

**HABITAT FOR HUMANITY OF  
BUCKS COUNTY, INC.**

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**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**HABITAT FOR HUMANITY OF  
BUCKS COUNTY, 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 Bucks County, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Bucks County, Inc. (a not-for-profit organization), which are comprised of the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 Bucks County, Inc. as of June 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Baum, Smith & Clemens, LLP*

Harleysville, PA  
October 20, 2020

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	Restated 2019
<b>ASSETS</b>		
Current		
Cash - operating	\$ 637,835	\$ 738,656
Mortgages receivable, current	102,553	106,555
Notes and loans receivable, current	17,827	40,085
Other receivables and pledges	151,332	167,421
Construction in progress	278,117	1,023,924
Inventory	174,357	168,740
Prepaid expenses	45,837	37,892
Total current assets	<u>1,407,858</u>	<u>2,283,273</u>
Property and equipment, net	<u>322,772</u>	<u>297,459</u>
Other		
Mortgages receivable, net of current portion and discount	835,175	815,490
Notes and loans receivable, net of current portion	98,096	104,001
Cash - money market	97,792	108,272
Marketable securities	5,201,910	5,134,598
Miscellaneous - deposits	32,106	32,106
Total other assets	<u>6,265,079</u>	<u>6,194,467</u>
<b>Total assets</b>	<b>\$ 7,995,709</b>	<b>\$ 8,775,199</b>
<b>LIABILITIES</b>		
Current		
Current portion of long-term debt	\$ 389,863	\$ 90,000
Line of credit	277,567	613,426
Accounts payable and accrued expenses	307,946	172,464
Deferred rent	7,388	14,590
<b>Total current liabilities</b>	<b>982,764</b>	<b>890,480</b>
Long term liability	<u>9,574</u>	<u>-</u>
<b>Total liabilities</b>	<b>992,338</b>	<b>890,480</b>
<b>NET ASSETS</b>		
Without donor restrictions	6,988,371	7,723,045
With donor restrictions	15,000	161,674
Total net assets	<u>7,003,371</u>	<u>7,884,719</u>
<b>Total liabilities and net assets</b>	<b>\$ 7,995,709</b>	<b>\$ 8,775,199</b>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
ReStore activity						
ReStore revenue	\$ 2,166,822	\$ -	\$ 2,166,822	\$ 2,351,491	\$ -	\$ 2,351,491
Purchased costs of goods sold	(168,939)	-	(168,939)	(86,874)	-	(86,874)
Restore income	1,997,883	-	1,997,883	2,264,617	-	2,264,617
Contributions	677,825	15,000	692,825	611,519	348,348	959,867
In-kind contributions	37,378	-	37,378	111,640	-	111,640
Fundraising activities, net	99,186	-	99,186	139,041	-	139,041
Sale of homes to Habitat homeowners	1,241,971	-	1,241,971	665,000	-	665,000
Proceeds of home held for resale	-	-	-	747,500	-	747,500
Amortization of mortgage discounts	75,598	-	75,598	109,089	-	109,089
Other income	118,409	-	118,409	82,298	-	82,298
Net assets, released from restriction	161,674	(161,674)	-	191,674	(191,674)	-
<b>Total support and revenue</b>	<b>4,409,924</b>	<b>(146,674)</b>	<b>4,263,250</b>	<b>4,922,378</b>	<b>156,674</b>	<b>5,079,052</b>
<b>EXPENSES</b>						
Program services	4,837,754	-	4,837,754	4,286,764	-	4,286,764
Management and general	219,972	-	219,972	182,400	-	182,400
Fundraising expenses	236,321	-	236,321	179,393	-	179,393
<b>Total expenses</b>	<b>5,294,047</b>	<b>-</b>	<b>5,294,047</b>	<b>4,648,557</b>	<b>-</b>	<b>4,648,557</b>
<b>Change in net assets from operations</b>	<b>(884,123)</b>	<b>(146,674)</b>	<b>(1,030,797)</b>	<b>273,821</b>	<b>156,674</b>	<b>430,495</b>
Nonoperating activity						
Investment income, net	149,449	-	149,449	294,469	-	294,469
<b>Change in net assets</b>	<b>(734,674)</b>	<b>(146,674)</b>	<b>(881,348)</b>	<b>568,290</b>	<b>156,674</b>	<b>724,964</b>
Net assets, beginning of year - restated July 1, 2018	7,723,045	161,674	7,884,719	7,154,755	5,000	7,159,755
Net assets, end of year	<u>\$ 6,988,371</u>	<u>\$ 15,000</u>	<u>\$ 7,003,371</u>	<u>\$ 7,723,045</u>	<u>\$ 161,674</u>	<u>\$ 7,884,719</u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Homeownership</u>	<u>ReStore</u>	<u>Total Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Costs of homes sold to homeowners	\$ 1,491,012	\$ -	\$ 1,491,012	\$ -	\$ -	\$ 1,491,012
Home repair	190,666	-	190,666	-	-	190,666
Gifts of equity to homeowners	407,000	-	407,000	-	-	407,000
