Habitat for Humanity of Greater Dayton, Inc.

Financial Statements

June 30, 2021 and 2020

FLAGEL HUBER FLAGEL

Certified Public Accountants | Business Advisors

Habitat for Humanity of Greater Dayton, Inc.

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FLAGEL HUBER FLAGEL
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees of
Habitat for Humanity of Greater Dayton, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Greater Dayton, Inc. ("Habitat"), which comprise 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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.

Flagel Huber Flagel

Certified Public Accountants
Dayton, Ohio
December 9, 2021

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Habitat for Humanity of Greater Dayton, Inc.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 1,271,955	$ 632,689
Restricted cash - escrow holdings on deposit	163,678	130,627
Investments, at fair value	210,916	155,395
Pledges receivable	11,163	31,865
Grants receivable	10,000	10,000
Other receivables, net of allowance	43,090	0
Non-interest bearing mortgage loans receivable, net of discount, current portion	273,336	167,558
Prepaid expenses	19,142	15,263
Construction in progress	63,150	334,687
Notes receivable, current portion	0	8,318
Total Current Assets	2,066,430	1,486,402
Property and Equipment, net	987,046	682,013
Other Assets		
Land held for development	207,637	595,936
Non-interest bearing mortgage loans receivable, net of discount, long-term portion	3,393,464	2,915,866
Notes receivable, long-term portion	0	8,514
Total Other Assets	3,601,101	3,520,316
Total Assets	$ 6,654,577	$ 5,688,731

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Line of credit	$ 0	$ 34,900
Accounts payable and accrued expenses	178,419	132,903
Accrued payroll and related liabilities	61,072	75,475
Escrow holding liability	163,678	130,627
Deferred revenue	20,958	46,073
Refundable advance	160,802	159,600
Capital lease obligation, current portion	5,909	2,029
Total Current Liabilities	590,838	581,607
Long-Term Liabilities		
Capital lease obligation	20,377	6,975
Other agency liabilities	141,137	129,640
Total Long-Term Liabilities	161,514	136,615
Total Liabilities	752,352	718,222
Net Assets		
Without donor restrictions	5,738,571	4,852,144
Without donor restrictions - board designated	76,084	50,795
Total Net Assets Without Donor Restrictions	5,814,655	4,902,939
With donor restrictions	87,570	67,570
Total Net Assets	5,902,225	4,970,509
Total Liabilities and Net Assets	$ 6,654,577	$ 5,688,731

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statement of Activities

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	$ 1,394,025	$ 20,000	$ 1,414,025
In-kind contributions	87,057	0	87,057
Sales of houses and land	854,500	0	854,500
Repair program	1,500	0	1,500
Mortgage loan discount amortization	311,855	0	311,855
ReStore sales	614,205	0	614,205
Special events	30,900	0	30,900
Other revenue and gains	111,293	0	111,293
Debt forgiveness income	167,898	0	167,898
Inherent contribution - Clark County Fuller Center	583,652	0	583,652
Net investment return	61,907	0	61,907
Total Support and Revenue	4,218,792	20,000	4,238,792
Expenses:			
Program services	2,985,751	0	2,985,751
Supporting services:			
Fundraising	183,156	0	183,156
Management and general	138,169	0	138,169
Total Expenses	3,307,076	0	3,307,076
Change in Net Assets	911,716	20,000	931,716
Net Assets - beginning of year	4,902,939	67,570	4,970,509
Net Assets - end of year	$ 5,814,655	$ 87,570	$ 5,902,225

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	$ 753,585	$ 0	$ 753,585
In-kind contributions	125,831	0	125,831
Sales of houses and land	423,083	0	423,083
Repair program	36,048	0	36,048
Mortgage loan discount amortization	265,638	0	265,638
ReStore sales	601,444	0	601,444
Special events	49,200	0	49,200
Other revenue and gains	54,245	0	54,245
Net investment return	2,275	0	2,275
Total Support and Revenue	2,311,349	0	2,311,349
Expenses:			
Program services	2,047,056	0	2,047,056
Supporting services:			
Fundraising	180,923	0	180,923
Management and general	222,646	0	222,646
Total Expenses	2,450,625	0	2,450,625
Change in Net Assets	(139,276)	0	(139,276)
Net Assets - beginning of year	5,042,215	67,570	5,109,785
Net Assets - end of year	$ 4,902,939	$ 67,570	$ 4,970,509

