

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

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**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

**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, 2021 and 2020, 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, 2021 and 2020 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 21, 2021

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Current		
Cash - operating	\$ 432,151	\$ 637,835
Mortgages receivable, current	101,565	102,553
Notes and loans receivable, current	9,323	17,827
Other receivables and pledges	107,847	151,332
Construction in progress - homes	161,616	278,117
Inventory	254,409	174,357
Prepaid expenses	69,467	45,837
Total current assets	1,136,378	1,407,858
Property and equipment, net	637,291	322,772
Other		
Mortgages receivable, net of current portion and discount	748,734	835,175
Notes and loans receivable, net of current portion	87,497	98,096
Cash - money market	120,305	97,792
Marketable securities	6,666,007	5,201,910
Miscellaneous - deposits	70,556	32,106
Total other assets	7,693,099	6,265,079
<b>Total assets</b>	<b>\$ 9,466,768</b>	<b>\$ 7,995,709</b>
<b>LIABILITIES</b>		
Current		
Current portion of long-term debt	\$ 48,000	\$ 389,863
Line of credit	-	277,567
Accounts payable and accrued expenses	162,332	307,946
Deferred rent	36,005	7,388
<b>Total current liabilities</b>	<b>246,337</b>	<b>982,764</b>
Long term liability	-	9,574
<b>Total liabilities</b>	<b>246,337</b>	<b>992,338</b>
<b>NET ASSETS</b>		
Without donor restrictions	9,039,802	6,988,371
With donor restrictions	180,629	15,000
Total net assets	9,220,431	7,003,371
<b>Total liabilities and net assets</b>	<b>\$ 9,466,768</b>	<b>\$ 7,995,709</b>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
ReStore activity						
ReStore revenue	\$ 2,879,987	\$ -	\$ 2,879,987	\$ 2,166,822	\$ -	\$ 2,166,822
Purchased costs of goods sold	(292,752)	-	(292,752)	(168,939)	-	(168,939)
Restore income	2,587,235	-	2,587,235	1,997,883	-	1,997,883
Contributions	872,966	180,629	1,053,595	677,825	15,000	692,825
In-kind contributions	14,077	-	14,077	37,378	-	37,378
Fundraising activities, net	48,942	-	48,942	99,186	-	99,186
Sale of homes to Habitat homeowners	477,000	-	477,000	1,241,971	-	1,241,971
Amortization of mortgage discounts	131,150	-	131,150	75,598	-	75,598
Other income	598,464	-	598,464	118,409	-	118,409
Net assets, released from restriction	15,000	(15,000)	-	161,674	(161,674)	-
<b>Total support and revenue</b>	<b>4,744,834</b>	<b>165,629</b>	<b>4,910,463</b>	<b>4,409,924</b>	<b>(146,674)</b>	<b>4,263,250</b>
<b>EXPENSES</b>						
Program services	3,814,021	-	3,814,021	4,837,754	-	4,837,754
Management and general	204,098	-	204,098	219,972	-	219,972
Fundraising expenses	220,793	-	220,793	236,321	-	236,321
<b>Total expenses</b>	<b>4,238,912</b>	<b>-</b>	<b>4,238,912</b>	<b>5,294,047</b>	<b>-</b>	<b>5,294,047</b>
<b>Change in net assets from operations</b>	<b>505,922</b>	<b>165,629</b>	<b>671,551</b>	<b>(884,123)</b>	<b>(146,674)</b>	<b>(1,030,797)</b>
Nonoperating activity						
Investment income, net	1,545,509	-	1,545,509	149,449	-	149,449
<b>Change in net assets</b>	<b>2,051,431</b>	<b>165,629</b>	<b>2,217,060</b>	<b>(734,674)</b>	<b>(146,674)</b>	<b>(881,348)</b>
Net assets, beginning of year	6,988,371	15,000	7,003,371	7,723,045	161,674	7,884,719
