

**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.**

**FINANCIAL STATEMENTS
Year Ended June 30, 2021
(With Comparative Totals For 2020)**

**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.**

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BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity of Montgomery and Delaware Counties, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Montgomery and Delaware Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Montgomery and Delaware Counties, Inc. as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity of Montgomery and Delaware Counties, Inc.'s 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baum, Smith & Clemens, LLP

Harleysville, PA
March 12, 2022

**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(With Comparative Totals for 2020)**

	2021	2020
ASSETS		
Current		
Cash and cash equivalents	\$ 1,791,274	\$ 831,601
Mortgages receivable, current, net	98,544	90,437
Contributions receivable	69,886	-
ERC receivable	137,539	-
Other receivables	16,322	60,798
ReStore inventory	136,376	185,246
Investments	814,448	559,020
Construction in progress	735,878	785,909
Prepaid expenses	24,650	6,674
Total current assets	3,824,917	2,519,685
Property and equipment, net	1,228,041	1,182,562
Other		
Mortgages receivable, net of current portion, allowance and discount	1,069,614	1,172,512
Escrow deposit	-	150,000
Deposits - other	29,975	34,960
Total other assets	1,099,589	1,357,472
Total assets	\$ 6,152,547	\$ 5,059,719
LIABILITIES		
Current		
Current portion of long-term debt	\$ 84,552	\$ 81,692
Accounts payable	81,366	50,451
Accrued expenses	89,128	79,780
Accrued payroll and payroll taxes	33,178	28,597
Deferred revenue	-	2,490
Funds held in escrow	93,857	95,233
Total current liabilities	382,081	338,243
Long-term		
Debt, net of current portion and debt issuance costs	891,853	975,462
Total liabilities	1,273,934	1,313,705
NET ASSETS		
Without donor restrictions	4,244,221	3,491,951
With donor restrictions	634,392	254,063
Total net assets	4,878,613	3,746,014
Total liabilities and net assets	\$ 6,152,547	\$ 5,059,719

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)**

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions	\$ 698,003	\$ 658,367	\$ 1,356,370	\$ 840,271
In-kind contributions	198,518	-	198,518	14,546
Sale of homes to Habitat homeowners	273,000	-	273,000	410,000
Fundraising activities, net	33,046	-	33,046	-
Program income	26,469	-	26,469	24,533
PPP grant income	241,868	-	241,868	276,905
Employee retention credit	137,539	-	137,539	-
Restore revenue	1,465,995	-	1,465,995	1,006,167
Amortization of mortgage discounts	102,223	-	102,223	119,115
Other income	311,535	-	311,535	-
Net assets, released from restriction	278,038	(278,038)	-	-
Total support and revenue	3,766,234	380,329	4,146,563	2,691,537
EXPENSES				
Program services	2,503,745	-	2,503,745	2,731,866
Management and general	394,068	-	394,068	319,970
Fundraising expenses	365,299	-	365,299	401,348
Total expenses	3,263,112	-	3,263,112	3,453,184
Change in net assets from operations	503,122	380,329	883,451	(761,647)
Nonoperating activity				
Investment income, net	249,148	-	249,148	11,671
Change in net assets	752,270	380,329	1,132,599	(749,976)
Net assets, beginning of year	3,491,951	254,063	3,746,014	4,495,990
Net assets, end of year	<u>\$ 4,244,221</u>	<u>\$ 634,392</u>	<u>\$ 4,878,613</u>	<u>\$ 3,746,014</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	Program Services			Support Services		2021 Total	2020 Total
	Home Sale and Repairs	ReStore	Total	Management & General	Fundraising		
Personnel							
Salaries	\$ 187,862	\$ 489,395	\$ 677,257	\$ 169,099	\$ 171,987	\$ 1,018,343	1,144,337
Payroll Taxes	22,593	46,039	68,632	13,797	16,463	98,892	103,082
Employee benefits	41,796	71,785	113,581	23,494	10,068	147,143	157,838
Total personnel	252,251	607,219	859,470	206,390	198,518	1,264,378	1,405,257
Operating expenses							
Advertising	-	17,385	17,385	-	12,269	29,654	20,644
Auto and truck	3,638	34,426	38,064	651	560	39,275	43,314
Bad debt	-	-	-	-	-	-	85,532
Construction costs of homes	546,170	-	546,170	-	-	546,170	622,189
Depreciation	10,138	41,483	51,621	12,280	1,507	65,408	64,732
Dues, fees, and subscriptions	216	22,620	22,836	36,653	2,952	62,441	61,058
Fundraising	-	-	-	-	82,648	82,648	112,457
Facility	12,725	555,557	568,282	26,904	3,910	599,096	431,376
Homeowner services	114,695	12,032	126,727	392	1,537	128,656	62,747
Information technology	21,133	19,288	40,421	13,375	20,392	74,188	68,295
Insurance	15,004	17,935	32,939	21,367	195	54,501	43,656
Interest expense	10,366	24,877	35,243	13,405	2,073	50,721	57,803
Meetings	-	-	-	-	-	-	525
Mortgage discount	69,273	-	69,273	-	-	69,273	269,976
Office	1,092	6,161	7,253	5,577	5,207	18,037	18,937
Professional fees	1,986	47,243	49,229	56,415	10,000	115,644	24,784
Supplies and materials	-	24,227	24,227	-	-	24,227	7,467
Travel and seminars	499	472	971	659	734	2,364	6,127
Vista	13,634	-	13,634	-	22,797	36,431	46,308
Total operating expenses	820,569	823,706	1,644,275	187,678	166,781	1,998,734	2,047,927
Total expenses	\$ 1,072,820	\$ 1,430,925	\$ 2,503,745	\$ 394,068	\$ 365,299	\$ 3,263,112	
2020 Total	\$ 1,474,557	\$ 1,257,309	\$ 2,731,866	\$ 319,970	\$ 401,348		\$3,453,184

