

**WARREN COUNTY
HABITAT FOR HUMANITY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



SobelCo

Certified Public Accountants & Advisors

WARREN COUNTY HABITAT FOR HUMANITY, INC.

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Warren County Habitat for Humanity, Inc.
Washington, New Jersey

Opinion

We have audited the accompanying financial statements of Warren County Habitat for Humanity ("Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control-related matters that we identified during the audit.



Certified Public Accountants

Livingston, New Jersey
January 6, 2023

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS	Year Ended June 30,	
	2022	2021
CURRENT ASSETS:		
Cash	\$ 419,817	\$ 458,465
Mortgages receivable, current portion	69,987	53,155
Accounts receivable	19,393	1,909
Inventory	218,574	62,783
Construction in progress	450,280	816,238
Prepaid expenses	8,534	-
Other assets	6,762	6,392
Total Current Assets	1,193,347	1,398,942
PROPERTY AND EQUIPMENT, Net	680,515	338,693
OTHER ASSETS:		
Mortgages receivable, net of current portion	753,851	548,217
Long-term receivable	10,305	-
Total Other Assets	764,156	548,217
	\$ 2,638,018	\$ 2,285,852
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 83,175	\$ 69,156
Escrow deposits	13,409	16,319
Deferred revenue	14,045	-
Notes payable, current portion	9,751	9,397
Total Current Liabilities	120,380	94,872
LONG-TERM LIABILITIES:		
Notes payable, net of current portion	76,284	86,034
Total Long-term Liabilities	76,284	86,034
Total Liabilities	196,664	180,906
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	2,035,422	1,727,004
With donor restrictions	405,932	377,942
Total Net Assets	2,441,354	2,104,946
	\$ 2,638,018	\$ 2,285,852

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Public support:			
Contributions	\$ 231,894	\$ 2,432	\$ 234,326
Habitat ReStore merchandise contributions	1,187,805	-	1,187,805
Grants	1,000	161,615	162,615
Donated materials and services	4,499	142,259	146,758
Community center income	-	175	175
Special event revenue	59,546	-	59,546
	<u>1,484,744</u>	<u>306,481</u>	<u>1,791,225</u>
Other revenue:			
Imputed interest from mortgage notes receivable	39,940	-	39,940
ReStore income	1,044,789	-	1,044,789
	<u>1,084,729</u>	<u>-</u>	<u>1,084,729</u>
Home sales:			
Gross proceeds	505,000	-	505,000
Cost of homes	(685,018)	-	(685,018)
Excess of costs over proceeds	(180,018)	-	(180,018)
Net assets released from restrictions	278,491	(278,491)	-
Total Revenue and Other Support	<u>2,667,946</u>	<u>27,990</u>	<u>2,695,936</u>
Expenses:			
Program services	2,192,733	-	2,192,733
Management and general	119,277	-	119,277
Fundraising	47,518	-	47,518
Total Expenses	<u>2,359,528</u>	<u>-</u>	<u>2,359,528</u>
CHANGES IN NET ASSETS	308,418	27,990	336,408
NET ASSETS - Beginning of year	<u>1,727,004</u>	<u>377,942</u>	<u>2,104,946</u>
NET ASSETS - End of year	<u>\$ 2,035,422</u>	<u>\$ 405,932</u>	<u>\$ 2,441,354</u>

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

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Public support:			
Contributions	\$ 176,290	\$ 1,895	\$ 178,185
Habitat ReStore merchandise contributions	815,814	-	815,814
Grants	29,000	99,669	128,669
Donated materials and services	-	100,912	100,912
Community center income	27,467	11,208	38,675
Special event revenue	56,970	-	56,970
	<u>1,105,541</u>	<u>213,684</u>	<u>1,319,225</u>
Other revenue:			
Interest income	465	-	465
Imputed interest from mortgage notes receivable	26,155	-	26,155
ReStore income	820,141	-	820,141
Grant revenue - PPP loan	93,480	-	93,480
Miscellaneous income	3,500	-	3,500
	<u>943,741</u>	<u>-</u>	<u>943,741</u>
Homes sales:			
Gross proceeds	175,000	-	175,000
Cost of homes	(271,684)	-	(271,684)
Excess of costs over proceeds	(96,684)	-	(96,684)
Net assets released from restrictions	159,271	(159,271)	-
Total Revenue and Other Support	<u>2,111,869</u>	<u>54,413</u>	<u>2,166,282</u>
EXPENSES:			
Program services	1,640,073	-	1,640,073
Management and general	77,680	-	77,680
Fundraising	81,368	-	81,368
Total Expenses	<u>1,799,121</u>	<u>-</u>	<u>1,799,121</u>
CHANGES IN NET ASSETS	312,748	54,413	367,161
NET ASSETS - Beginning of year	<u>1,414,256</u>	<u>323,529</u>	<u>1,737,785</u>
NET ASSETS - End of year	<u>\$ 1,727,004</u>	<u>\$ 377,942</u>	<u>\$ 2,104,946</u>

