610	267,753
Paycheck Protection Program loans	585,630	292,800
Total liabilities	1,010,902	726,477
NET ASSETS:		
Without donor restrictions	3,950,336	3,599,262
With donor restrictions	741,874	621,062
Total net assets	4,692,210	4,220,324
	<u>\$ 5,703,112</u>	<u>\$ 4,946,801</u>

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

**FLOWER CITY HABITAT FOR HUMANITY, INC.**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021  
(With Comparative Totals for 2020)**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>SUPPORT:</b>				
House sponsorships	\$ -	\$ 777,163	\$ 777,163	\$ 569,064
Fundraising and donations	545,678	5,450	551,128	1,075,282
Homebuilding grants	263,310	-	263,310	827,068
Private grants	15,000	-	15,000	50,000
Other support	3,993	-	3,993	26,561
Net assets released from restriction	734,736	(734,736)	-	-
Total support	1,562,717	47,877	1,610,594	2,547,975
<b>REVENUES:</b>				
Sale of homes	912,000	-	912,000	802,000
Mortgage receivable discount amortization	233,516	-	233,516	189,847
ReStore income	907,020	-	907,020	677,124
Investment income (loss), net	-	72,935	72,935	(8,037)
Loss on sale of property and equipment	-	-	-	(194)
Home repair program	115,633	-	115,633	19,692
Rental income	26,476	-	26,476	24,090
Gain on sale of mortgages	163,308	-	163,308	-
Employee Retention Credit	258,605	-	258,605	-
Miscellaneous income	13,825	-	13,825	21,616
Total revenues	2,630,383	72,935	2,703,318	1,726,138
Total support and revenue	4,193,100	120,812	4,313,912	4,274,113
<b>EXPENSES:</b>				
Cost of homes sold	1,296,860	-	1,296,860	1,650,663
Discount on mortgages receivable	535,963	-	535,963	305,996
Change in discount on:				
Homes available for sale	(436,210)	-	(436,210)	290,159
Construction in progress	173,007	-	173,007	(389,664)
Program services:				
ReStore	933,179	-	933,179	830,661
Construction overhead and other	488,736	-	488,736	546,964
General and administrative	346,404	-	346,404	534,644
Fundraising	504,087	-	504,087	391,083
Total expenses	3,842,026	-	3,842,026	4,160,506
CHANGE IN NET ASSETS	351,074	120,812	471,886	113,607
NET ASSETS, beginning of year	3,599,262	621,062	4,220,324	4,106,717
NET ASSETS, end of year	\$ 3,950,336	\$ 741,874	\$ 4,692,210	\$ 4,220,324

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

**FLOWER CITY HABITAT FOR HUMANITY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**  
(With Comparative Totals for 2020)

	<b>2021</b>							<b><u>2020</u></b>
	<b>Program</b>			<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>		
	<b>ReStore</b>	<b>Construction Overhead and Other</b>	<b>Total Program</b>					
Payroll and payroll taxes	\$ 432,057	\$ 231,286	\$ 663,343	\$ 190,330	\$ 295,157	\$ 1,148,830	\$ 973,345	
Small tools and supplies	138,347	13,563	151,910	-	-	151,910	111,398	
Employee benefits	46,736	25,393	72,129	20,588	31,927	124,644	126,271	
Rent expense	105,750	-	105,750	1,200	-	106,950	112,950	
Fundraising	-	-	-	-	105,088	105,088	168,679	
Equipment maintenance	40,514	16,083	56,597	13,116	25,639	95,352	91,065	
Insurance	30,009	21,927	51,936	14,426	9,787	76,149	118,896	
Depreciation and amortization	37,714	27,056	64,770	9,470	320	74,560	78,699	
Repair programming	-	68,814	68,814	-	-	68,814	8,369	
Promotion and public relations	22,926	397	23,323	1,260	18,500	43,083	35,427	
Habitat International - tithe and fees	-	40,000	40,000	-	-	40,000	25,050	
Auto	20,783	16,641	37,424	-	-	37,424	27,261	
Utilities	27,548	4,477	32,025	2,843	-	34,868	35,971	
Legal and accounting	-	15,812	15,812	18,777	-	34,589	37,892	
Temporary help and consulting	412	4,656	5,068	999	13,415	19,482	57,678	
Building repair and maintenance	6,630	6,532	13,162	2,206	-	15,368	25,848	
Office supplies	2,879	777	3,656	11,154	-	14,810	20,890	
Interest	5,315	8,905	14,220	326	-	14,546	38,374	
Telephone	7,515	3,063	10,578	1,617	1,764	13,959	16,187	
Bank charges	3,616	-	3,616	3,013	379	7,008	16,492	
Mortgage outsourcing fees	-	2,918	2,918	-	-	2,918	6,515	
Travel and entertainment	344	764	1,108	805	268	2,181	4,851	
Seminar and training	19	989	1,008	235	423	1,666	12,204	
Bad debt expense (recovery)	-	(40,000)	(40,000)	-	-	(40,000)	40,007	
Miscellaneous	4,065	18,683	22,748	54,039	1,420	78,207	113,033	
	<u>\$ 933,179</u>	<u>\$ 488,736</u>	<u>\$ 1,421,915</u>	<u>\$ 346,404</u>	<u>\$ 504,087</u>	<u>\$ 2,272,406</u>	<u>\$ 2,303,352</u>	

