

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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

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

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13



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 not-for-profit organization), which are comprised of the statement of financial position as of June 30, 2020, 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, 2020 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.

Baum, Smith & Clemens, LLP

Harleysville, PA
November 17, 2020

**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

Current	
Cash and cash equivalents	\$ 831,601
Mortgages receivable, current	90,437
Other receivables	60,798
ReStore inventory	185,246
Investments	559,020
Construction in progress	785,909
Prepaid expenses	<u>6,674</u>
Total current assets	<u>2,519,685</u>
Property and equipment, net	<u>1,182,562</u>
Other	
Mortgages receivable, net of current portion, allowance and discount	1,172,512
Escrow deposit	150,000
Deposits - other	<u>34,960</u>
Total other assets	<u>1,357,472</u>
Total assets	<u><u>\$ 5,059,719</u></u>

LIABILITIES

Current	
Current portion of long-term debt	\$ 81,692
Accounts payable	50,451
Accrued expenses	79,780
Accrued payroll and payroll taxes	28,597
Deferred revenue	2,490
Funds held in escrow	<u>95,233</u>
Total current liabilities	338,243
Long-term	
Debt, net of current portion and debt issuance costs	<u>975,462</u>
Total liabilities	<u>1,313,705</u>

NET ASSETS

Without donor restrictions	3,491,951
With donor restrictions	<u>254,063</u>
Total net assets	<u>3,746,014</u>
Total liabilities and net assets	<u><u>\$ 5,059,719</u></u>

**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 630,696	\$ 209,575	\$ 840,271
In-kind contributions	14,546	-	14,546
Sale of homes to Habitat homeowners	410,000	-	410,000
Program income	143,648	-	143,648
PPP grant income	276,905	-	276,905
Restore revenue, from contributed inventory	1,006,167	-	1,006,167
Net assets, released from restriction	132,164	(132,164)	-
Total support and revenue	2,614,126	77,411	2,691,537
EXPENSES			
Program services	2,731,866	-	2,731,866
Management and general	319,970	-	319,970
Fundraising expenses	401,348	-	401,348
Total expenses	3,453,184	-	3,453,184
Change in net assets from operations	(839,058)	77,411	(761,647)
Nonoperating activity			
Investment income, net	11,671	-	11,671
Change in net assets	(827,387)	77,411	(749,976)
Net assets, beginning of year	4,319,338	176,652	4,495,990
Net assets, end of year	<u>\$ 3,491,951</u>	<u>\$ 254,063</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, 2020

	<u>Home Sale and Repairs</u>	<u>ReStore</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel						
Salaries	\$ 238,606	\$ 523,050	\$ 761,656	\$ 176,199	\$ 206,482	\$ 1,144,337
Payroll Taxes	25,777	46,736	72,513	13,730	16,839	103,082
Employee benefits	57,708	75,754	133,462	19,792	4,584	157,838
Total personnel	322,091	645,540	967,631	209,721	227,905	1,405,257
Operating expenses						
Advertising	-	9,259	9,259	-	11,385	20,644
Auto and truck	6,612	34,088	40,700	1,305	1,309	43,314
Bad debt	85,532	-	85,532	-	-	85,532
Construction costs of homes	622,189	-	622,189	-	-	622,189
Depreciation	11,001	41,451	52,452	10,774	1,506	64,732
Dues, fees, and subscriptions	444	20,656	21,100	36,363	3,595	61,058
Fundraising	-	-	-	4,722	107,735	112,457
Facility	14,497	406,726	421,223	5,256	4,897	431,376
Homeowner services	46,709	15,021	61,730	-	1,017	62,747
Information technology	20,509	19,672	40,181	8,899	19,215	68,295
Insurance	18,527	21,632	40,159	3,248	249	43,656
Interest expense	12,095	29,031	41,126	14,258	2,419	57,803
Meetings	-	-	-	412	113	525
Mortgage discount	269,976	-	269,976	-	-	269,976
Office	1,354	6,286	7,640	6,948	4,349	18,937
Professional fees	11,009	-	11,009	13,775	-	24,784
Supplies and materials	-	7,467	7,467	-	-	7,467
Travel and seminars	636	480	1,116	4,289	722	6,127
Vista	31,376	-	31,376	-	14,932	46,308
Total operating expenses	1,152,466	611,769	1,764,235	110,249	173,443	2,047,927
Total expenses	\$ 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, 2020**

