

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

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

WARREN COUNTY HABITAT FOR HUMANITY, INC.

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Warren County Habitat for Humanity, Inc. ("Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 the Organization 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 accounting principles generally accepted in the United States of America.

Sobel & Co. LLC

Certified Public Accountants

Livingston, New Jersey
January 31, 2022

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

ASSETS	Year Ended June 30,	
	2021	2020
CURRENT ASSETS:		
Cash	\$ 458,465	\$ 358,033
Mortgages receivable, current portion	53,155	47,321
Accounts receivable	1,909	1,909
Inventory	62,783	65,273
Construction in progress	816,238	543,630
Other assets	6,392	3,443
Total Current Assets	<u>1,398,942</u>	<u>1,019,609</u>
PROPERTY AND EQUIPMENT, Net	<u>338,693</u>	<u>348,875</u>
OTHER ASSETS:		
Mortgages receivable, net of current portion	548,217	497,678
Total Other Assets	<u>548,217</u>	<u>497,678</u>
	<u>\$ 2,285,852</u>	<u>\$ 1,866,162</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 69,156	\$ 23,054
Escrow deposits	16,319	11,843
Refundable advance - Paycheck Protection Program loan	-	93,480
Notes payable, current portion	9,397	-
Total Current Liabilities	<u>94,872</u>	<u>128,377</u>
LONG-TERM LIABILITIES:		
Notes payable, net of current portion	86,034	-
Total Long-term Liabilities	<u>86,034</u>	<u>-</u>
Total Liabilities	<u>180,906</u>	<u>128,377</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	1,727,004	1,414,256
With donor restrictions	377,942	323,529
Total Net Assets	<u>2,104,946</u>	<u>1,737,785</u>
	<u>\$ 2,285,852</u>	<u>\$ 1,866,162</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>
Home 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>

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Public support:			
Contributions	\$ 57,271	\$ 2,323	\$ 59,594
Habitat ReStore merchandise contributions	587,915	-	587,915
Grants	82,603	-	82,603
Donated materials and services	-	96,260	96,260
Donated land	-	120,000	120,000
Community center income	40,616	1,884	42,500
Special event revenue	36,541	-	36,541
	<u>804,946</u>	<u>220,467</u>	<u>1,025,413</u>
Other revenue:			
Interest income	477	-	477
Imputed interest from mortgage notes receivable	170,150	-	170,150
ReStore income	589,871	-	589,871
	<u>760,498</u>	<u>-</u>	<u>760,498</u>
Homes sales:			
Gross proceeds	-	-	-
Cost of homes	-	-	-
Excess of costs over proceeds	-	-	-
Net assets released from restrictions	168,439	(168,439)	-
Total Revenue and Other Support	<u>1,733,883</u>	<u>52,028</u>	<u>1,785,911</u>
EXPENSES:			
Program services	1,227,440	-	1,227,440
Management and general	70,150	-	70,150
Fundraising	61,838	-	61,838
Total Expenses	<u>1,359,428</u>	<u>-</u>	<u>1,359,428</u>
CHANGES IN NET ASSETS	374,455	52,028	426,483
NET ASSETS - Beginning of year	<u>1,039,801</u>	<u>271,501</u>	<u>1,311,302</u>
NET ASSETS - End of year	<u>\$ 1,414,256</u>	<u>\$ 323,529</u>	<u>\$ 1,737,785</u>