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services			Total
	Construction	Habitat ReStore	Community Center	Mortgage Discounts	Total Program	Management and General	Fundraising	
Wages	\$ 162,628	\$ 292,883	\$ -	\$ -	\$ 455,511	\$ 66,241	\$ 4,887	\$ 526,639
Employment taxes	1,687	46,968	-	-	48,655	1,228	90	49,973
Worker compensation expense	3,945	3,141	-	-	7,086	1,095	-	8,181
Insurance	12,348	3,866	-	-	16,214	-	-	16,214
Health insurance	20,079	-	-	-	20,079	-	-	20,079
Discounts on issued mortgages	-	-	-	263,310	263,310	-	-	263,310
Hope in the Hills expense	4,383	-	-	-	4,383	-	-	4,383
Rent	-	91,130	-	-	91,130	-	-	91,130
Repairs and maintenance	1,118	3,386	-	-	4,504	1,862	-	6,366
Contribution to Habitat for Humanity International, Inc.	57,509	-	-	-	57,509	-	-	57,509
Donation pickup costs	-	2,262	-	-	2,262	-	-	2,262
Food and lodging	10,173	1,182	-	-	11,355	34	-	11,389
Dues and memberships	7,689	-	-	-	7,689	-	-	7,689
Professional fees	50	-	-	-	50	21,043	32,500	53,593
Community Center program expense	-	-	695	-	695	-	-	695
Telephone and fax	-	3,168	-	-	3,168	3,184	-	6,352
Computer expenses	3,934	5,690	-	-	9,624	1,456	-	11,080
Other expenses	9,806	2,555	-	-	12,361	8,767	4,648	25,776
Supplies	2,704	9,810	-	-	12,514	-	-	12,514
Postage and freight	109	-	-	-	109	635	1,619	2,363
Bank fees	-	21,873	-	-	21,873	460	-	22,333
Office expenses	325	-	-	-	325	5,088	-	5,413
Advertising	2,245	637	-	-	2,882	-	3,774	6,656
Homes under construction expenses	51,587	-	-	-	51,587	-	-	51,587
Donation to ReStore	-	1,044,789	-	-	1,044,789	-	-	1,044,789
Community development	2,583	-	-	-	2,583	-	-	2,583
Utilities	826	21,417	-	-	22,243	4,736	-	26,979
Total Expenses before Depreciation	355,728	1,554,757	695	263,310	2,174,490	115,829	47,518	2,337,837
Depreciation expense	18,243	-	-	-	18,243	-	-	18,243
Interest expense	-	-	-	-	-	3,448	-	3,448
Total Expenses	\$ 373,971	\$ 1,554,757	\$ 695	\$ 263,310	\$ 2,192,733	\$ 119,277	\$ 47,518	\$ 2,359,528