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2021

		Supporting Services		
	Program Services*	Fundraising	Management and General	Total
Salaries and benefits	$ 705,370	$ 133,931	$ 53,572	$ 892,873
Contract labor	118,972	8,498	42,490	169,960
Cost of homes sold	776,475	0	0	776,475
Building services and supplies	492,470	0	0	492,470
Mortgage discounts	497,222	0	0	497,222
Equipment rental	4,504	0	0	4,504
Utilities	49,099	528	3,168	52,795
Publicity and promotion	23,566	21,209	2,356	47,131
Special projects	0	0	517	517
Printing and postage	6,195	0	0	6,195
ReStore expenses	33,442	0	0	33,442
Bad debts	24,993	0	0	24,993
Professional fees	9,532	2,383	17,874	29,789
Insurance	26,435	1,802	1,803	30,040
Interest expense	0	0	1,207	1,207
Travel and entertainment	7,838	980	979	9,797
Office supplies, support, and services	68,475	8,056	4,028	80,559
Education	586	46	283	915
Property maintenance	39,124	421	2,524	42,069
Depreciation	38,469	414	2,481	41,364
Other	62,984	4,888	4,887	72,759
	$ 2,985,751	$ 183,156	$ 138,169	$ 3,307,076
Portion of above expenditures supported by in-kind contributions	$ 78,737	$ 0	$ 0	$ 78,737

* Program services include Family Services, Volunteer Services, Affordable Housing through Construction, and ReStore

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services*	Supporting Services: Fundraising	Supporting Services: Management and General	Total
Salaries and benefits	$ 663,111	$ 126,387	$ 53,083	$ 842,581
Contract labor	58,261	0	108,199	166,460
Cost of homes sold	409,611	0	0	409,611
Building services and supplies	271,650	0	0	271,650
Mortgage discounts	254,969	0	0	254,969
Equipment rental	2,048	0	0	2,048
Utilities	39,643	2,332	4,664	46,639
Publicity and promotion	35,282	31,754	3,528	70,564
Printing and postage	5,672	0	0	5,672
ReStore expenses	44,159	0	0	44,159
Bad debts	11,657	0	0	11,657
Professional fees	8,766	2,191	16,436	27,393
Insurance	23,850	1,626	1,626	27,102
Interest expense	0	0	3,723	3,723
Travel and entertainment	1,396	1,396	11,168	13,960
Office supplies, support, and services	99,468	11,841	7,105	118,414
Education	1,295	101	627	2,023
Property maintenance	41,452	1,802	1,803	45,057
Depreciation	34,345	1,493	1,494	37,332
Other	40,421	0	9,190	49,611
	$ 2,047,056	$ 180,923	$ 222,646	$ 2,450,625
Portion of above expenditures supported by in-kind contributions	$ 85,001	$ 0	$ 0	$ 85,001

* Program services include Family Services, Volunteer Services, Affordable Housing through Construction, and ReStore

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	$ 931,716	$ (139,276)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Sales of homes to homeowners	(357,278)	(168,114)
In-kind contributions of construction in progress	0	(25,830)
Depreciation	41,364	37,332
Mortgage loan receivable discount amortization	(311,855)	(265,638)
Gain on disposal of property, plant and equipment	0	(2,500)
Net realized and unrealized gain on investments	(61,907)	(2,275)
Inherent non-cash contribution - Clark County Fuller Center	(479,795)	0
Forgiveness of debt	(167,898)	0
Change in assets and liabilities:		
Pledges receivable, net of allowance	20,702	(15,100)
Grants receivable	0	128,817
Other receivables, net of allowance	(43,090)	8,888
Prepaid expenses	(3,879)	(5,860)
Construction in progress	(39,227)	(145,626)
Land held for development	388,299	23,330
Accounts payable and accrued expenses	45,516	(2,539)
Accrued payroll and related liabilities	(14,403)	13,813
Escrow holding liability	33,051	(35,201)
Deferred revenue	(25,115)	46,073
Refundable advance	160,802	159,600
Net Cash Provided By (Used In) Operating Activities	117,003	(390,106)
Cash Flows from Investing Activities:		
Mortgage payments and credits	573,850	444,482
Net proceeds from sale of investments	6,386	5,687
Purchase of property, plant and equipment	(15,148)	(16,157)
Proceeds from sale of property and equipment	0	2,500
Proceeds from notes receivable	16,832	6,346
Net Cash Provided By Investing Activities	$ 581,920	$ 442,858