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF MONGOMERTY
AND DELAWARE COUNTIES, INC.
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	\$ 1,132,599	\$ (749,976)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	65,408	64,732
Amortization - loan fees	602	602
Mortgages issued	(115,726)	(451,593)
Mortgage discounts	69,273	269,976
Amortization of mortgage discounts	(102,223)	(119,115)
Bad debt expense	-	85,532
Donated assets, ReStore	48,870	(82,668)
Stock contribution	(10,127)	(13,520)
Realized gain on investments	(97,851)	53,823
Unrealized gain on investments	(143,006)	(53,888)
Gain on involuntary conversion	(308,001)	-
Gain on asset disposal	(3,534)	-
Changes in assets and liabilities:		
Collection of mortgage receivable, net	243,467	227,867
Contributions receivables	(69,886)	-
ERC receivable	(137,539)	-
Other receivables	44,476	360,882
Prepaid expenses	(17,976)	25,825
Construction in progress	50,031	109,849
Escrow deposit	150,000	-
Deposits - other	4,985	-
Accounts payable	30,915	(33,904)
Accrued expenses	9,348	13,344
Accrued payroll and payroll taxes	4,581	1,601
Deferred revenue	(2,490)	(810)
Funds held in escrow	(1,376)	(10,859)
Net cash provided (used) by operating activities	844,820	(302,300)
Cash flows from investing activities		
Purchases of property and equipment	(187,210)	(15,214)
Proceeds from Insurance	382,260	-
Proceeds from sale of assets	5,598	-
Reinvestment of investment income, net of fees	(8,199)	(11,177)
Transfer to operating, net	3,755	556,497
Net cash provided by investing activities	196,204	530,106
Cash flows from financing activities		
Principal repayments on long term debt	(81,351)	(65,939)
Net cash used by financing activities	(81,351)	(65,939)
Net change in cash	959,673	161,867
Beginning cash and cash equivalents	831,601	669,734
Ending cash and cash equivalents	\$ 1,791,274	\$ 831,601
<u>Supplementary disclosure of cash flow information</u>		
Cash paid for interest		
Interest paid	\$ 50,119	\$ 57,201

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Habitat for Humanity of Montgomery County, Inc. (Habitat) was incorporated in January, 1989, under the laws of the Commonwealth of Pennsylvania as a nonprofit social service organization. In 2017, Habitat merged in Habitat for Humanity – Delaware County, Pennsylvania, Inc.

Habitat strives to end poverty housing in our community by providing an array of programs geared toward homeownership, home repair and home preservation for low-income county residents. Habitat works with individuals, organizations and faith communities to build simple, basic, decent housing and provide no-interest low payment mortgages. In addition, Habitat provides critical repairs to low-income owner-occupied homes, as well as outside preservation to improve families, neighborhoods and our county's quality of life. In addition, Habitat provides critical repairs to low-income owner-occupied homes, hosts free financial literacy and home-buying readiness courses for adults (Almost Home), and facilitates a Neighborhood Revitalization program that mentors two grassroots community action organizations located in Pottstown, PA and Norristown PA. Our programs combine to build new, and improve existing housing, create a pathways to homeownership for low and moderate income families, and improve the quality of life in our counties, by empowering citizens.