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

	Program Services			Supporting Services			Total
	Construction	Habitat ReStore	Mortgage Discounts	Total Program	Management and General	Fundraising	
Wages	\$ 162,351	\$ 235,436	\$ -	\$ 397,787	\$ 33,767	\$ 50,883	\$ 482,437
Employment taxes	1,772	43,952	-	45,724	623	757	47,104
Worker compensation insurance	4,621	7,001	-	11,622	1,260	1,120	14,002
Insurance	12,779	5,231	-	18,010	-	-	18,010
Health insurance	21,310	-	-	21,310	-	-	21,310
Discounts on issued mortgages	-	-	91,532	91,532	-	-	91,532
Hope in the Hills expense	3,112	-	-	3,112	-	-	3,112
Rent	-	96,000	-	96,000	-	-	96,000
Repairs and maintenance	475	3,528	-	4,003	1,401	-	5,404
Contribution to Habitat for Humanity International, Inc.	39,750	-	-	39,750	-	-	39,750
Donation pickup costs	-	5,012	-	5,012	-	-	5,012
Food and lodging	1,151	1,779	-	2,930	120	-	3,050
Dues and memberships	7,746	-	-	7,746	-	-	7,746
Professional fees	-	-	-	-	14,180	-	14,180
Telephone and fax	-	3,191	-	3,191	2,909	-	6,100
Computer expenses	-	743	-	743	1,561	-	2,304
Other expenses	3,114	42	-	3,156	8,115	100	11,371
Supplies	571	8,763	-	9,334	-	383	9,717
Postage and freight	-	-	-	-	1,480	1,267	2,747
Bank fees	-	17,190	-	17,190	1,903	42	19,135
Office expenses	-	-	-	-	3,885	-	3,885
Advertising	3,391	5,040	-	8,431	-	113	8,544
Donation to ReStore	-	820,141	-	820,141	-	-	820,141
Community development	753	-	-	753	-	-	753
Scholarships	1,000	-	-	1,000	-	-	1,000
Utilities	147	16,298	-	16,445	3,904	-	20,349
Fundraising expenses	-	-	-	-	-	26,703	26,703
Total Expenses before Depreciation	264,043	1,269,347	91,532	1,624,922	75,108	81,368	1,781,398
Depreciation and amortization expense	15,151	-	-	15,151	-	-	15,151
Interest expense	-	-	-	-	2,572	-	2,572
Total Expenses	\$ 279,194	\$ 1,269,347	\$ 91,532	\$ 1,640,073	\$ 77,680	\$ 81,368	\$ 1,799,121

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

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2022	2021
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 336,408	\$ 367,161
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	18,243	15,151
Imputed interest discount	263,310	91,532
Amortization of imputed interest	(39,940)	(26,155)
Transfer to homeowners for mortgage	(505,000)	(175,000)
Changes in certain assets and liabilities:		
Accounts receivable	(17,484)	-
Inventory	(155,791)	2,490
Construction in progress	174,047	(272,608)
Prepaid expenses	(8,534)	-
Other assets	(10,675)	(2,949)
Accounts payable and accrued expenses	14,019	46,102
Escrow deposits	(2,910)	4,476
Refundable advance - Paycheck Protection Program loan	-	(93,480)
Deferred revenue	14,045	-
Net Cash Provided by (Used for) Operating Activities	<u>79,738</u>	<u>(43,280)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	(168,154)	(4,968)
Mortgage payments received	59,164	53,249
Net Cash (Used for) Provided by Investing Activities	<u>(108,990)</u>	<u>48,281</u>
<u>FINANCING ACTIVITIES:</u>		
Proceeds from notes payable	-	100,000
Payments on notes payable	(9,396)	(4,569)
Net Cash (Used for) Provided by Financing Activities	<u>(9,396)</u>	<u>95,431</u>
NET (DECREASE) INCREASE IN CASH	(38,648)	100,432
CASH:		
Beginning of year	<u>458,465</u>	<u>358,033</u>
End of year	<u>\$ 419,817</u>	<u>\$ 458,465</u>
SUPPLEMENTAL CASH FLOWS DISCLOSURE:		
Interest paid	<u>\$ 3,448</u>	<u>\$ 2,572</u>

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF BUSINESS:

Warren County Habitat for Humanity, Inc. (“Organization”) is a Christian nonprofit corporation which was incorporated on February 21, 1998. The Organization is an affiliate of Habitat for Humanity International, Inc. The Organization’s mission is seeking to put God’s love in action. Habitat for Humanity brings people together to build homes, community, and hope.

In fulfilling its mission, the Organization builds and rehabilitates homes in Warren County, New Jersey; sells them to low-income families (homeowners); and holds noninterest-bearing mortgage receivables with payments commensurate with the family’s ability to pay. The Organization also provides the prospective homeowners with programs to learn and practice home repair, maintenance, budgeting, and other life skills. Homeowners are required to pledge 250 hours per adult household member above the age of 18, and children 14 through 18 years of age are asked to complete 50 hours of service to the building of their home or the homes of other Habitat for Humanity homeowners, not to exceed 500 hours per family. The Organization is also involved with Hope in Hills of Warren, which seeks to improve the living conditions of elderly, low-income, and disabled persons in the community. The Organization is also involved with neighborhood revitalization by partnering with community groups for various projects and with Habitat for Humanity in Honduras by designating 100% of the tithe to Habitat for Humanity affiliates in Honduras.

The Organization works through cooperative volunteer partnerships with families and individuals in the local community through donations of property, gifts in-kind for materials, cash donations to the building fund, and by using volunteer labor wherever possible. The homeowners’ monthly mortgage payments are recycled into a revolving fund that is used to continue the Organization’s work.