Interest discounts, first mortgages	80,977	-	80,977	-	-	80,977
Salaries	353,459	904,757	1,258,216	148,322	133,735	1,540,273
Payroll taxes	30,869	83,222	114,091	12,327	11,447	137,865
Fringe benefits	36,968	158,435	195,403	5,575	11,352	212,330
Interest	-	-	-	1,308	-	1,308
Tithe	43,422	-	43,422	-	-	43,422
Newsletter and promotion	9,025	43,546	52,571	-	42,112	94,683
Office	27,412	53,492	80,904	4,338	12,992	98,234
Other	4,225	97,184	101,409	15,751	1,913	119,073
Professional fees	850	599	1,449	18,328	4,950	24,727
Travel and seminars	17,986	30,399	48,385	-	1,990	50,375
Rent	33,048	476,587	509,635	9,124	9,732	528,491
Depreciation	27,115	72,491	99,606	-	873	100,479
Insurance	13,822	24,124	37,946	-	-	37,946
Repairs and maintenance	8,004	13,417	21,421	2,210	2,357	25,988
Telephone and utilities	9,739	93,902	103,641	2,689	2,868	109,198
	<u><b>\$ 2,785,599</b></u>	<u><b>\$ 2,052,155</b></u>	<u><b>\$ 4,837,754</b></u>	<u><b>\$ 219,972</b></u>	<u><b>\$ 236,321</b></u>	<u><b>\$ 5,294,047</b></u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Homeownership</u>	<u>ReStore</u>	<u>Total Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Costs of homes sold to homeowners	\$ 727,398	\$ -	\$ 727,398	\$ -	\$ -	\$ 727,398
Home repairs	78,298		78,298			78,298
Cost of property held for sale	799,313	-	799,313	-	-	799,313
Gifts of equity to homeowners	147,670	-	147,670	-	-	147,670
Interest discounts, first mortgages	66,976	-	66,976	-	-	66,976
Salaries	285,428	724,530	1,009,958	128,284	107,452	1,245,694
Payroll taxes	37,343	66,345	103,688	11,226	9,402	124,316
Fringe benefits	117,892	79,625	197,517	3,946	10,944	212,407
Tithe	40,289	-	40,289	-	-	40,289
Newsletter and promotion	28,763	86,756	115,519	-	16,179	131,698
Office	39,317	57,505	96,822	4,939	13,840	115,601
Other	7,237	72,921	80,158	707	1,509	82,374
Professional fees	1,846	-	1,846	18,057	3,300	23,203
Travel and seminars	24,964	42,095	67,059	-	2,594	69,653
Rent	34,139	456,733	490,872	9,418	8,241	508,531
Depreciation	19,859	57,843	77,702	-	837	78,539
Insurance	15,794	13,139	28,933	-	-	28,933
Repairs and maintenance	7,643	39,689	47,332	2,109	1,845	51,286
Telephone and utilities	13,464	95,950	109,414	3,714	3,250	116,378
	<b><u>\$ 2,493,633</u></b>	<b><u>\$ 1,793,131</u></b>	<b><u>\$ 4,286,764</u></b>	<b><u>\$ 182,400</u></b>	<b><u>\$ 179,393</u></b>	<b><u>\$ 4,648,557</u></b>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
Cash flows from operating activities		
<b>Change in net assets</b>	<b>\$ (881,348)</b>	<b>\$ 724,964</b>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Inventory	(5,617)	(17,740)
Interest expense	973	-
Bad debt	3,231	-
Depreciation	100,479	78,539
Transfer of debt to homeowners	(260,000)	(192,330)
Mortgages issued	(125,000)	(121,557)
Mortgage discounts	80,977	66,976
Donated assets	(37,378)	(111,640)
Unrealized/realized gain on investments	(53,052)	(203,226)
Amortization of mortgage discounts	(75,598)	(109,089)
Changes in assets and liabilities		
Other receivables	16,089	(134,670)
Collection of mortgages receivable, net	103,023	186,937
Construction in progress	783,185	(177,480)
Prepaid expenses	(7,945)	2,178
Accounts payable and accrued expenses	145,056	29,213
Deferred rent	(7,202)	(1,931)
<b>Net cash provided (used) by operating activities</b>	<b>(220,127)</b>	<b>19,144</b>
Cash flows from investing activities		
Reinvestment of dividends and earnings	(128,033)	(120,365)
Transfer to operating, net	124,253	43,069
Capital expenditures	(125,790)	(80,083)
Proceeds from property held for sale	-	747,500
Notes and loans issued	(13,410)	(58,291)
Collection of notes and loans receivable, net	39,255	41,239
<b>Net cash provided (used) by investing activities</b>	<b>(103,725)</b>	<b>573,069</b>
Cash flows from financing activities		
Payments - line of credit, net	(335,859)	(616,801)
Proceeds from long-term debt	170,000	282,330
Proceeds from Paycheck Protection Program	388,890	-
<b>Net cash provided (used) by financing activities</b>	<b>223,031</b>	<b>(334,471)</b>
<b>Net change in cash</b>	<b>(100,821)</b>	<b>257,742</b>
Beginning cash	738,656	480,914
Ending cash	<b>\$ 637,835</b>	<b>\$ 738,656</b>
<u>Supplementary disclosure of cash flow information</u>		
Cash paid for interest		
Interest paid - net of amount capitalized	<b>\$ 335</b>	<b>\$ -</b>