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

**FLOWER CITY HABITAT FOR HUMANITY, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Support and contributions received	\$ 1,859,254	\$ 2,573,155
Mortgage payments received	412,412	338,309
Proceeds from sale of mortgage receivables	352,287	-
Proceeds from sale of homes	-	362,840
Cash received from ReStore sales	907,020	677,124
Interest and other income received	342,496	109,773
Cash paid to suppliers	(992,046)	(1,428,235)
Cash paid for salaries	(1,172,863)	(951,439)
Cash paid for operating expenses	(299,865)	(542,433)
Cash paid for fundraising	(218,959)	(255,842)
Cash paid for ReStore expenses	(469,323)	(461,096)
Interest paid	(14,546)	(38,374)
Net cash flow from operating activities	<u>705,867</u>	<u>383,782</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Withdrawals from (deposit to) investments, net	<u>(7,728)</u>	<u>23,405</u>
Net cash flow from investing activities	<u>(7,728)</u>	<u>23,405</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayments on line-of-credit, net	-	(300,000)
Repayment of notes payable - affiliate	(35,385)	(54,185)
Receipt of Paycheck Protection Program loans	<u>292,830</u>	<u>292,800</u>
Net cash flow from financing activities	<u>257,445</u>	<u>(61,385)</u>
<b>CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>955,584</b>	<b>345,802</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH:</b>		
Beginning of year	<u>515,857</u>	<u>170,055</u>
End of year	<u><u>\$ 1,471,441</u></u>	<u><u>\$ 515,857</u></u>

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

**FLOWER CITY HABITAT FOR HUMANITY, INC.**

**STATEMENT OF CASH FLOWS (Continued)**

**FOR THE YEAR ENDED JUNE 30, 2021**

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 471,886	\$ 113,607
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	74,560	78,699
Discount on mortgages receivable	535,963	305,996
Amortization of discount on mortgages receivable	(233,516)	(189,847)
Change in discount on homes available for sale	(436,210)	290,159
Change in discount on construction in progress	173,007	(389,664)
Investment income, net	(72,935)	8,037
Bad debt expense (recovery)	(40,000)	40,007
Loss on sale of property and equipment	-	194
Change in:		
Mortgages receivable	(304,052)	(102,162)
Other receivables	9,009	(34,394)
Grants receivable	348,499	32,392
Employee Retention Credit receivable	(154,581)	-
Other current assets	(1,558)	8,638
Construction in progress	(518,980)	1,041,258
Homes available for sale	827,795	(598,850)
Assets that are limited to use	-	5,240
Accounts payable	88,322	(285,023)
Accrued expenses and other current liabilities	(35,032)	33,185
Deferred revenue	(26,310)	26,310
Net cash flow from operating activities	<u>\$ 705,867</u>	<u>\$ 383,782</u>

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



# FLOWER CITY HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

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### 1. ORGANIZATION

Flower City Habitat for Humanity, Inc. (the Organization) was established and incorporated in November 1984. The Organization is a non-profit corporation whose purpose is to develop a better habitat in which to work and live for economically disadvantaged people. This is accomplished by working with these people to build or rehabilitate homes and subsequently providing non-interest-bearing mortgages on these residences.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Net Asset Classifications -