The Organization operates a resale store (“ReStore”) as a supporting service to raise funds. The ReStore sells furniture, décor, household goods, building supplies, rugs, appliances and more, which are donated items. The mission of the ReStore is to help the Organization build homes for local, qualified low-income families and reduce waste recycling or reclaiming materials that would otherwise be discarded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

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

Financial Statement Presentation:

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Mortgage Notes Receivable:

Loans are extended to families purchasing homes constructed by the Organization. These mortgages to homeowners do not bear interest and generally have a maximum life of 30 years. As of the date of loan closing, the note's estimated future cash flows are discounted using an interest rate stipulated by Habitat for Humanity International, Inc. in order to compute the present value, which facilitates the combining of all affiliated financial statements by Habitat for Humanity International, Inc. The resulting discount is recorded as an expense upon closing and is adjusted annually to reflect the present value of estimated future cash flows. Adjustments to discounts are recorded as interest income.

The Organization reviews mortgage notes receivable for collectability based on previous experience and determinations by the Board of Directors. In management's opinion, the collateral is sufficient to enable the Organization to realize the mortgage notes receivable without any allowance.

Inventory:

ReStore inventory is recorded at fair market value when received after being examined for salability, since substantially all inventory items at ReStore are donated. At the time inventory is sold, the items are recorded as revenue without a corresponding cost of goods sold. Accounting principles generally accepted in the United States of America require contributions to be recorded at fair value at the date of receipt in the statement of financial position. Currently donations of items to be sold are being recorded at fair value based upon calculation of the ending inventory amount plus the amount sold less the beginning inventory. At the time of sale, items sold are reflected in the statement of activities and changes in net assets as revenue.

Construction in Progress:

Construction in progress represents housing projects underway that fulfill the Organization's mission. All direct costs incurred relating to construction are accumulated in this account until construction is completed. At the time of sale, the total cost is reflected on the statement of activities and changes in net assets as cost of homes sold on a specific identification basis. Occasionally, when development is deemed not to be feasible, the Organization charges these costs to expense.

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Property and equipment are stated at cost. Significant additions, renewals, and betterments greater than \$2,000 are capitalized, while replacements, maintenance, and repairs that do not improve or extend the life of an asset are expensed. Depreciation is provided using the straight-line method of the estimated useful lives ranging from 3 to 39 years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

Revenue Recognition:

The Organization derives the majority of its revenues from ReStore sales. Revenues are recognized when control of these products is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. The Organization recognizes ReStore revenue at a point in time when ownership, risks, and rewards transfer. There were no significant financing components or variable considerations in determining performance obligations.

Contributions, including unconditional promises to give, are recognized as revenue when grants are received or unconditionally pledged to the Organization. All contributions are without donor restrictions unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net asset as net assets released from restrictions.

Cost of Homes:

The gross amount of each mortgage note receivable is based on Habitat for Humanity International, Inc.'s home pricing guidelines. Construction and land costs exceeding that amount are expensed in the year of closing.

Use of Estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

The Financial Accounting Standards Board issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The standard is effective for annual periods beginning after December 15, 2021. The Organization is currently evaluating the effect the new standard will have on the financial statements.

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Tax Status:

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the fiscal years ended 2022 and 2021. At June 30, 2022 and 2021, there are no significant income tax uncertainties.

As of June 30, 2022 and 2021, all required tax returns have been filed.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2022 through January 6, 2023, the date that the financial statements were available to be issued.

NOTE 3 - MORTGAGE NOTES RECEIVABLE:

Mortgages receivable consist of noninterest-bearing mortgage notes that are secured by properties sold through the home building program and generally mature in 13-30 years, through July 2049. Mortgages on houses sold during the fiscal years ended 2022 and 2021, were discounted at Habitat for Humanity International, Inc.'s stipulated interest rate of 7.49% and 7.23%.