See Accompanying Notes to Financial Statements



**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Habitat for Humanity of Bucks County, Inc. is a Pennsylvania non-profit organization, and has been granted an exemption from federal income tax under Section 501(c) (3) of the Internal Revenue Code as an affiliate of Habitat for Humanity International, Inc.

The mission of Habitat for Humanity of Bucks County, Inc. is - *Building Communities, Empowering Families*. The Organization's activities focus primarily on three key areas: Homeownership, Home Repair, and the ReStores.

Homeownership

Habitat for Humanity of Bucks County, Inc. provides opportunities for low-income individuals and families to increase their independence and economic well-being through affordable homeownership. In order to keep costs down, Habitat utilizes volunteers for approximately 70% of the actual construction of each home and the homeowners also invest their own sweat equity in helping to build their future homes. All Habitat homes are built to the Energy Star standards, meaning they are built to help save money on energy costs and to protect the environment through energy-efficient products and practices.

Home Repair

*Home Repair* is a program to serve low-income homeowners who, due to age, disability, or family circumstances are unable to take care of repairs on their homes. This program offers security and healthy living conditions for homeowners, and brings stability and revitalization to neighborhoods. The expenditures for this program are included with Homeownership on the Statement of Functional Expenses.

ReStores

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. In addition, free *Do It Yourself (DIY)* clinics are offered, teaching people basic skills in areas of electrical, plumbing, and furniture repair.

Habitat for Humanity of Bucks County, Inc. is an affiliate of Habitat for Humanity International, Inc., (HfHI) a non-profit organization whose purpose is to create decent, affordable housing for those in need. While HfHI provides training, publications and on-line resources, Habitat for Humanity of Bucks County, Inc. is primarily and directly responsible for its own operations.