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Financing Activities:		
Net proceeds from (payments on) other agency liabilities	$ 11,497	$ (20,074)
Net payments on line of credit	(34,900)	(25,000)
Payments on capital lease obligation	(3,203)	(1,803)
Net Cash Used In Financing Activities	(26,606)	(46,877)
Change in Cash, Cash Equivalents and Restricted Cash	672,317	5,875
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	763,316	757,441
End of year	$ 1,435,633	$ 763,316
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 1,967	$ 3,422
Non-cash investing and financing activities:		
Issuance of non-interest bearing mortgage loans receivable	$ 854,500	$ 423,083
Discount on non-interest bearing mortgage loans receivable	$ 497,222	$ 254,969
Sales of houses to partner families subject to non-interest bearing mortgage loans	$ 357,278	$ 168,114
Net transfers from mortgage loans to land held for development	$ 0	$ 59,129
Purchase of property and equipment with capital lease obligation	$ 20,485	$ 0
In-kind contributions of inventory	$ 0	$ 25,830
Capitalization of fixed assets from construction in progress	$ 310,764	$ 0

The accompanying notes are an integral part of these statements.

1. Organization and Purpose

Habitat for Humanity of Greater Dayton, Inc. ("Habitat") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat serves families in Montgomery and Greene Counties, Ohio and is supported primarily through donor contributions, sales of homes and its ReStore sales activity.

In February, 2021 the Board of Trustees assumed the assets of Clark County Fuller Center for Housing, a not-for-profit corporation with a similar mission to Habitat. Habitat International approved Habitat's petition to serve the Clark County, Ohio region. Several employees of Clark County Fuller Center for Housing became Habitat employees. See Note 19.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of the financial statements.

<u>Basis of Accounting</u>
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 for not-for-profit organizations.

<u>Financial Statement Presentation</u>
Habitat reports 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. A description of each class as it pertains to Habitat is as follows:

Net Assets Without Donor Restrictions – Represents net assets available for use in general operations and not subject to donor restrictions. Included in net assets without donor restrictions are funds that have been designated by the Board of Trustees for home building activities in Greene County, Ohio and to start a new ReStore. See Note 12.

Net Assets With Donor Restrictions – Represents net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

<u>Cash and Cash Equivalents and Restricted Cash</u>
Habitat considers cash and cash equivalents to be all highly liquid accounts that include interest and non-interest bearing demand deposit accounts. For purposes of the statements of cash flows the escrow holdings on deposit account is included in cash and cash equivalents.

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents and Restricted Cash (continued)

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets to the amount of total cash shown in the statements of cash flows:

	2021	2020
Cash	$ 1,271,955	$ 632,689
Escrow holding on deposit	163,678	130,627
	$ 1,435,633	$ 763,316

Concentration of Credit Risk

Habitat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Insurance coverage is $250,000 per depositor at each financial institution. Habitat has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

Habitat's concentration of credit risk with respect to mortgage loans receivable depends on its partner families' ability to repay, which varies with economic conditions in the geographic area.

Escrow Activity and Agency Liabilities

Habitat services the mortgages on the homes it sells. Consequently, Habitat records an asset titled escrow holdings on deposit and a liability titled escrow holding liability, which are amounts received for insurance and property taxes on such homes. Habitat also services mortgages partially financed through a third-party lender. In servicing these homes, Habitat collects owner repayments on behalf of the third parties. Monies collected on behalf of these third parties are reflected as a liability titled other agency liabilities.