Net assets, end of year	<u>\$ 9,039,802</u>	<u>\$ 180,629</u>	<u>\$ 9,220,431</u>	<u>\$ 6,988,371</u>	<u>\$ 15,000</u>	<u>\$ 7,003,371</u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<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	\$ 597,142	\$ -	\$ 597,142	\$ -	\$ -	\$ 597,142
Home repair	157,259	-	157,259	-	-	157,259
Gifts of equity to homeowners	110,857	-	110,857	-	-	110,857
Salaries	378,703	967,644	1,346,347	160,017	141,052	1,647,416
Payroll taxes	26,006	86,729	112,735	12,425	10,948	136,108
Fringe benefits	21,223	166,473	187,696	5,806	21,282	214,784
Interest	1,351	232	1,583	373	398	2,354
Tithe	27,155	15,000	42,155	-	-	42,155
Newsletter and promotion	24,574	38,055	62,629	-	8,006	70,635
Office	36,630	54,801	91,431	4,642	14,162	110,235
Other	13,655	134,414	148,069	3,297	5,656	157,022
Professional fees	39,028	8	39,036	-	-	39,036
Travel and seminars	13,837	23,897	37,734	-	581	38,315
Rent	42,495	533,079	575,574	11,731	12,514	599,819
Depreciation	19,062	75,613	94,675	1,563	1,667	97,905
Insurance	17,925	25,092	43,017	-	-	43,017
Repairs and maintenance	6,785	44,638	51,423	1,873	1,998	55,294
Telephone and utilities	8,589	106,070	114,659	2,371	2,529	119,559
	<u>\$ 1,542,276</u>	<u>\$ 2,271,745</u>	<u>\$ 3,814,021</u>	<u>\$ 204,098</u>	<u>\$ 220,793</u>	<u>\$ 4,238,912</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 repairs	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 expense	-	-	-	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>\$ 2,785,599</u>	<u>\$ 2,052,155</u>	<u>\$ 4,837,754</u>	<u>\$ 219,972</u>	<u>\$ 236,321</u>	<u>\$ 5,294,047</u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
Cash flows from operating activities		
<b>Change in net assets</b>	<b>\$ 2,217,060</b>	<b>\$ (881,348)</b>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Inventory - donated	(853)	(5,617)
Loss on assets - leaseholds	37,405	-
Forgiveness of Paycheck Protection Program loan	(388,890)	-
Interest expense	(973)	973
Bad debt	2,054	3,231
Depreciation	97,905	100,479
Transfer of debt to homeowners	(105,000)	(260,000)
Mortgages issued	-	(125,000)
Mortgage discounts	-	80,977
Donated assets	-	(37,378)
Unrealized/realized gain on investments	(1,464,050)	(53,052)
Amortization of mortgage discounts	(131,150)	(75,598)
Changes in assets and liabilities		
Other receivables	43,485	16,089
Collection of mortgages receivable, net	229,578	103,023
Construction in progress - homes	116,501	783,185
Inventory - purchased	(79,199)	-
Prepaid expenses	(23,630)	(7,945)
Miscellaneous deposits	(38,450)	-
Accounts payable and accrued expenses	(155,188)	145,056
Deferred rent	28,617	(7,202)
<b>Net cash provided (used) by operating activities</b>	<b>385,222</b>	<b>(220,127)</b>
Cash flows from investing activities		
Reinvestment of dividends and earnings	(117,442)	(128,033)
Transfer to operating, net	94,882	124,253
Capital expenditures	(449,829)	(125,790)
Notes and loans issued	-	(13,410)
Collection of notes and loans receivable, net	6,050	39,255
<b>Net cash used by operating activities</b>	<b>(466,339)</b>	<b>(103,725)</b>
Cash flows from financing activities		
Payments - line of credit, net	(277,567)	(335,859)
Proceeds from long-term debt	153,000	170,000
Proceeds from Paycheck Protection Program	-	388,890
<b>Net cash (used) provided by financing activities</b>	<b>(124,567)</b>	<b>223,031</b>
<b>Net change in cash</b>	<b>(205,684)</b>	<b>(100,821)</b>
Beginning cash	637,835	738,656
Ending cash	<b>\$ 432,151</b>	<b>\$ 637,835</b>
<u>Supplementary disclosure of cash flow information</u>		
Cash paid for interest		
Interest paid - net of amount capitalized	<b>\$ 2,354</b>	<b>\$ -</b>