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. This ASU has been applied retrospectively to all periods presented if required by the pronouncement.

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 the Organization 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.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and programs. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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.

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.

A mortgage loss reserve has not been included in the financial statements. The Organization believes its risk is minimal due to the fact that in the event of foreclosure the Organization can take the property back. The Organization has developed and implemented a formal mortgage collection policy.

Notes and Loans Receivable

Upon sale of the properties to homeowners, the Organization advances the closing costs incurred on the sale of the property net of any deposit paid by the homeowner. The closing costs are repaid on a monthly basis over terms of 240, 300 or 360 months on a non-interest bearing basis. Some of the *Home Repair* homeowners are required to payback a portion of the home repair expense over a period of 2-10 years. Any notes or receivable balances considered not collectible are written off when that determination is made. All balances at year end are considered fully collectible.

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.

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.

Inventory

Inventory, at the ReStores, consists of donated building materials, household appliances and goods, and inventory purchased for resale. Items are valued based on historical sales and the square footage of each ReStore location.

Property, Equipment and Depreciation

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.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

Investments

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

The Organization's investments in marketable securities are subject to market risk. The investments are managed by an investment committee subject to its respective investment goals for the total investment return, yield, tolerance of investment risk, and investment turnover. The degree and concentration of risk varies by the type of investment.

Property Held For Sale

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

Sales Tax

The Organization 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.

Deferred Rent

Rent expense is being recognized on the straight-line basis over the life for the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statement of financial position.

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 Organization'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

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value on the date of donation.

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 the Organization 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. The Organization may consider certain government contracts to be conditional contributions.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

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. The Organization receives donated services from unpaid volunteers assisting the Organization with the construction and renovation of the homes and at the ReStores. 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 gross 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.

ReStore Activity

ReStore sales and changes in the contributed and purchased inventory balances are shown on the statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Salary and other personnel costs that are not directly coded to programmatic activity are allocated based on personnel time and the best estimate of employees. Building maintenance and depreciation expenses are allocated among the programs and supporting services benefited. Other operating costs are allocated using one of the following methodologies personnel time, direct cost allocation, or the best estimate of employees.

Advertising

Advertising costs are expensed as incurred.

Employee Benefit Plan

The Organization has a 401(k) plan for its employees. Eligible employees may contribute a percentage of their salary, up to federal limits. The plan also provides the option for an employer matching contribution. The matching contribution is discretionary from year to year with a maximum not to exceed 3% of participating employees' compensation. The Organization also pays the annual plan administration costs on the behalf of plan participants.

Shipping and Handling

The majority of the shipping and handling costs to deliver product to the ReStore locations are expensed as incurred and is classified as other expense with a minimal amount included in ReStore inventory.

Income Taxes

The Organization qualifies under the Internal Revenue Code as a publicly supported charitable organization. The Organization is registered as required with the Pennsylvania Bureau of Charitable Organizations.

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 BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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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 valuation of the ReStore inventory, and donated construction services and goods included in construction in progress and the cost of homes sold.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was October 20, 2020.

NOTE B: CONCENTRATIONS

Credit Risk

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.

Accounts Receivable

Concentrations represent individual amounts which account for 10% or more of the activity or balances. Following are concentrations for 2020 and 2019.

	2020	2019
<u>Receivable Balance</u>		
Homeowner - A	11%	-%
Homeowner - B	11%	11%

NOTE C: MORTGAGES RECEIVABLE

The mortgages are payable by the homeowners in monthly installments ranging from \$150 to \$390 over a term of 240, 300 or 360 months. The mortgages are non-interest bearing. Unamortized discounts for mortgages financed to homeowners during the years ended June 30, 2020 and 2019 of \$80,977 and \$66,976, respectively, have been included in the statement of functional expenses.