Cash flows from operating activities	\$ (749,976)
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	64,732
Amortization - loan fees	602
Mortgages issued	(451,593)
Mortgage discounts	269,976
Amortization of mortgage discounts	(119,115)
Bad debt expense	85,532
Donated assets, ReStore	(82,668)
Stock contribution	(13,520)
Realized loss on investments	53,823
Unrealized gain on investments	(53,888)
Changes in assets and liabilities:	
Collection of mortgage receivable, net	227,867
Other receivables	360,882
Prepaid expenses	25,825
Construction in progress	109,849
Accounts payable	(33,904)
Accrued expenses	13,344
Accrued payroll and payroll taxes	1,601
Deferred revenue	(810)
Funds held in escrow	(10,859)
Net cash used by operating activities	<u>(302,300)</u>
Cash flows from investing activities	
Purchases of property and equipment	(15,214)
Reinvestment of investment income, net of fees	(11,177)
Transfer to operating, net	556,497
Net cash provided by investing activities	<u>530,106</u>
Cash flows from financing activities	
Principal repayments on long term debt	(65,939)
Net cash used by financing activities	<u>(65,939)</u>
Net change in cash	161,867
Beginning cash	<u>669,734</u>
Ending cash	<u>\$ 831,601</u>
<u>Supplementary disclosure of cash flow information</u>	
Cash paid for interest	
Interest paid	\$ 67,693

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 June of 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, (Topic 958) with the stated purpose of providing guidance in distinguishing funding received from funders between contributions or exchange transactions and which guidance is applied to the transactions. This ASU introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. Contributions and exchanges are governed by different accounting pronouncements, and therefore may be recognized in different accounting periods and require different disclosure.

In January 2016, FASB issued ASU No. 2016-01, Financial Instrument (Subtopic 825-10) – Overall Recognition and Measurement of Financial Assets and Financial Liabilities. ASU No. 2016-01 amended ASC 825, Financial Instruments, which eliminates the requirement to disclose the fair value of financial instruments not recorded at fair value required under ASC 825. This ASU is effective for years beginning after December 15, 2018. ASU No. 2016-01 was adopted by Habitat on July 1, 2019 and did not have a significant impact on the Organization's financial statements.

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.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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.

Inventory

Inventory, at the ReStores, is comprised of donated building materials, home furniture and appliances and are recorded at estimated fair value using the inventory turnover method.

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.

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 expense 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.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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.

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.

Donated Property, Services and Materials

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.

Sale of Homes to Habitat Homeowners

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.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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.

Defined Contribution Plan

During the fiscal year ending June 30, 2020, Habitat terminated its 401(k) tax-deferred retirement plan. The plan allowed for an employer match of up to 6% of eligible employee compensation. Employees were able to contribute up to the maximum allowed by the Internal Revenue Code.

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.

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.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was November 17, 2020.

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.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B: CONCENTRATIONS (Continued)

Concentrations represent individual amounts which account for 10% or more of the activity or balances. Following are concentrations for 2020.