Investments

Investments are reported at fair value in the statements of financial position. Investment income, including interest, dividends, and realized and unrealized gains or losses, are recorded in the statements of activities as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Habitat's investments are subject to the normal risks associated with financial markets. Habitat manages the risk with regard to investments by adhering to an investment policy, which requires professional investment management and diversification of investments, as well as other standards and practices.

Pledges Receivable

Pledges receivable represent unconditional pledges from donors to contribute cash or other assets to Habitat. Pledges receivable are recognized when the promise to give is made at the net present value of its estimated future cash flows. At June 30, 2021 and 2020, a discount was not necessary as all pledge balances were estimated to be collected within one year. Management reviewed pledges receivable and determined no allowance for doubtful accounts was necessary as of June 30, 2021 and 2020. There was no bad debt expense recorded related to these receivables for the years ended June 30, 2021 and 2020.

Grants Receivable

Grants receivable represent foundation grants awarded to Habitat but still unpaid at year end. Habitat expects to collect the full amount of grants receivable in the next fiscal year.

2. Summary of Significant Accounting Policies (Continued)

Other Receivables
Habitat records other receivables that consist of insurance and property taxes paid by Habitat on behalf of homeowners with insufficient escrow balances. These balances totaled $42,971 and $28,115 at June 30, 2021 and 2020, respectively. Due to the suspect collectability of these balances, management has recorded an allowance for doubtful accounts of $42,971 and $28,115 at June 30, 2021 and 2020, respectively. Bad debt expense related to these receivables for the years ended June 30, 2021 and 2020 was recoveries of $2,135 and bad debt of $0, respectively.

Also included in other receivables are amounts collectible from various entities and individuals related to building expenses and special events. These amounts total to $43,090 and $0 at June 30, 2021 and 2020, respectively. Management has determined that no allowance for doubtful accounts is necessary and there have been no bad debt expenses recorded related to these receivables for the years ended June 30, 2021 and 2020.

Non-Interest-Bearing Mortgage Loans Receivable
Non-interest-bearing mortgage loans receivable are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgages have an original maturity of twenty (20) to thirty-five (35) years and arise in connection with Habitat's homebuilding initiatives. Homeowners can prepay the mortgage at any time. Habitat considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or Habitat may accept back the deed in lieu of foreclosure where homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure may be sold directly on the open market or refurbished in partnership with and sold to other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for non-interest bearing mortgage loans receivable as of June 30, 2021 and 2020. Management recorded bad debt expense related to non-interest bearing mortgage loans receivable of $27,128 and $11,657, respectively, for the years ended June 30, 2021 and 2020.

In connection with the issuance of the original non-interest bearing mortgages, in most cases, Habitat also issues a silent second mortgage. These silent second mortgages represent the difference between the original mortgage and the appraised value of the home and are due to Habitat either in part or in full if the homeowner does not comply with the terms of the original mortgage. These silent second mortgages deter the homeowner from selling the home upon closing for an immediate profit and are typically forgiven on a prorated basis over the first 100 scheduled payments of the original mortgage. At June 30, 2021 and 2020, Habitat has not recorded any receivables related to these silent second mortgages as management has determined that no triggering events have occurred that would require they be recognized in the financial statements. During the year ended June 30, 2021 and 2020, collections on silent second mortgages were $2,427 and $1,327, respectively.

Land Held for Development
Land held for development consisted of 27 and 29 properties at June 30, 2021 and 2020, respectively. Land held for development is valued at purchased cost, or if donated, at the fair market value at the date of donation. Reclaimed homes are recorded at the outstanding mortgage balance, net of discount, and any other amounts due Habitat at the date of reclamation.

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment
Habitat capitalizes all expenditures for property and equipment in excess of $1,000 that have a useful life of at least three years. Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Donated equipment is recorded at fair market value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 39 years.

Impairment of Long-Lived Assets
Habitat reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended June 30, 2021 and 2020.