Pennsylvania Housing Finance Agency (PHFA) has purchased various mortgages receivable from the Organization. These proceeds are to be used to provide additional loans to low income families. The Organization will continue to service these mortgages, collecting monthly installments, which are remitted to PHFA on a quarterly basis along with a report of the status of each mortgage. The Organization must adhere to agreed-upon obligations, and in the event of a default, all obligations purchased at PHFA's option shall cease and terminate, and PHFA may declare the mortgage indebtedness immediately due and payable by the Organization.

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NOTE C: MORTGAGES RECEIVABLE (Continued)

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

	<u>2020</u>	<u>2019</u>
Non-interest bearing mortgages receivable from homeowners	\$ 2,018,980	\$ 2,007,301
Mortgages receivable - PHFA	(79,732)	(89,115)
Valuation discount	<u>(1,001,520)</u>	<u>(996,141)</u>
Net mortgages receivable	937,728	922,045
Current maturities of mortgages receivable	<u>(102,553)</u>	<u>(106,555)</u>
	<u>\$ 835,175</u>	<u>\$ 815,490</u>

NOTE D: NOTES AND LOANS RECEIVABLE

The following is a summary of the notes and loans from homeowners as of June 30:

	<u>2020</u>	<u>2019</u>
Current	\$ 17,827	\$ 40,085
Long-term	98,096	104,001
	<u>\$ 115,923</u>	<u>\$ 144,086</u>

NOTE E: CONSTRUCTION IN PROGRESS

The following properties were under construction or have incurred acquisition costs as of June 30.

<u>Project Name</u>	<u>Location</u>	<u>Number of units</u>	<u>2020 Status</u>	<u>2020</u>	<u>2019</u>
Woodland	Morrisville	4	Sold	\$ -	\$ 795,293
Holly	Levittown	1	Sold	-	130,097
Sheldon	Bristol	1	In Process	72,857	-
Spruce	Bristol	1	In Process	78,336	-
Winder	Bristol	1	In Process	21,882	-
Cedar	Croydon	1	In Process	<u>105,042</u>	<u>98,534</u>
				<u>\$ 278,117</u>	<u>\$ 1,023,924</u>

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30.

	<u>Estimated useful lives in years</u>	<u>2020</u>	<u>2019</u>
Office equipment	3	\$ 71,794	\$ 68,692
Vehicles	5	294,878	254,899
Construction equipment	5	8,299	8,299
Storage Trailers	7	8,430	8,430
Furniture and fixtures	7	69,498	69,498
Leasehold Improvements	5 - 10	<u>232,729</u>	<u>188,397</u>
		685,628	598,215
Less: accumulated depreciation		<u>362,856</u>	<u>300,756</u>
		<u>\$ 322,772</u>	<u>\$ 297,459</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$100,479 and \$78,539, respectively.

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NOTE G: MARKETABLE SECURITIES

Investments held by the Organization at June 30 consist of the following.

	<u>2020</u>	<u>2019</u>
Equities	\$ 3,766,107	\$ 3,555,348
Equities – debt funds	1,435,803	1,579,250
	<u>\$ 5,201,910</u>	<u>\$ 5,134,598</u>

Investment income is summarized as follows.

	<u>2020</u>	<u>2019</u>
Unrealized gain (loss)	\$ (85,538)	\$ 203,226
Realized gains	138,590	-
Dividends and interest (net of fees)	96,397	91,243
	<u>\$ 149,449</u>	<u>\$ 294,469</u>

Investment fees for the year ended June 30, 2020 and 2019 were \$31,636 and \$29,827, respectively.

NOTE H: 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	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> <li>▪ Quoted prices for similar assets in active markets;</li> <li>▪ Quoted prices for identical or similar assets in inactive markets;</li> <li>▪ Inputs other than quoted prices that are observable for the asset;</li> <li>▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> <p>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.

Following is a description of the valuation methodologies used for assets measured at fair value. There are no changes in the methodologies used at June 30, 2020 or 2019.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange traded funds: Valued based on an underlying index, reported on the active market on which the individual securities are traded. The exchange traded funds held by the Organization are deemed to be actively traded.