At June 30, 2021 and 2020, the Organization reported net assets as follows:

- Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- With Donor Restrictions - Net assets subject to donor- (or certain grantor-) 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. All donor-restricted 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 statement of activities as net assets released from restriction.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash, Cash Equivalents and Restricted Cash -

The Organization's cash, cash equivalents, and restricted cash consist of bank deposit and money market accounts. These accounts may, at times, exceed federally insured limits. Restricted cash is held in investment accounts and is to be used for future tithing and building operations. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

### Grants Receivable -

Grants receivable consists of Government and New York State grants awarded to the Organization to assist in subsidizing the cost of homebuilding. Grant revenue is earned by the Organization upon the completion of applicable grant related projects. As of June 30, 2021 and 2020, there was \$106,000 and \$414,499, respectively, of grants that had not been received by the Organization as of year-end. Balances that are still outstanding after management has used reasonable collection efforts are written off. The allowance for doubtful accounts on grants receivable was \$40,000 at June 30, 2020. No allowance for doubtful accounts on grants receivable was considered necessary at June 30, 2021.

### Property and Equipment -

It is the Organization's policy to capitalize property and equipment over \$5,000. Purchased property and equipment is stated at cost and depreciated using the straight-line method. The assets are depreciated over their estimated useful lives, ranging from three to thirty-nine years. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

### Construction in Progress -

Construction in progress consists of homes owned by the Organization that are currently under construction or renovation. These homes are valued at the lower of cost or anticipated sales price, with the discount reserve being the difference between the total costs and the anticipated sales price. The discount reserve on construction in progress was \$173,007 at June 30, 2021. No reserve on construction in progress was considered necessary at June 30, 2020.

### Homes Available for Sale -

Homes available for sale consist of homes owned by the Organization that are valued at the lower of cost or anticipated sales price, with the discount reserve being the difference between the total costs and the anticipated sales price. As of the balance sheet date, these homes are either awaiting closing or the current tenants are in a probationary period prior to being eligible for ownership. The discount reserve on homes available for sale totaled \$192,062 and \$628,272 at June 30, 2021 and 2020, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Mortgages Receivable -

In accordance with instructions from Habitat for Humanity International, Inc., the Organization does not charge interest on the mortgages on houses sold to homeowners. The Organization records the mortgages at the present value of the note payments to be received in the future. Imputed rates of interest that are used in computing the discount vary between 7.23% and 9.00% depending on the origination date of the mortgage and are provided to the Organization by Habitat for Humanity International, Inc. on an annual basis. The difference between the face amount of the mortgage and its present value is accounted for as a discount and charged to expense in the initial year of the mortgage. The discount is then amortized over the life of the mortgage using the interest method and is reported as mortgage discount amortization revenue in the statement of activities and change in net assets.

### Investments -

The Organization's title and building reserve funds represent cash and investments restricted for certain purposes. The investments consist of money market, equities and mutual funds. The restricted cash amounts are held in bank deposit accounts.

The Organization's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

All of the Organization's investments are measured at fair value on a recurring basis utilizing level one inputs, as defined in the fair value measurement section of Note 2.

### Revenue Recognition - Exchange Transactions -

Program revenues are recognized when control of the promised services is transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. To do this, the Organization performs the following five steps as outlined in ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Organization satisfies a performance obligation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Exchange Transactions (Continued) -

### *Revenue Types -*

The Organization has the following revenue types that qualify as exchange transactions:

Sale of Homes – The Organization builds and sells houses to low-income individuals. Such revenues are recognized at the date of closing for the house as this is the point in time the Organization has determined to satisfy their performance obligation.

ReStore – The Organization sells various donated and purchased goods to individuals through their ReStore locations. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation.

Sale of Mortgages – The Organization sells existing mortgages to a third-party bank. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation.

Home Repair Program – The Organization performs repairs for individuals and other organizations in the community. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation.

### *Significant Judgments -*

Determining whether variable consideration (if applicable) should be reflected in the contract's transaction price may require judgment as to the probability that a significant reversal of such consideration will not occur when the variable consideration is resolved.