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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services		
	Construction	Habitat ReStore	Total Program	Management and General	Fundraising	Total
Wages	\$ 164,545	\$ 161,651	\$ 326,196	\$ 17,444	\$ 40,987	\$ 384,627
Employment taxes	1,378	33,866	35,244	282	652	36,178
Worker compensation expense	7,195	10,901	18,096	1,962	1,744	21,802
Insurance	12,698	6,187	18,885	-	-	18,885
Health insurance	20,000	-	20,000	-	-	20,000
Hope in the Hills expense	105	-	105	-	-	105
Rent	-	96,000	96,000	-	-	96,000
Repairs and maintenance	-	3,986	3,986	2,572	-	6,558
Contribution to Habitat for Humanity International, Inc.	33,862	-	33,862	-	-	33,862
Donation pickup costs	-	4,684	4,684	-	-	4,684
Food and lodging	1,294	4,648	5,942	32	260	6,234
Dues and memberships	7,500	-	7,500	-	-	7,500
Professional fees	450	-	450	12,655	75	13,180
Telephone and fax	-	3,858	3,858	2,015	-	5,873
Computer expenses	-	200	200	982	-	1,182
Other expenses	1,859	697	2,556	26,702	1,738	30,996
Supplies	-	8,081	8,081	-	-	8,081
Postage and freight	30	-	30	595	995	1,620
Bank fees	-	10,201	10,201	315	-	10,516
Office expenses	477	-	477	1,790	-	2,267
Advertising	4,909	2,259	7,168	-	655	7,823
Donation to ReStore	-	589,871	589,871	-	-	589,871
Utilities	306	18,282	18,588	2,804	-	21,392
Fundraising expenses	-	-	-	-	14,732	14,732
Total Expenses before Depreciation	256,608	955,372	1,211,980	70,150	61,838	1,343,968
Depreciation expense	15,460	-	15,460	-	-	15,460
Total Expenses	\$ 272,068	\$ 955,372	\$ 1,227,440	\$ 70,150	\$ 61,838	\$ 1,359,428

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,	
	2021	2020
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 367,161	\$ 426,483
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation	15,151	15,460
Imputed interest discount	91,532	-
Amortization of imputed interest	(26,155)	(170,150)
Transfer to homeowners for mortgage	(175,000)	-
Changes in certain assets and liabilities:		
Accounts receivable	-	3,091
Inventory	2,490	1,957
Construction in progress	(272,608)	(366,879)
Prepaid expenses	-	4,950
Other assets	(2,949)	4,171
Accounts payable and accrued expenses	46,102	(21,384)
Escrow deposits	4,476	2,153
Refundable advance - Paycheck Protection Program loan	(93,480)	93,480
Net Cash Used for Operating Activities	<u>(43,280)</u>	<u>(6,668)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	(4,968)	-
Mortgage payments received	53,249	47,818
Net Cash Provided by Investing Activities	<u>48,281</u>	<u>47,818</u>
<u>FINANCING ACTIVITIES:</u>		
Proceeds from notes payable	100,000	-
Payments on notes payable	(4,569)	-
Net Cash Provided by Financing Activities	<u>95,431</u>	<u>-</u>
NET INCREASE IN CASH	100,432	41,150
CASH:		
Beginning of year	<u>358,033</u>	<u>316,883</u>
End of year	<u><u>\$ 458,465</u></u>	<u><u>\$ 358,033</u></u>

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

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 title 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:

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

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

Financial Statement Presentation: (Continued)

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

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.

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

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

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.

Property and Equipment:

Property and equipment is 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 contributions 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.

Donated 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. 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, 2021 and 2020, the Organization received a total of 28,978 and 22,928 volunteer ReStore, house construction, and office hours.

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

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

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 (FASB) 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.

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 2021 and 2020. At June 30, 2021 and 2020, there are no significant income tax uncertainties.

As of June 30, 2021 and 2020, 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, 2021 through January 31, 2022, the date that the financial statements were available to be issued.

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

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 2021 and 2020, were discounted at Habitat for Humanity International, Inc.'s stipulated interest rate of 7.23% and 7.38%.

Outstanding mortgage notes receivable are as follows:

	June 30,	
	2021	2020
Gross payments receivable	\$ 1,224,758	\$ 1,103,007
Imputed interest discount	(623,386)	(558,008)
Receivable, Net	<u>\$ 601,372</u>	<u>\$ 544,999</u>

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

<u>Year</u>	
2022	\$ 53,155
2023	53,155
2024	53,155
2025	53,155
2026	53,155
Thereafter	<u>958,983</u>
Gross payments receivable	1,224,758
Less: Imputed interest discount	<u>(623,386)</u>
Receivable, Net	<u>\$ 601,372</u>

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

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 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, 2021, the Organization has land costs of \$192,500 and construction costs of \$623,738. As of June 30, 2020, the Organization has land costs of \$234,500 and construction costs of \$309,130. As of June 30, 2021 and 2020, these costs related to 11 projects that were all 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.