See Accompanying Notes to Financial Statements



**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Habitat for Humanity of Bucks County, Inc. (“the Organization”) 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. (“HfHI”). HfHI is 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.

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.

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.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

New Accounting Pronouncements (Continued)

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.

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 3<sup>rd</sup> party financing. Discounts are provided to the homebuyer by the Organization via its gift of equity program.

Gift Cards

When the Organization sells its own gift cards, it records a deferred revenue liability equal to the amount received. A sale is then recognized when the gift cards are redeemed. The Organization's gift cards do not have an expiration date, but after twelve (12) months of continuous nonuse, the Organization reduces the deferred revenue liability below the issued value.

Home Repairs

The Organization recognizes revenue from home repair projects when payments are received from the customer.

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.

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.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

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. These items are valued based on historical sales and the square footage of each ReStore location. Inventory purchased for resale is normally expensed immediately. For fiscal year ending June 30, 2021 inventory on the Statement of Financial Position includes purchased inventory for the new Warrington location.

Property, Equipment and Depreciation

All acquisitions in excess of \$5,000 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.

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 or 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.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

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 increases 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 contributions. 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.

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.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

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.

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.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was October 21, 2021.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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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 2021 and 2020.

<u>Receivable Balance</u>	<u>2021</u>	<u>2020</u>
Homeowner - A	12%	11%
Homeowner - B	13%	11%
Homeowner - C	10%	-%

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, 2021 and 2020 of \$- and \$80,977, 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 the 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.

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

	<u>2021</u>	<u>2020</u>
Non-interest bearing mortgages receivable from homeowners	\$ 1,795,059	\$ 2,018,980
Mortgages receivable - PHFA	(74,390)	(79,732)
Valuation discount	<u>(870,370)</u>	<u>(1,001,520)</u>
Net mortgages receivable	850,299	937,728
Current maturities of mortgages receivable	<u>(101,565)</u>	<u>(102,553)</u>
	<u>\$ 748,734</u>	<u>\$ 835,175</u>

NOTE D: NOTES AND LOANS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Current	\$ 9,323	\$ 17,827
Long-term	<u>87,497</u>	<u>98,096</u>
	<u>\$ 96,820</u>	<u>\$ 115,923</u>

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE E: CONSTRUCTION IN PROGRESS - HOMES

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

Project Name	Location	Number of units	2021 Status	2021	2020
Sheldon	Bristol	1	Sold	\$ -	\$ 72,857
Spruce	Bristol	1	In Process	82,699	78,336
Winder	Bristol	1	In Process	78,917	21,882
Cedar	Croydon	1	Sold	-	105,042
				<u>\$ 161,616</u>	<u>\$ 278,117</u>

NOTE F: PROPERTY AND EQUIPMENT

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

	Estimated useful lives in years	2021	2020
Office equipment	3	\$ 87,477	\$ 71,794
Vehicles	5	342,896	294,878
Allen Trucks	5	26,734	8,299
Storage trailers	7	8,430	8,430
Furniture and fixtures	7	44,147	69,498
Leasehold improvements	5 - 10	164,079	232,729
		<u>673,763</u>	<u>685,628</u>
Less: accumulated depreciation		394,500	362,856
		<u>279,263</u>	<u>322,772</u>
Construction in progress		358,028	-
		<u>\$ 637,291</u>	<u>\$ 322,772</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$97,905 and \$100,479, respectively.

NOTE G: MARKETABLE SECURITIES

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

	2021	2020
Equities	\$ 5,106,810	\$ 3,766,107
Equities – debt funds	1,559,197	1,435,803
	<u>\$ 6,666,007</u>	<u>\$ 5,201,910</u>

Investment income is summarized as follows.

	2021	2020
Unrealized gain (loss)	\$ 1,381,798	\$ (85,538)
Realized gains	82,252	138,590
Dividends and interest (net of fees)	81,459	96,397
	<u>\$ 1,545,509</u>	<u>\$ 149,449</u>

Investment fees for the year ended June 30, 2021 and 2020 were \$35,983 and \$31,636, respectively.

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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	Inputs to the valuation methodology include: <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 style="margin-left: 40px;">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, 2021 or 2020.

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.

	Assets at Fair Value as of June 30, 2021			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	\$ 1,560,558	\$ -	\$ -	\$ 1,560,558
Exchange traded funds	5,105,449	-	-	5,105,449
Total investments at fair value	\$ 6,666,007	\$ -	\$ -	\$ 6,666,007

	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	3,841,240	-	-	3,841,240
Total assets at fair value	\$ 5,201,910	\$ -	\$ -	\$ 5,201,910



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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 1.85% and 1.93% at June 30, 2021 and 2020, respectively. At June 30, 2021 the available unused credit was approximately \$4,267,000. The outstanding balances at June 30, 2021 and 2020 were \$- and \$277,567, respectively.