Construction in Progress
Construction in progress represents the construction costs, including donated building materials or services, of homes either under construction or completed but not yet transferred to homeowners. Construction in progress is valued at purchased cost, or if donated, at the fair market value as of the date of donation. Costs incurred in conjunction with home construction are capitalized until the sale of each home. Following is a summary of home building activity for the years ended June 30:

	2021		2020	
	Number	Costs	Number	Costs
Homes under construction, beginning of year	17	$ 273,370	11	$ 163,231
Additional costs in process		402,509		352,717
New homes started during the year	2	135,547	10	167,033
Homes transferred during the year	(8)	(748,276)	(4)	(409,611)
Homes under construction, end of year	11	$ 63,150	17	$ 273,370

In December 2019, Habitat entered into the Disaster Reconstruction Program (DRP) with Federal Home Loan Bank in which Habitat is reimbursed for expenses incurred to repair homes damaged by tornados. Expenses that have been incurred and not yet reimbursed are recorded as construction in progress. At June 30, 2021 and 2020, construction in progress includes $0 and $61,317, respectively, related to unreimbursed expenses.

Deferred Revenue
Deferred revenue represents cash received in advance for services related to repair projects and will be recognized as revenue in the period the repair services are performed.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

For the year ended June 30, 2021, Habitat adopted and has accounted for program service revenue in accordance with *Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Under this guidance, revenues from contracts are measured based on the amount of consideration specified in a contract with a customer and are recognized when performance obligations (i.e., obligations to transfer goods and or services) are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. Habitat's primary revenue streams which are accounted for as exchange transactions, and subject to this guidance, consist of home sales and ReStore sales.

Habitat generates revenue through the sale of homes to program participants and financing the sale through a mortgage agreement with 0% interest. Habitat has identified two performance obligations associated with the sale of homes: (1) transfer of the title of the home to the homeowner, and (2) financing the purchase price of the home. The transaction price for the property is identified and stated on the closing agreement and is consistent with the gross amount of revenue recorded at the time of an executed closing agreement. With respect to home sales, Habitat is the principal in the arrangement as the they maintain control of the property up until the time at which the property is sold to the homeowner. Since the mortgages are at 0% interest, Habitat imputes interest on the mortgage by discounting the transaction price to present value based on a discount rate set by Habitat for Humanity International at the end of each fiscal year (ranging from 6.0% - 9.0%). The present value of the transaction price is allocated to the first performance obligation, with development costs of homes included as construction costs. The imputed interest or "discount" is allocated to the second performance obligation. Discounts are amortized using the straight-line method over the lives of the mortgages.

Revenue allocated to the first performance obligation is recorded at the point in time when control of the property transfers. This is the point in time at which Habitat has satisfied its first performance obligation to transfer control of the property to the homeowner as evidenced by an executed closing statement. Revenue allocated to the second performance obligation is recognized over the mortgage term as payments are collected. Contract liabilities relate mainly to homeowner deposits in escrow. Management has concluded that no impact to revenue recognition has resulted from the adoption of this guidance as it relates to home sales.

Revenue related to the ReStore sales is recognized at the time of sale. Management has concluded that no impact to revenue recognition has resulted from adoption of this guidance as it relates to ReStore sales.

This ASU has been applied retrospectively to all periods with no effect on net assets or previously issued financial statements.

Habitat is the recipient of grant funds from various government agencies and follows the guidance issued in *Accounting Standards Update (ASU) No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with this guidance, Habitat classifies reimbursement type grants as conditional contributions rather than program service revenue.

Habitat generates revenue from special events. ASU 2018-08 notes that the exchange of assets or performance of services in exchange for assets of substantially lower value may be deemed to be a partial contribution. Such contribution would be measured at the difference between the fair value of the products provided or services performed, and the consideration received. Management concludes that the benefit to donors related to special events is immaterial in comparison to the consideration received by the donor as typically all that is received is insignificant amounts of food and beverage during the event. As such, consideration received through the conducting of special events is considered a contribution transaction and no impact to revenue recognition has resulted from the adoption of this guidance.