Habitat has two thrift-style retail outlets, the ReStores offer new and gently used household goods and building materials at deeply discounted prices while providing volunteer and recycling opportunities for the community at large.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2020, the first day of the Organization's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Organization elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Organization used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Organization expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Organization has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The Organization generally recognizes revenue for contracts at a point in time as the performance obligation is satisfied. Revenue recognized primarily consists of one performance obligation that is satisfied at the point of transfer. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

Revenue Recognition

Sale of Merchandise

The Organization recognizes revenues from the retail sale of products, in stores or online, net of sales taxes, at the point of sale. Payment is usually received via cash, debit card or credit card. Discounts provided to customers by the Organization at the time of sale, are recognized as a reduction in sales as the products are sold.

Sale of Homes

The Organization recognizes revenues from the sale of homes at the date of settlement, with the transfer of ownership of the real estate. The home is paid for by the homebuyer either through the Organization or third party financing. Discounts are provided to the homebuyer by the Organization via its gift of equity program.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Home Repairs

The Organization recognizes revenue from home repair projects when the repair work is performed and invoiced to the customer.

Special Events

The Organization held a virtual special event during the fiscal year. Support is raised through sponsorships and voluntary donations. Support from event sponsorships have little benefit to the sponsor, so these amounts are considered to be contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, Habitat considers cash in operating accounts, cash on hand, demand deposits, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Mortgages Receivable

The Organization has financed mortgages to homeowners, collateralized by first mortgages recorded as liens against the properties sold to the homeowner by the Organization. A valuation discount, of approximately 7%, has been recorded to reflect an interest rate recommended by Habitat for Humanity International, Inc. for valuation purposes, and is amortized over the term of the corresponding mortgage. Habitat has and implemented a formal collection policy. A provision for doubtful accounts has been recognized based upon managements' review of existing receivables.

Contributions receivable

Contributions are recognized when a donor makes a promise or pledge to the Organization.

Inventory

Inventory, at the ReStores, is comprised of donated building materials, home furniture and appliances and are recorded at net realizable value.

Investments

Investments in marketable securities are reported at their fair value in the statements of financial position. Realized and unrealized gains and losses on investments are included in the statements of activities.

Habitat's principal financial instruments, subject to market risk, are its investments. The investments are managed by the board of directors. The degree and concentration of risk varies by the type of investment.

Construction in Progress

Management reviews its construction in progress assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value, based upon an independent third party appraisal.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in Progress (continued)

Properties held and available for sale include the costs to purchase maintain and improve the properties until they are sold. These properties are reviewed on an ongoing basis for impairment.

All costs related to each project are recorded as construction in progress. As the homes are sold the accumulated costs for the homes are removed from construction in progress.

Property and Equipment

All acquisitions in excess of \$1,000 are capitalized. Property and equipment are reported at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the books and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred and costs of significant replacements and improvements are capitalized and expensed over the periods benefited.

Real Estate and Insurance Escrow Accounts

At settlement, Habitat may open escrow accounts in the name of the Organization for Habitat homeowners for the payment of real estate taxes and insurance on behalf of the homeowners.

Loan Fees

Loan settlement costs are expensed over the life of the related borrowings using the effective interest rate method and are netted with long-term debt on the statement of financial position.

Sales Tax

Habitat collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the tax authority for amounts collected but not yet remitted. These balances are reported in the accounts payable and accrued expense line item on the statements of financial position.

Compensated Absences

Habitat accrues accumulated unpaid annual leave when earned by the employee. Generally, annual leave must be taken during the calendar year earned. However, up to 40 hours may be carried forward per calendar year. Eligible employees who end their employment with Habitat are reimbursed for each day of accumulated annual leave. This accrual is included in accrued expenses on the statement of financial position.

Deferred Revenue

The Organization recognizes deferred revenues for amounts received but not earned during the period.

Net Assets

Net assets consist of the following

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Habitat's management and board of directors.

With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Donor restrictions are temporary in nature; those restrictions will be by the passage of time or specified purpose. Donor restricted contributions are reported as increased in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions

Contributions are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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.

A contribution with a stipulation from the funder that represents a barrier that must be overcome before Habitat is entitled to the assets transferred or promised is considered conditional. Failure to overcome the barrier gives the funder a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Habitat considers the government contracts to be conditional contributions.