NOTE J: LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
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 properties on Spruce St. & Winder Drive located in Bristol, PA; principal is released and a lien is placed on each individual home as sold and transferred from Habitat to the buyer.	<u>48,000</u>	<u>-</u>
	48,000	389,863
Less: current portion	<u>(48,000)</u>	<u>(389,863)</u>
Long-term debt	<u>\$ -</u>	<u>\$ -</u>

The Organization follows the policy of capitalizing construction interest as a component of the construction in progress. During the years ended June 30, 2021 and 2020, interest expense is as follows.

	<u>2021</u>	<u>2020</u>
Interest capitalized	\$ -	\$ 11,632
Interest charged to operations	2,354	1,308
Total interest	<u>\$ 2,354</u>	<u>\$ 12,940</u>

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, 2021 and 2020 were as follows.

	<u>2021</u>	<u>2020</u>
Purpose	<u>\$ 180,629</u>	<u>\$ 15,000</u>

Net assets with donor restrictions released for the years ended June 30, 2021 and 2020 were as follows.

	<u>2021</u>	<u>2020</u>
Purpose	<u>\$ 15,000</u>	<u>\$ 161,674</u>

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

	2021	2020
Gross receipts	\$ 54,338	\$ 111,297
Expenses	5,396	12,111
	\$ 48,942	\$ 99,186

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, 2021 and 2020.

	2021	2020
ReStore sales	\$ 2,879,987	\$ 2,166,822
Purchased inventory sold	(293,605)	(161,130)
Contributions – change in inventory	853	(7,809)
ReStore activity	\$ 2,587,235	\$ 1,997,883

The donated contributions of goods to the Restore were 2,154,023 and 1,761,884 for June 30, 2021 and 2020 respectively.

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, 2021 and 2020, the Organization voluntarily contributed \$42,155 and \$43,422, 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, 2021 and 2020, the Organization incurred expenses related to this agreement of \$2,917 and 3,832, respectively.

NOTE O: ADDITIONAL INFORMATION

	2021	2020
Total donated property, goods and services	\$ 14,077	\$ 37,378
Advertising expense	\$ 53,598	\$ 80,416
Employer matching retirement contribution	\$ 21,316	\$ 17,938
401(K) administration costs	\$ -	\$ 813

NOTE P: LEASES

The Organization leases building space and office equipment under operating leases expiring in various years through 2031. The Warminster and Langhorne leases include a monthly charge for operating expenses. 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 \$603,480 and \$532,352 for the years ending June 30, 2021 and 2020, respectively.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE P: LEASES (Continued)

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	\$ 557,761
2023	568,168
2024	580,699
2025	593,485
2026	522,083
Thereafter	<u>1,862,320</u>
	<u>\$ 4,684,516</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, 2021 was \$12,934.

Minimum future payments for the services are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2022	\$ 11,734
2023	5,124
2024	5,124
Total	<u>\$ 21,982</u>

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.

	<u>Funds Received/ Balances Transferred</u>
Sheldon – sold in current year	\$ 60,000
Cedar – sold in current year	\$ 45,000
Spruce	\$ 21,000
Winder	\$ 30,000

At June 30, 2021, \$89,000 is available from this program for the construction costs for the Spruce 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.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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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, 2021 and 2020 that are available to meet cash needs for operating expenditures within one year.

	<u>2021</u>	<u>2020</u>
Cash	\$ 432,151	\$ 637,835
Mortgages receivable, current	101,565	102,553
Notes and loans receivable, current	9,323	17,827
Other receivables	107,847	151,332
Cash – money market	120,305	97,792
Marketable securities	<u>6,666,007</u>	<u>5,201,910</u>
Total	<u>7,437,198</u>	<u>6,209,249</u>
Less: Net assets with donor restrictions	<u>(180,629)</u>	<u>(15,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,256,569</u>	<u>\$ 6,194,249</u>

In the event of an unanticipated liquidity need, the Organization can also draw upon \$4,267,000 of an available line of credit.

NOTE T: SUBSEQUENT EVENT

The Organization signed an agrees to be the sublessor for space in its Warrington location. The sublease is for one year, effective August 1, 2021 to July 31, 2022 and will renew annually unless terminated by March 31 of each year. The initial monthly rent to be received by the Organization is \$2,905 with the annual rent of \$34,860.