### *Practical Expedients -*

The Organization has applied certain practical expedients in its adoption and application of ASC 606, as follows:

- The Organization does not evaluate a contract for a significant financing component if payment is expected to be received within one year or less from the transfer of the promised services to the client.
- The Organization generally expenses costs incurred to obtain a contract when the amortization period would have been one year or less.

### *Sales and Use Tax -*

At times, the Company collects and remits sales and use taxes. These taxes are reported on a net basis in the accompanying statements of activities, and therefore do not impact reported amounts of revenue and expenses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other Support and Revenue -

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

Grant income that does not meet the criteria of an exchange transaction is recognized under the criteria described above for contributions. Grantors may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursement, and return of funds as an adjustment to revenue in the year of the amendment. No such changes occurred during the years ended June 30, 2021 and 2020.

Grant funds with an explicit right to return funds if not used for their intended purpose and which are received in advance of their stipulated conditions are recorded as deferred revenue until such conditions are met. Deferred revenue at June 30, 2020 was \$26,310. There was no deferred revenue as of June 30, 2021.

### Income Taxes -

The Organization is organized as a New York nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Section 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Organization's informational returns are generally open to examination by taxing jurisdictions for three years from their filing dates or tax years ended in 2018 through 2021.

### Comparative Information -

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Functional Allocation of Expenses -

The costs of program, fundraising and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort, square footage used, or other reasonable basis for allocation.

### Fair Value Measurement -

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 - Valuations based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.

All of the Organization's investments are valued utilizing level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

The Organization has no assets or liabilities that are valued utilizing level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization has no assets or liabilities that are valued utilizing level 3 inputs.

### Events Occurring After Reporting Date -

The Organization has evaluated events and transactions that occurred between June 30, 2021 and November 30, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates included in these financial statements include useful lives of property and equipment, collectability of various receivables, discounts applied to mortgage receivables, construction in progress and homes available for sale, and allocation of functional expenses.

## 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 1,471,441	\$ 515,857
Grants receivable, net	106,000	414,499
Employee Retention Credit receivable	154,581	-
Other receivables	25,385	34,394
Investments	286,930	206,267
Current portion of mortgages receivables, gross	<u>326,993</u>	<u>333,580</u>
	<u>2,371,330</u>	<u>1,504,597</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions, including restricted cash	(741,874)	(621,062)
Less: net assets with purpose restrictions to be met in less than one year	<u>345,406</u>	<u>285,807</u>
	<u>(396,468)</u>	<u>(335,255)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,974,862</u>	<u>\$ 1,169,342</u>

In addition to the financial assets above, the Organization has a \$300,000 line-of-credit available for general working capital needs as well as a \$1,000,000 line-of-credit for the purpose of financing construction of residential homes. There was no outstanding balance on either line-of-credit at June 30, 2021 and 2020 (see Note 8).

#### 4. MORTGAGES RECEIVABLE

Mortgages receivable secured by real estate, due on various dates with no interest, consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mortgages receivable	\$ 5,002,450	\$ 4,972,436
Discounts on non-interest-bearing notes	<u>(2,641,859)</u>	<u>(2,613,450)</u>
	2,360,591	2,358,986
Less: current portion, net of discount	<u>(154,471)</u>	<u>(154,563)</u>
	<u>\$ 2,206,120</u>	<u>\$ 2,204,423</u>

The following are future maturities of mortgages receivable, net of discount, for the years ending June 30:

	<u>Mortgage</u>	<u>Discount</u>	<u>Net</u>
2022 .....	\$ 326,993	\$ (172,522)	\$ 154,471
2023 .....	320,048	(167,253)	152,795
2024 .....	311,151	(162,844)	148,307
2025 .....	305,079	(156,791)	148,288
2026 .....	295,094	(155,273)	139,821
Thereafter .....	<u>3,444,085</u>	<u>(1,827,176)</u>	<u>1,616,909</u>
	<u>\$ 5,002,450</u>	<u>\$ (2,641,859)</u>	<u>\$ 2,360,591</u>

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 40,000	\$ 40,000
Buildings	774,688	774,688
Leasehold improvements	93,695	93,695
Computers and office equipment	95,376	169,639
Building equipment	37,999	70,563
Vehicles	<u>184,280</u>	<u>191,406</u>
	1,226,038	1,339,991
Less: Accumulated depreciation	<u>(731,165)</u>	<u>(770,558)</u>
	<u>\$ 494,873</u>	<u>\$ 569,433</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$74,560 and \$78,699, respectively.