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NOTE H: FAIR VALUE MEASUREMENT (Continued)

	Assets at Fair Value as of June 30, 2020			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	\$ 1,360,670	\$ -	\$ -	\$ 1,360,670
Exchange traded funds	3,841,240	-	-	3,841,240
Total investments at fair value	\$ 5,201,910	\$ -	\$ -	\$ 5,201,910

	Assets at Fair Value as of June 30, 2019			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	\$ 1,281,180	\$ -	\$ -	\$ 1,281,180
Exchange traded	3,853,418	-	-	3,853,418
Total assets at fair value	\$ 5,134,598	\$ -	\$ -	\$ 5,134,598

NOTE I: LINE OF CREDIT

The line is renewable annually and is secured by the Organization's deposits and marketable securities held by the investment company, which are used as collateral. The interest rate is variable and was 1.93% and 4.15% at June 30, 2020 and 2019, respectively. At June 30, 2020 the available unused credit was approximately \$3,067,000. The outstanding balances at June 30, 2020 and 2019 were \$277,567 and \$613,426, respectively.

NOTE J: LONG-TERM DEBT

	2020	2019
Notes payable, fixed interest rate of 1%, due in May 2022 (eligible for forgiveness through the Small Business Administration – forgiveness application anticipated to be completed and accepted by June 30, 2021).	\$ 389,863	\$ -
Notes payable, no interest, no payments due unless sale, refinance or other transfer of title of the property on Woodland Ave. located in Morrisville, PA; principal is released and a lien is placed on each individual home as sold and transferred from Habitat to the buyer.	-	90,000
	389,863	90,000
Less: current portion	(389,863)	(90,000)
Long-term debt	\$ -	\$ -

The Organization follows the policy of capitalizing construction interest as a component of the construction in progress. During the years ended June 30, 2020 and 2019, interest expense is as follows.

	2020	2019
Interest capitalized	\$ 11,632	\$ 30,619
Interest charged to operations	1,308	-
Total interest	\$ 12,940	\$ 30,619



**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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**NOTE K: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for use in future periods for restricted purposes at June 30, 2020 and 2019 were as follows.

	2020	2019
Time Purpose	\$ 15,000	\$ 161,674

Net assets with donor restrictions released for the years ended June 30, 2020 and 2019 were as follows.

	2020	2019
Purpose	\$ 161,674	\$ 186,674
Time	-	5,000
Total	\$ 161,674	\$ 191,674

**NOTE L: FUND RAISING ACTIVITIES**

The Organization has an annual Signature Event and other fundraising events. The support received and expenses incurred for these events were as follows.

	2020	2019
Gross receipts	\$ 111,297	\$ 172,967
Expenses	12,111	33,926
	\$ 99,186	\$ 139,041

**NOTE M: RESTORE ACTIVITY**

The Organization has two ReStore locations. The ReStores have sales from both donated and purchased products. The ReStores had the following activity for the years ended June 30, 2020 and 2019.

	2020		
	Chalfont	Langhorne	Total
ReStore sales	\$ 1,088,353	\$ 1,078,469	\$ 2,166,822
Cost of purchased inventory sold	(79,084)	(82,046)	(161,130)
Contributions – change in inventory	(5,334)	(2,475)	(7,809)
ReStore activity	\$ 1,003,935	\$ 993,948	\$ 1,997,883
	2019		
	Chalfont	Langhorne	Total
ReStore sales	\$ 1,168,719	\$ 1,182,772	\$ 2,351,491
Cost of purchased inventory sold	(51,017)	(47,530)	(98,547)
Contributions – change in inventory	8,051	3,622	11,673
ReStore activity	\$ 1,125,753	\$ 1,138,864	\$ 2,264,617

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NOTE N: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes and provide housing solutions in economically depressed areas around the world. In addition, the Organization pays \$15,000 annually to Habitat for Humanity International to offset a portion of the costs associated with efforts that benefit all affiliates; efforts such as brand protection and promotion, and regulatory advocacy. For the years ended June 30, 2020 and 2019, the Organization voluntarily contributed \$43,422 and \$40,289, respectively, to Habitat for Humanity International. This amount is included in program services expense in the Statement of Activities.