Concentrations in mortgage receivable balances consist of the following:

Homeowner - A	10%
Homeowner - B	11%
Homeowner - C	11%
Homeowner - D	11%
Homeowner - E	11%

NOTE C: MORTGAGES RECEIVABLE

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

Non-interest bearing mortgages receivable from homeowners	\$ 3,913,440
Less: Allowance for doubtful accounts	(423,614)
Less: Unamortized mortgage discount	<u>(2,226,877)</u>
Net mortgages receivable	1,262,949
Current maturities of mortgages receivable	<u>(90,437)</u>
	<u>\$ 1,172,512</u>

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		1,315,647
Furniture and fixtures	5 - 7		34,858
Vehicles	5		<u>45,585</u>
			1,604,027
Less: accumulated depreciation			<u>(421,465)</u>
			<u>\$ 1,182,562</u>

Depreciation expense for the year ended June 30, 2020 was \$64,732.

NOTE E: INVESTMENTS

Investments held by Habitat at June 30, 2020 consist of the following.

Exchange traded funds - equities	\$ 502,723
Mutual funds - equities	<u>56,297</u>
	<u>\$ 559,020</u>

Investment income is summarized as follows.

Unrealized gains	\$ 53,888
Realized loss	(53,823)
Dividends and interest (net of fees)	<u>11,606</u>
	<u>\$ 11,671</u>

Investment fees for the year ended June 30, 2020 were \$2,169.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.
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. <p style="text-align: center;">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.</p>
Level 3	Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds - equities	\$ 502,723	\$ -	\$ -	\$ 502,723
Mutual funds - equities	56,297	-	-	56,297
Total assets at fair value	<u>\$ 559,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,020</u>

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, 2020.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE H: LONG-TERM DEBT

Long-term debt consists of the following:

Mortgage from a nonprofit corporation in the amount of \$1,152,000, To purchase a new building. 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. The effective interest rate is 5.60% for the year ending 2020.

\$ 859,597

Note payable in the amount 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 us subject to interest rate adjustments starting June, 2023. The note is secured by Habitat's mortgages receivable. The note is due in May, 2025.

205,896

1,065,493

(8,339)

1,057,154

Net loan costs balance at June 30, 2020

Less: current portion

Long-term debt

81,692

\$ 975,462

Future maturities on long-term debt at June 30, 2020 are as follows:

Years ending June 30

2021

\$ 81,692

2022

79,704

2023

83,897

2024

88,310

2025

89,996

Thereafter

641,894

Total

\$ 1,065,493

Loan amortization costs for the year ended June 30, 2020 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, 2020 are as follows.

Neighborhood Revitalization Initiative

\$ 150,000

Construction

81,488

Rock the Block

4,075

Almost Home

3,500

COVID Mortgage Relief

15,000

Total

\$ 254,063

Net assets with donor restrictions released for the year ended June 30, 2020 are as follows.

Neighborhood Revitalization Initiative

\$ 10,000

Construction

122,164

Total

\$ 132,164

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE J: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat had the following transactions with Habitat for Humanity International, Inc. for the year ended June 30, 2020:

Tithe	\$ 4,000
Habitat SOSI annual cost-sharing fee	\$ 25,000
ReStore fees	\$ 3,600

NOTE K: ADDITIONAL INFORMATION

Total donated property, goods and services – program	\$ 14,546
Advertising expense	\$ 20,644
Employer matching retirement contribution	\$ 2,248
Vacation liability	\$ 35,977

NOTE L: LEASES

The Organization leases building space and office equipment under operating leases expiring in various years through 2024. Total lease expense was \$335,966 for the year ending June 30, 2020.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2020 are as follows:

Years ending June 30	Amount
2021	\$ 231,321
2022	285,828
2023	125,645
2024	297
	\$ 643,091

NOTE M: 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, 2020 that are available to meet cash needs for operating expenditures within one year.

Cash and cash equivalents	\$ 831,601
Mortgages receivable, current	90,437
Other receivables	60,798
Investments	559,020
Total	1,541,856
Less: Net assets with donor restrictions	(254,063)
Financial assets available to meet general expenditures over the next twelve months	\$ 1,287,793

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.

NOTE N: SUBSEQUENT EVENTS

On August 11, 2020, Habitat sold the property at West Marshall Street, Norristown, PA for \$150,000.