Other In-Kind Contributions

The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Habitat receives donated services from unpaid volunteers assisting the Organization with the construction and renovation of the homes. This volunteer time is not recognized in the accompanying statement of activities, because these services do not meet the criteria for recognition as contributed services.

The contributed facilities usage value is reported at the estimated fair rental value of the property.

Sale of Homes Habitat Holds Mortgage

Sale of homes to Habitat homeowners are recorded at the net mortgage amount plus down payment received. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount will be recognized as income on a straight-line basis over the term of the mortgages and is included in program income on the statement of activities.

ReStore Activity

ReStore sales and changes in the contributed inventory balance are shown net on the Statement of Activities.

Functional Allocation of Expenses

Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support towards Habitat's programs, and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

Advertising

Advertising costs are expensed as incurred.

Shipping and Handling

Shipping and handling costs to deliver product to the Restore locations are expensed as incurred.

Income Taxes

Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Habitat is classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A).

The Organization is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken on the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management's Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Significant estimates included in the financial statements are the allowance for mortgage receivables, valuation of the ReStore inventory, land and property donations, property impairment, donated construction services included in construction in progress and the cost of homes sold.

In 2021, Management changed how the allowance for mortgage receivables and bad debt are recorded. There was no impact on current year net assets from the change. Management has evaluated the balance of the allowance for mortgage receivables and concluded that the current balance provides for all estimated uncollectible balances.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was March 12, 2022.

NOTE B: CONCENTRATIONS

The Organization maintains cash in bank deposit accounts which, at times, exceed federally insured limits. No loss has been experienced in such accounts and the Organization believes it is not exposed to any significant credit risk on cash.

The Organization maintains accounts with a brokerage firm. The accounts contain cash and securities. Security balances are insured up to \$500,000 by the Securities Investor Protection Corporation. Cash balances held in these accounts may at times exceed federal limits, but the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

ReStore revenue accounted for 33% of total support and revenue for 2021.

Concentrations represent individual amounts which account for 10% or more of the activity or balances. Following are concentrations for 2021.

Concentrations in mortgage receivable balances consist of the following:

Homeowner - A	10%
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NOTE C: MORTGAGES RECEIVABLE

Below is a summary of the mortgages receivable as of June 30.

Non-interest bearing mortgages receivable from homeowners	\$ 3,785,699
Less: Allowance for doubtful accounts	(423,614)
Less: Unamortized mortgage discount	<u>(2,193,927)</u>
Net mortgages receivable	1,168,158
Current maturities of mortgages receivable	<u>(98,544)</u>
	<u>\$ 1,069,614</u>

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following.

	Estimated useful lives in years		
Land		\$	207,937
Buildings and Improvements	20 - 40		1,332,075
Furniture and fixtures	5 - 7		46,739
Vehicles	5		<u>27,455</u>
			1,614,206
Less: accumulated depreciation			<u>(386,165)</u>
			<u>\$ 1,228,041</u>

Depreciation expense for the year ended June 30, 2021 was \$65,407.

The Organization's Foundry location sustained fire damage in November, 2020. Insurance proceeds in the amount of \$318,322 were allocated to the remediation and repair of the building and have been reported as a reduction in facility expense on the statement of functional expenses. Insurance proceeds allocated to the building damage of \$382,260 are reporting in other income on the statement of activities and have resulted in a gain from an involuntary conversion of \$308,001.

The Organization has committed to multiple contracts for construction. There is a balance of approximately \$187,000 due at June 30, 2021.

NOTE E: INVESTMENTS

Investments held by Habitat at June 30, 2021 consist of the following.

Exchange traded funds - equities		\$ 729,664
Mutual funds - equities		<u>84,784</u>
		<u>\$ 814,448</u>

Investment income is summarized as follows.

Unrealized gains		\$ 143,006
Realized gains		97,851
Dividends and interest (net of fees)		<u>8,291</u>
		<u>\$ 249,148</u>

Investment fees for the year ended June 30, 2021 were \$1,728.

NOTE F: FAIR VALUE MEASUREMENT

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.
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HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE F: FAIR VALUE MEASUREMENT (Continued)

Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"> ▪ Quoted prices for similar assets in active markets; ▪ Quoted prices for identical or similar assets in inactive markets; ▪ Inputs other than quoted prices that are observable for the asset; ▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
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If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3	Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.
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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table represents by level within the fair value hierarchy assets measured at fair value on a recurring basis at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds - equities	\$ 729,664	\$ -	\$ -	\$ 729,664
Mutual funds - equities	84,784	-	-	84,784
Total assets at fair value	\$ 814,448	\$ -	\$ -	\$ 814,448

NOTE G: LINE OF CREDIT

Habitat has a \$200,000 line of credit available for its use, collateralized by the assets of Habitat, with the interest rate at prime. The line is automatically renewable on an annual basis. There was no outstanding balances at June 30, 2021.