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2021	2020
Land, building and improvements	\$ 442,515	\$ 437,547
Computer, equipment, and software	13,632	13,632
Vehicles	31,249	31,249
	<u>487,396</u>	<u>482,428</u>
Less: Accumulated depreciation	(148,703)	(133,553)
Property and Equipment, Net	<u>\$ 338,693</u>	<u>\$ 348,875</u>

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

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 loan was to provide the Organization with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. PPP loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period.

The Organization’s policy is to record the proceeds from the PPP loan as a conditional government grant through refundable advances. Once the conditions of release have been substantially met or explicitly waived, the conditions of this grant will have been satisfied and the Organization will recognize the grant revenue.

The Organization received full forgiveness from the Small Business Administration as of April 14, 2021, based on the criteria for forgiveness, and the amount is reflected in grant revenue – PPP loan on the statement of activities and changes in net assets at June 30, 2021.

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 \$601,372 and \$544,999 at June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, note payable is as follows:

	June 30,	
	2021	2020
Note payable to Habitat Mortgage Solutions		
Quarterly payments of \$3,211		
with interest at 3.75%		
Note matures March 31, 2030.	95,431	-
Less: Current maturities	(9,397)	-
Long-term portion	\$ 86,034	\$ -

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

NOTE 8 - NOTES PAYABLE: (Continued)

At June 30, 2021, notes payable mature as follows:

Year	Principal
2022	\$ 9,397
2023	9,754
2024	10,125
2025	10,510
2026	10,910
Thereafter	44,737
	<u>\$ 95,432</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.

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

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 96,000
2023	96,000
2024	96,000
2025	96,000
2026	96,000
Thereafter	112,000
Total	<u>\$ 592,000</u>

Rent expense under this lease amounted to \$96,000 and \$96,000 for the years ended June 30, 2021 and 2020, respectfully.

WARREN COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - 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 title for the year ended June 30, 2021, was \$39,750, which is reported in the statement of functional expenses as contribution to Habitat for Humanity International, Inc. The SOSI was \$7,500 for the years ended June 30, 2021 and 2020, which is reported in the statement of functional expenses within dues and memberships.

NOTE 11 - 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 12 - 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, 2021 and 2020. The revolving line of credit renews annually. At June 30, 2021 and 2020, the Organization had no borrowings under the line and the interest rate is 5.125% in 2021 and 2020.

NOTE 13 - 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.

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.

WARREN COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 - RESTORE, NET:

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

	June 30,	
	2021	2020
Habitat ReStore merchandise	\$ 815,814	\$ 587,915
Sales - Habitat ReStore	820,141	589,871
ReStore Sales Revenue	<u>1,635,955</u>	<u>1,177,786</u>
Expenses:		
Wages	235,436	161,651
Employment taxes	43,952	33,866
Worker compensation expense	7,001	10,901
Insurance	5,231	6,187
Rent	96,000	96,000
Repairs and maintenance	3,528	3,986
Donation pickup costs	5,012	4,684
Food and lodging	1,779	4,648
Telephone and fax	3,191	3,858
Computer expenses	743	200
Other expenses	42	697
Supplies	8,763	8,081
Bank fees	17,190	10,201
Advertising	5,040	2,259
Donation to ReStore	820,141	589,871
Utilities	16,298	18,282
Total Expenses	<u>1,269,347</u>	<u>955,372</u>
Change in Net Assets - ReStore	<u>\$ 366,608</u>	<u>\$ 222,414</u>

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NOTE 15 - NET ASSETS:

Net assets with donor restrictions consist of the following:

	June 30,	
	2021	2020
Community center construction	\$ 129,032	\$ 61,895
System	9,583	8,072
Land	120,000	120,000
In-kind services	119,327	133,562
	<u>\$ 377,942</u>	<u>\$ 323,529</u>

NOTE 16 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets at June 30, 2021 and 2020, 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,	
	2021	2020
Cash	\$ 458,465	\$ 358,033
Mortgages receivable, net	53,155	47,321
Accounts receivable	1,909	1,909
Total financial assets	<u>513,529</u>	<u>407,263</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(377,943)</u>	<u>(323,529)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 135,586</u>	<u>\$ 83,734</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.

WARREN COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - 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.