## 6. INVESTMENTS

Investments consisted of the following major types as of June 30:

	<u>2021</u>	<u>2020</u>
Marketable securities	\$ <u>286,930</u>	\$ <u>206,267</u>

Investment income, net consisted of the following activity for the year end June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 9,066	\$ 8,916
Realized gain	11,809	3,085
Unrealized gain (loss)	53,781	(18,559)
Investment fees	<u>(1,721)</u>	<u>(1,479)</u>
	<u>\$ 72,935</u>	<u>\$ (8,037)</u>

## 7. NOTES PAYABLE - AFFILIATE

The following notes are payable to Habitat for Humanity International, Inc. as of June 30:

	<u>2021</u>	<u>2020</u>
Note payable in the original principal amount of \$210,000 requiring monthly payments of \$2,235, including interest at 5.00%. Final payment is due December 2028.	\$ 166,843	\$ 184,750
Note payable in the original principal amount of \$180,600 requiring monthly payments of \$1,899, including interest at 4.75%. Final payment is due June 2026.	<u>100,911</u>	<u>118,389</u>
	267,754	303,139
Less: current portion	<u>(37,144)</u>	<u>(35,386)</u>
	<u>\$ 230,610</u>	<u>\$ 267,753</u>

The notes payable are collateralized by security interests in specific mortgage receivables. The Organization is required to meet financial covenants of maintaining minimum net assets of \$250,000 and raising at least 50% of its annual support from local sources. The Organization was in compliance with these covenants as of and for the years ended June 30, 2021 and 2020.

**7. NOTES PAYABLE - AFFILIATE (Continued)**

Future required payments due under the terms of these notes are as follows for the years ending June 30:

2022 .....	\$	37,144
2023 .....		38,988
2024 .....		40,925
2025 .....		42,958
2026 .....		45,093
Thereafter .....		<u>62,646</u>
	\$	<u>267,754</u>

**8. LINES-OF-CREDIT**

During the year ended June 30, 2020, the Organization refinanced their existing line-of-credit agreement with a different bank. The Organization entered into two new line-of-credit agreements allowing the Organization to borrow a total of \$1,300,000. The Organization may borrow up to \$1,000,000 for the purpose of financing construction of residential homes for low-income individuals. The second agreement allows the Organization to borrow up to \$300,000 for the purpose of general working capital. Amounts borrowed under both of these agreements bear interest at the prime rate (3.25% as of June 30, 2021) and are due on demand. The line-of-credit agreements are secured by substantially all of the assets of the Organization. There was no outstanding balance under these line-of-credit agreements at June 30, 2021 and 2020.

**9. PAYCHECK PROTECTION PROGRAM LOANS**

The Organization applied for and obtained the first round of the Paycheck Protection Program ("PPP") during fiscal 2020 in the amount of \$292,800 and the second round of PPP during fiscal 2021 in the amount of \$292,830. The loans are administered by the Small Business Administration ("SBA") and are forgivable if the funds are used for the intended purposes of the loans. Subsequent to year end, the Organization received notification that the full amount of the first round loan was forgiven and the Organization applied for forgiveness of the second round loan, anticipating full forgiveness. The first and second round funds in the amount of \$585,630 and \$292,800 are recorded as a long-term liability on the accompanying balance sheet at June 30, 2021 and 2020, respectively.

**10. COMMITMENTS**

In January 2017, the Organization entered into a lease agreement for a second ReStore location that requires monthly payments of \$8,813 through December 2021. Subsequent to year end, the Organization extended the lease for an additional period requiring monthly payments of \$9,694 from November 2021 to October 2026.

**10. COMMITMENTS (Continued)**

During fiscal 2018, the Organization entered into a new lease agreement for a copier. Under the terms of the lease, the Organization is required to make monthly payments of \$181 through December 2021. The Organization is also charged fees if monthly usage exceeds a predetermined amount under the agreement.