NOTE H: LONG-TERM DEBT

Long-term debt consists of the following:

Mortgage in the amount of \$1,152,000. The loan is to be repaid in 300 monthly installments of principal and interest of \$7,100 at an annual interest rate of 5.5%. The note is secured by the land and building. Reduction in interest rate to 3.75% effective March, 2021 for the duration of the loan. The effective interest rate was 5.02% for the year ending 2021. The note is due in March, 2035. \$ 818,820

Note payable of \$270,000. The loan is to be repaid in 120 monthly installments of principal and interest of \$3,794 at an annual interest rate of 4.75%. Note is subject to interest rate adjustments starting June, 2023. The note is secured by Habitat's mortgages receivable. The note is due in June, 2025.

	172,822
	991,642
Net loan costs balance at June 30, 2021	(7,737)
	983,905
Less: current portion	84,552
Long-term debt	\$ 899,353

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE H: LONG-TERM DEBT (Continued)

Future maturities on long-term debt at June 30, 2021 are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2022	\$ 84,552
2023	88,174
2024	91,954
2025	104,232
2026	53,890
Thereafter	<u>568,840</u>
Total	<u>\$ 991,642</u>

Loan amortization costs for the year ended June 30, 2021 was \$602.

NOTE I: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for use in future periods for restricted purposes at June 30, 2021 are as follows.

Neighborhood Revitalization Initiative	\$ 86,100
Construction	534,217
Rock the Block	<u>14,075</u>
Total	<u>\$ 634,392</u>

Net assets with donor restrictions released for the year ended June 30, 2021 are as follows.

Neighborhood Revitalization Initiative	\$ 183,900
Construction	75,638
Almost Home	3,500
COVID Mortgage Relief	<u>15,000</u>
Total	<u>\$ 278,038</u>

NOTE J: FUND RAISING ACTIVITIES

The Organization had a virtual Gala event for 2021. The support received and expenses incurred were as follows:

Gross receipts	\$ 38,033
Expenses	<u>4,987</u>
Total	<u>\$ 33,046</u>

NOTE K: EMPLOYEE RETENTION CREDIT

The Organization qualified for the tax credit provided by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) employee retention credit, which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee. The receivable for the ERC at June 30, 2021 is \$137,539, which represents refunds due on the 2020 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended September 30, 2020 and December 31, 2020. The credit has been recorded in these financial statements as a conditional contribution, and included in revenue for the current fiscal year.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
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JUNE 30, 2021

NOTE L: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat had the following transactions with Habitat for Humanity International, Inc. for the year ended June 30, 2021:

Tithe	\$ 4,000
Habitat SOSI annual cost-sharing fee	\$ 25,000

NOTE M: ADDITIONAL INFORMATION

Total donated property, goods and services – program	\$ 198,518
Advertising expense	\$ 29,654
Vacation liability	\$ 41,308

The Organization received \$250,000 in Business Interruption Insurance Proceeds, which has been included in ReStore revenue on the Statement of Activities.

NOTE N: LEASES

The Organization leases building space and office equipment under operating leases expiring in various years through 2024. Total lease expense was \$289,571 for the year ending June 30, 2021.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2021 are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2022	\$ 305,967
2023	129,365
2024	297
	<u>\$ 435,629</u>

NOTE O: LIQUIDITY

Habitat monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The following table reflects Habitat's financial assets as of June 30, 2021 that are available to meet cash needs for operating expenditures within one year.

Cash and cash equivalents	\$ 1,791,274
Mortgages receivable, current	98,544
Contributions receivable	69,886
Other receivables	153,861
Investments	<u>814,448</u>
Total	2,928,013
Less: Net assets with donor restrictions	<u>(634,392)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,293,621</u>

In the event of an unanticipated liquidity need, the organization can also draw upon \$200,000 of an available line of credit. In addition to financial assets available to meet general expenditures over the year, Habitat operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient program fees and other revenues as needed.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE P: COMPARATIVE INFORMATION

The amounts shown for the year ended June 30, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 totals are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles. 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.

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE Q: SUBSEQUENT EVENTS

On August 19, 2021, the Foundry ReStore location reopened its doors for business.