Outstanding mortgage notes receivable are as follows:

	June 30,	
	2022	2021
Gross payments receivable	\$ 1,670,595	\$ 1,224,758
Imputed interest discount	(846,757)	(623,386)
Receivable, Net	<u>\$ 823,838</u>	<u>\$ 601,372</u>

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 - MORTGAGE NOTES RECEIVABLE: (Continued)

Gross payments receivable over the next five years and thereafter are as follows:

<u>Year</u>	
2023	\$ 69,987
2024	69,988
2025	69,988
2026	69,988
2027	69,988
Thereafter	<u>1,320,656</u>
Gross payments receivable	1,670,595
Less: Imputed interest discount	<u>(846,757)</u>
Receivable, Net	<u>\$ 823,838</u>

NOTE 4 - COST OF HOMES SOLD:

Property acquisition and construction costs incurred in connection with the Organization's home building program are capitalized as construction in progress until construction is completed and the property is sold. In the year the property is sold, the total cost is reflected on the statement of activities and changes in net assets as cost of homes sold. The number of properties completed each year can vary significantly from year to year, and this can produce variations within the Organization's annual change in net assets.

During fiscal year 2022, the Organization sold three homes. Gross proceeds were \$505,000 and the cost of the homes were \$685,018 resulting in a loss of \$180,018, which is reflected on the statement of activities and changes in net assets.

During fiscal year 2021, the Organization sold one home. Gross proceeds were \$175,000 and the cost of the home was \$271,684 resulting in a loss of \$96,684, which is reflected on the statement of activities and changes in net assets.

NOTE 5 - CONSTRUCTION IN PROGRESS:

As of June 30, 2022, the Organization has land costs of \$151,500 and construction costs of \$298,780. As of June 30, 2021, the Organization has land costs of \$192,500 and construction costs of \$623,738. As of June 30, 2022 and 2021, these costs related to 11 projects that are still in progress at year end, respectively.

Generally, the properties under construction are sold below cost when completed. Management has not evaluated construction in progress for this probable write-down.

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2022	2021
Land, building and improvements	\$ 780,084	\$ 442,515
Computer, equipment, and software	36,130	13,632
Vehicles	31,249	31,249
	<u>847,463</u>	<u>487,396</u>
Less: Accumulated depreciation	(166,948)	(148,703)
Property and Equipment, Net	<u>\$ 680,515</u>	<u>\$ 338,693</u>

NOTE 7 - REFUNDABLE ADVANCE – PAYROLL PROTECTION PROGRAM LOAN:

The Organization obtained a Paycheck Protection Program (“PPP”) loan under the CARES Act in April 2020 for \$93,480. The Organization recorded the \$93,480 received as a conditional government grant and recognized revenue when the conditions set forth by the U.S. Small Business Administration (“SBA”) were satisfied. As of June 30, 2021, all amounts received under the PPP were expended and recognized as government contributions on the consolidated statements of activities and changes in net assets. The Organization received formal forgiveness from the Small Business Administration in June 2021.

The SBA reserves the right to audit loan forgiveness for six years from the date that forgiveness was awarded.

NOTE 8 - NOTES PAYABLE:

During 2021, the Organization entered into a note in the amount of \$100,000, issued by Habitat Mortgage Solutions. The loan is secured by the assignment of mortgages receivable with outstanding balances totaling \$817,933 and \$601,372 at June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, note payable is as follows:

	June 30,	
	2022	2021
Note payable to Habitat Mortgage Solutions		
Quarterly payments of \$3,211		
with interest at 3.75%		
Note matures March 31, 2030.	\$ 86,035	\$ 95,431
	<u>(9,751)</u>	<u>(9,397)</u>
Less: Current maturities		
Long-term Portion	<u>\$ 76,284</u>	<u>\$ 86,034</u>

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 - NOTES PAYABLE: (Continued)

At June 30, 2022, notes payable mature as follows:

Year	Principal
2023	\$ 9,751
2024	10,125
2025	10,510
2026	10,910
2027	11,324
Thereafter	33,417
	<u>\$ 86,036</u>

NOTE 9 - LEASES:

In 2017, the Organization entered into a lease agreement with an unrelated party for the rental of ReStore space associated with the new ReStore operation. The lease expires in August 2027. In October 2022, the Organization entered into a lease agreement with an unrelated party for the additional rental of ReStore space. The lease expires in December 2026.

The Organization is obligated under this lease, for future minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u>	
2023	\$ 129,750
2024	141,000
2025	141,000
2026	141,000
2027	118,500
Thereafter	16,000
Total	<u>\$ 687,250</u>

Rent expense under this lease amounted to \$91,130 and \$96,000 for the years ended June 30, 2022 and 2021, respectfully.