In November 2018, the Organization entered into a lease agreement for additional customer and volunteer parking space that requires monthly payments of \$600 through October 2020. During the year ended June 30, 2021, the Organization executed an extension of the lease. Under the extended lease agreement, monthly payments of \$650 are required for the period November 2020 to October 2023.

Future required payments due under the terms of the above lease obligations are as follows for the years ending June 30:

2022 .....	\$	122,879
2023 .....		125,499
2024 .....		120,299
2025 .....		117,241
2026 .....		116,325
Thereafter .....		<u>38,775</u>
	\$	<u><u>641,018</u></u>

**11. RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Tithe fund	\$ 292,218	\$ 230,948
Building reserves fund	104,250	104,307
Specific home construction	335,497	277,454
Homeowner assistance	<u>9,909</u>	<u>8,353</u>
	<u>\$ 741,874</u>	<u>\$ 621,062</u>

Net assets with donor restrictions that were released from restrictions were as follows during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Tithe fund	\$ 10,000	\$ 10,000
Specific home construction	720,842	338,542
Homeowner assistance	3,894	1,647
Tools and equipment	<u>-</u>	<u>93,872</u>
	<u>\$ 734,736</u>	<u>\$ 444,061</u>

## **11. RESTRICTIONS ON NET ASSETS (Continued)**

The tithe fund amounts are restricted by the donor for use in supplementing the Organization's tithing to Habitat for Humanity International. Annually, amounts are released to unrestricted funds for this purpose based on the discretion of the Organization's Board of Directors.

The building reserves fund is restricted by the donor for use as an internal line-of-credit that is used by the Organization to fund the construction of homes while awaiting infrastructure, federal home loan payments, and other post-closing government grant funding. The fund is replenished as soon as these payments are received, with the balance in the fund equaling a minimum of \$100,000 plus interest earned thereon. At June 30, 2021 and 2020, the donor restricted amount totaled \$104,250 and \$104,307, respectively, which included principal of \$100,000 and cumulative earnings of \$4,250 and \$4,307, respectively, and are represented in the restricted cash balance on the accompanying financial statements. There were no loans from the building reserve fund at June 30, 2021 and 2020.

## **12. EMPLOYEE RETENTION TAX CREDIT**

During fiscal 2021, the Organization was eligible for the Employee Retention Credit ("ERC") under the Taxpayer Certainty and Disaster Relief Act of 2020 which was enacted December 27, 2020. Under the ERC, the Organization can claim a credit for federal payroll taxes if certain parameters are met. The Organization amended their 2020 quarterly federal payroll tax returns for quarters three and four, and included the credit on their 2021 quarterly federal payroll tax return for quarter one. The Organization accounted for the ERC under Accounting Standards Codification 958-605 and total revenue recognized during the year ended June 30, 2021 was \$258,605 and is recorded on the accompanying statement of activities and change in net assets. Total receivables related to the Employee Retention Credit at June 30, 2021 was \$154,581.

## **13. DONATED SERVICES**

The Organization values all donations of materials and professional services at fair market value when received. Revenue and expenses related to donated goods and services are recognized at the time such goods are received or services are rendered. Total contributed goods and services were approximately \$16,000 and \$27,000 for the years ended June 30, 2021 and 2020, respectively.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in home rehabilitation/construction, fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been met.

#### **14. EMPLOYEE BENEFIT PLAN**

The Organization sponsors a defined contribution plan. All employees are eligible for participation in the plan after the completion of one year of service, and may voluntarily elect to contribute a percentage of their compensation to the plan, subject to the terms of the plan and certain established federal limitations. The Organization makes no matching or discretionary contributions to the plan at this time.

#### **15. CONTINGENCIES, RISKS AND UNCERTAINTIES**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact future operations. The entire financial impact that could result from such economic uncertainties is unknown at this time.

Third-party payers, especially governmental funders, have substantially increased their scrutiny of payments made to their designated service providers. Specific areas for review by the governmental payers and their investigative personnel include appropriate billing practices, reimbursement maximization strategies, technical regulation compliance, etc. The stated purpose for these reviews is to recover reimbursements which the payers believe may have been inappropriate. The Organization has reviewed its internal records and policies with respect to such matters. As a result of this review, the Organization has not recorded a liability as of June 30, 2021 or 2020.