2. Summary of Significant Accounting Policies (Continued)

Contributions
Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 statements of activities as net assets released from restrictions. However, donor restricted contributions may be reported as support without donor restrictions if the restrictions are met in the same reporting period.

Conditional contributions are recognized when the conditions on which they depend are substantially met.

Donated Goods
Donated goods are recorded as contributions at fair market value, where objectively measurable, at the date of donation. Habitat receives donated goods for resale at the ReStore and records the donated goods at zero value rather than fair market value. Revenue related to ReStore sales is recognized at the time of sale.

During the years ended June 30, 2021 and 2020, Habitat received $8,320 and $25,830, respectively, of donated property that was capitalized as part of construction in progress.

Donated Services
Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat if not donated. For the years ended June 30, 2021 and 2020, donated services recognized as contributions were $31,312 and $56,808, respectively. These services are primarily related to construction of homes. Also, a substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria above.

Advertising Costs
Advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2021 and 2020 totaled $47,131 and $70,564, respectively.

Use of Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and 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. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes
Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International by the Internal Revenue Service. However, any income from certain activities not directly related to Habitat's tax exempt purpose may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America prescribe attributes for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. It requires affirmative evaluation that it is more-likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements, and additional disclosures about uncertain tax positions are required.

Habitat’s evaluation as of June 30, 2021 revealed no income tax positions that, if overturned, would have a material impact on the financial statements, including any position that would place Habitat’s exempt status in jeopardy at June 30, 2021. The 2017 through 2019 tax years remain subject to examination by the Internal Revenue Service. Habitat does not believe that any reasonable changes will occur within the next twelve months that will have a material impact on the financial statements.

Reclassifications
Certain amounts reported in the prior year have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

The following reflects Habitat’s financial assets as of June 30, 2021 and June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at June 30, 2021	$	1,924,138
Less those unavailable for general expenditures within one year, due to:		
Agency liabilities		(304,815)
Donor-imposed restrictions		(87,570)
Board Designated for ReStore and Greene County		(76,084)
Financial assets available to meet cash needs for general expenditures within one year	$	1,455,669
Financial assets at June 30, 2020	$	1,136,452
Less those unavailable for general expenditures within one year, due to:		
Agency liabilities		(260,267)
Donor-imposed restrictions		(67,570)
Board Designated for ReStore and Greene County		(50,795)
Financial assets available to meet cash needs for general expenditures within one year	$	757,820

Habitat’s financial assets available to meet cash needs for general expenditures within one year at June 30, 2021 and 2020 in relation to annual expenses is within industry standards. Habitat is substantially supported by contributions, which may contain donor restrictions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, Habitat must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

3. Liquidity and Availability (Continued)

Management structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Habitat regularly reviews the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill its obligations. In the event of an unanticipated liquidity need, Habitat could also draw upon the available line of credit, as further discussed in Note 8.

4. Investments

All investments are held at the Dayton Foundation. The cost and fair value of Habitat's investments are summarized as follows at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 8,437	$ 8,437	$ 3,108	$ 3,108
Common stocks	124,433	164,514	126,494	133,640
Fixed income	19,144	25,310	13,238	13,986
Other assets	7,516	12,655	4,246	4,661
	$ 159,530	$ 210,916	$ 147,086	$ 155,395

Interest and dividend income for the years ended June 30, 2021 and 2020 totaled $2,947 and $3,104, respectively. Investment management fees for the years ended June 30, 2021 and 2020 totaled $3,314 and $2,919, respectively. Components of investment return include the following for the years ended June 30:

	2021	2020
Unrealized gains (losses)	$ 43,077	$ (1,473)
Realized gains	18,830	3,748
	$ 61,907	$ 2,275

5. Notes Receivable

Habitat issued two notes in December 2016 and May 2017, both related to the sale of homes to a non-partner related family. The notes require monthly payments of $761 in the aggregate, mature January 2022 and June 2022, bear interest at 7.50% per annum and are secured by a mortgage on the property sold. The value of these notes was $0 and $16,832 at June 30, 2021 and 2020, respectively.