NOTE 10 - DONATED BUILDING MATERIALS AND SERVICES:

Building materials and services are donated for use in construction and other projects. Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. Donated materials are reported at their fair value at the time of donation and are included in the overall cost basis of each construction project. Donated materials and services for the years ended June 30, 2022 and 2021, are \$146,758 and \$100,912, respectively. Donations of goods are also made to the ReStore. ReStore donations totaled \$1,187,805 and \$815,815 for the years ended June 30, 2022 and 2021.

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 - DONATED BUILDING MATERIALS AND SERVICES: (Continued)

A majority of the labor that goes into home construction is provided by volunteers and is not included in the cost basis of each construction project. For the years ended June 30, 2022 and 2021, the Organization received a total of 27,531 and 28,978 volunteer ReStore, house construction, and office hours, respectively.

NOTE 11 - CONTRIBUTIONS TO HABITAT FOR HUMANITY INTERNATIONAL, INC.:

Habitat for Humanity International, Inc. is a global partnership, and in recognition of that commitment, the Organization covenants with Habitat for Humanity International, Inc. to contribute at least 10% of its unrestricted cash contributions, including events profits, to this international affiliate.

In addition, the Organization is required to remit an additional amount towards the Stewardship and Organizational Sustainability Incentive ("SOSI"). The tithe for the years ended June 30, 2022 and 2021, was \$57,509 and \$39,750, which is reported in the statements of functional expenses as contribution to Habitat for Humanity International, Inc. The SOSI was \$7,500 for the years ended June 30, 2022 and 2021, which is reported in the statements of functional expenses within dues and memberships.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of mortgage notes receivable due from homeowners and inventory of residential buildings. Although the Organization does not currently foresee a credit risk associated with the amounts due, repayment of the amounts is dependent upon the financial stability of the homeowners.

In addition, the Organization maintains its cash in bank deposit accounts at high-quality financial institutions. At times, these balances may exceed federally insured limits.

NOTE 13 - LINE OF CREDIT:

The Organization has a revolving line of credit with a bank. The available balance on this line is \$200,000 at June 30, 2022 and 2021. The revolving line of credit renews annually. At June 30, 2022 and 2021, the Organization had no borrowings under the line and the interest rate is 6.125% in 2022 and 5.125% 2021.

NOTE 14 - FUNCTIONAL EXPENSES:

The costs of providing the various programs and other activities are reflected on a functional basis on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. General and administrative expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Organization.

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 - FUNCTIONAL EXPENSES: (Continued)

The financial statements contain certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes, and fringe benefits. These costs are allocated based upon actual time spent.

NOTE 15 - RESTORE, NET:

ReStore revenue and expenses, which are recorded in ReStore income on the statements of activities and changes in net assets for the years ended June 30, 2022 and 2021, consist of the following:

	June 30,	
	2022	2021
Habitat ReStore merchandise	\$ 1,187,805	\$ 815,814
Sales - Habitat ReStore	1,044,789	820,141
ReStore Sales Revenue	<u>2,232,594</u>	<u>1,635,955</u>
Expenses:		
Wages	292,883	235,436
Employment taxes	46,968	43,952
Worker compensation expense	3,141	7,001
Insurance	3,866	5,231
Rent	91,130	96,000
Repairs and maintenance	3,386	3,528
Donation pickup costs	2,262	5,012
Food and lodging	1,182	1,779
Telephone and fax	3,168	3,191
Computer expenses	5,690	743
Other expenses	2,555	42
Supplies	9,810	8,763
Bank fees	21,873	17,190
Advertising	637	5,040
Donation to ReStore	1,044,789	820,141
Utilities	21,417	16,298
Total Expenses	<u>1,554,757</u>	<u>1,269,347</u>
Change in Net Assets - ReStore	<u>\$ 677,837</u>	<u>\$ 366,608</u>

WARREN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - NET ASSETS:

Net assets with donor restrictions consist of the following:

	June 30,	
	2022	2021
Community center construction	\$ 121,484	\$ 129,032
System	12,014	9,583
Land	-	120,000
In-kind services	173,319	119,327
Grants	99,115	-
	<u>\$ 405,932</u>	<u>\$ 377,942</u>

NOTE 17 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets at June 30, 2022 and 2021, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

	June 30,	
	2022	2021
Cash	\$ 419,817	\$ 458,465
Mortgages receivable, net	69,987	53,155
Accounts receivable	19,393	1,909
Total financial assets	509,197	513,529
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(405,932)	(377,942)
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 103,265</u>	<u>\$ 135,587</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a line of credit for \$200,000 fully available.

NOTE 18 - RISKS AND UNCERTAINTIES:

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, clients, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.