The Organization participates in the Habitat for Humanity ReStore Association Program. The program provides support to the Organization's ReStore including training, coaching and technical assistance. The agreement calls for monthly association fees and the terms renew on an annual basis. Additional costs are incurred based on program usage (i.e. shipping fees). For the years ended June 30, 2020 and 2019, the Organization incurred expenses related to this agreement of \$3,832 and 5,400, respectively.

NOTE O: ADDITIONAL INFORMATION

	<u>2020</u>	<u>2019</u>
Total donated property, goods and services	\$ 37,378	\$ 111,640
Advertising expense	\$ 80,416	\$ 102,670
Employer matching retirement contribution	\$ 17,938	\$ 18,668
401(K) administration costs	\$ 813	\$ 1,854

During the year ended June 30, 2020 the Organization extended an offer to purchase a property for \$225,000. The offer was accepted by the seller. Through the date of the financial statement the purchase has not been completed.

NOTE P: LEASES

The Organization leases building space and office equipment under operating leases expiring in various years through 2026. The Chalfont and Langhorne leases include a monthly charge for operating expenses of \$1.10 and \$1.00 per square foot, respectively. During the fiscal year ended June 30, 2020, the Organization had a short term rental for a Donation Station to facilitate donations for the ReStores. Total lease expense was \$532,352 and \$512,901 for the years ending June 30, 2020 and 2019, respectively.

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:

<u>Years ending June 30</u>	<u>Amount</u>
2021	\$ 432,539
2022	228,744
2023	233,484
2024	237,420
2025	243,340
Thereafter	164,936
	<u>\$ 1,540,463</u>

NOTE Q: SERVICE AGREEMENTS

The Organization has a contract for voice and data services effective in July of 2019. Total expense was for the years ending June 30, 2020 was \$12,934. Minimum future payments for the services are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2021	\$ 12,934
2022	12,934
	<u>\$ 25,868</u>

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE R: GIFTS OF EQUITY

The Organization has received funds from Bucks County's HOME and Housing Trust Funds to build affordable homes. In lieu of debt repayment by the Organization, the note is transferred to the home buyer at the time of sale as a second mortgage payable to the County. The second mortgage is payable to the County in full if the homeowner sells, refinances or transfers the property.

The following properties benefitted from these programs.

	Funds Received/ Balances Transferred
Woodland Avenue – Morrisville, PA	\$ 200,000
Holly Drive – Levittown, PA	\$ 60,000

At June 30, 2020, \$245,000 is available from this program for the construction costs for the Cedar, Spruce, Sheldon, and Winder projects.

The Organization may place a third mortgage on a property at the time of sale if the appraised value of the home exceeds the combined first and second mortgage values. The mortgage is forgiven over time for all properties sold prior to June 1, 2015. Homes sold after June 1, 2015 will have a permanent third mortgage placed on the property.

NOTE S: LIQUIDITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash requirements are invested in money market accounts, certificates of deposit, and other short term/long term investments.

The following table reflects the organizations' financial assets as of June 30, 2020 and 2019 that are available to meet cash needs for operating expenditures within one year.

	2020	2019
Cash	\$ 637,835	\$ 738,656
Mortgages receivable, current	102,553	106,555
Notes and loans receivable, current	17,827	40,085
Other receivables	151,332	167,421
Cash – money market	97,792	108,272
Marketable securities	5,201,910	5,134,598
Total	6,209,249	6,295,587
 Less: Net assets with donor restrictions	 (15,000)	 (161,674)
 Financial assets available to meet general expenditures over the next twelve months	 \$ 6,194,249	 \$ 6,133,913

In the event of an unanticipated liquidity need, the organization can also draw upon \$3,067,000 of an available line of credit.

NOTE T: PRIOR PERIOD ADJUSTMENT

The net assets have been restated to correct an error in a prior year. The beginning net assets have been decreased for the fiscal year ending June 30, 2018 to account for the additional mortgage discount for a prior year home sale. This correction in the amount of \$34,190 had no effect on the change in net assets for the year ended June 30, 2019 or 2020.