6. Mortgage Loans Receivable

The following table summarizes the age analysis of mortgage loans receivable at June 30:

	2021	2020
Current	$ 5,653,757	$ 4,757,564
30 – 60 days past due	542,141	514,331
61 – 90 days past due	232,346	192,874
Over 90 days past due	1,316,628	964,371
Total	7,744,872	6,429,140
Less: discount	(4,078,072)	(3,345,716)
	$ 3,666,800	$ 3,083,424

6. Mortgage Loans Receivable (Continued)

At June 30, 2021, one home was in the foreclosure process with a discounted value of $16,618. During the year ended June 30, 2021, Habitat did not take back any deeds in lieu of foreclosure due to the COVID pandemic. During the year ended June 30, 2020, three deeds were received in lieu of foreclosure. As a result, mortgage loan receivable balances, net of discount, and the related escrow receivable totaling $0 and $60,169 were transferred to homes available for sale during the year ended June 30, 2021 and 2020, respectively.

7. Property and Equipment

Property and equipment consist of the following at June 30:

Cost:	2021	2020	Estimated Useful Life in Years
Land	$ 118,150	$ 74,750	-
Building and improvements	941,526	663,862	39
Tools	12,890	12,390	5 - 7
Office equipment	80,576	54,319	3 - 7
Vehicles	169,719	156,816	4 - 7
TOTAL	1,322,861	962,137	
Less accumulated depreciation	(335,815)	(280,124)	
	$ 987,046	$ 682,013	

Depreciation expense was $41,364 and $37,332 for the years ended June 30, 2021 and 2020, respectively.

8. Line of Credit

Habitat has a revolving line of credit with a local bank with a maximum borrowing limit of $250,000 to provide for normal working capital requirements. The line of credit bears interest at prime (3.25% at June 30, 2021 and 2020) and is due in March 2022. The outstanding balance on the line of credit was $0 and $34,900 as of June 30, 2021 and 2020, respectively.

9. Leasing Arrangements

As lessee, Habitat leased certain office equipment under a long-term lease agreement. The lease expired in 2021. Rent expense under the operating lease agreement for the years ended June 30, 2021 and 2020 was $3,680 and $2,988, respectively.

As lessor, Habitat leases four properties that were built with the intention to sell; however, partner families were not available to facilitate a sale. Rental income for the years June 30, 2021 and 2020 were $16,800 and $21,750, respectively, and is included in other revenue. These leases are currently on a month-to-month basis.

10. Capital Lease Obligation

In February 2019, Habitat entered into a capital lease obligation for a telephone system, requiring monthly payments of $240. The final payment is due February 2024.

In February 2021, Habitat entered into a capital lease obligation for a copier, requiring monthly payments of $354. The final payment is due May 2026.

10. Capital Lease Obligation (Continued)

Amortization of leased assets is included with depreciation expense and amounted to $3,591 and $2,198 for the years ended June 30, 2021 and 2020, respectively. The following is an analysis of capital leased property included in property and equipment at June 30:

	2021	2020
Capitalized cost of office equipment	$ 31,612	11,127
Less: accumulated depreciation	(6,187)	(2,596)
	$ 25,425	$ 8,531

Future minimum lease payments succeeding June 30, 2021 for the capital lease are as follows:

	Amount
2022	$ 7,129
2023	7,129
2024	6,169
2025	4,250
2026	3,895
Less amount representing interest	(2,626)
	$ 25,946

11. Transactions with Related Parties

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International and other Habitat affiliates. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2021 and 2020, Habitat contributed $70,988 and $50,148, respectively, to Habitat International. Such amounts are included in program services expense in the statements of activities. Amounts due to Habitat International at June 30, 2021 and 2020 were $300 and $3,875, respectively.

A member of Habitat's Board of Directors is a partner in a law firm that provides legal services to Habitat. For the years ended June 30, 2021 and 2020, legal services provided by this firm and charged to expense totaled $0 and $2,765, respectively. For the years ended June 30, 2021 and 2020, legal services included in in-kind contributions totaled $0 and $500, respectively.

12. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2021	2020
Subject to expenditure for specified purpose:		
Endowment fund investments	$ 67,570	$ 67,570
Specific home build events	20,000	0
Total net assets with donor restrictions	$ 87,570	$ 67,570

As more fully described in Note 16, net assets with donor restrictions include endowment fund investments created to further the mission of Habitat. Net assets with donor restrictions related to specific build events are included in accounts receivable at June 30, 2021.

12. Net Assets (Continued)

Habitat's governing board has designated the following amounts of cash from net assets as of June 30:

	2021	2020
Greene County operations	$ 1,084	$ 789
Opening a new ReStore	75,000	50,006
	$ 76,084	$ 50,795

13. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Habitat charges all expenses directly related to the fulfillment of its mission to program services based on direct identification of the costs for each program. Expenses that are not directly related to a single program or activity but are indispensable to the conduct of Habitat's programs or existence are charged to management and general. Expenses relating to activities undertaken to induce contributions are charged to fundraising. Certain administrative costs including salaries and benefits, utilities, publicity and promotion, insurance, and depreciation are allocated on the basis of estimates of personnel time and usage of facility by square foot.

14. Retirement Plan

Habitat sponsors a defined contribution retirement plan ("the Plan") covering all employees who have completed minimum age and service requirements. Habitat makes a contribution to the Plan up to 3% of the participant's compensation. Total expense for the years ended June 30, 2021 and 2020 was $15,674 and $11,623, respectively.

15. Contingencies

Financial awards from federal, state, and local governmental entities in the form of grants are subject to compliance audits. Such audits could result in claims against Habitat for disallowed costs or noncompliance with grantor restrictions. Management believes that they are in compliance with the terms related to the funds they have received and therefore, no provision has been made for any liabilities that may arise from such audits.

16. Endowment Funds

Net assets with donor restrictions that are perpetual in nature consist of endowment fund investments created to further the mission of Habitat. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Habitat has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Habitat classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as temporarily in nature until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by SPMIFA.

16. Endowment Funds (Continued)

Habitat considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Habitat, and (7) Habitat's investment policies. Habitat has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. Habitat's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Habitat relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Habitat targets a diversified asset allocation that places an emphasis on equity investments to achieve its long-term return objectives with prudent risk parameters. As of June 30, 2021 and 2020, all endowment funds are held at the Dayton Foundation, the investment of which is determined by the Foundation, rather than Habitat.

To date, Habitat has appropriated all the earnings from the endowment to support operations.

Changes in endowment net assets for the years ended June 30 were as follows:

	2021	2020
Endowment net assets held in perpetuity:		
Beginning of year	$ 67,570	$ 67,570
Net appreciation	17,787	1,484
Amounts appropriated for expenditure	(17,787)	(1,484)
End of year	$ 67,570	$ 67,570

17. Fair Value Measurements

Habitat applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy has been established that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Observable inputs such as quoted prices in active markets;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

17. Fair Value Measurements (Continued)

The carrying value of Habitat's short-term financial instruments, including cash and cash equivalents, pledges receivable, and accounts payable approximate fair value due to the relatively short period of time between their origination and expected realization. A description of the valuation methodologies used for assets measured at fair value, as well as the general description of such instruments pursuant to the valuation hierarchy, is set forth below. There have been no changes in the methodologies used at June 30, 2021 and 2020.

The fair values of investments are categorized as level one and are a combination of money market funds, common stocks, and mutual funds. The fair values are determined by quoted prices in active exchange markets, such as the New York Stock Exchange. See Note 4.

The discounted non-interest-bearing mortgage loans receivable is categorized as level two. The discount rate used to calculate the discount for all mortgages closed during a fiscal year is published annually by Habitat for Humanity International. It is based on an average of the low-income housing credit annual discount rate, Revenue Ruling 2009-16 section 42(b)(1), for buildings placed in service during the period.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 8,437	$ 0	$ 0	$ 8,437
Common stocks	164,514	0	0	164,514
Fixed income	25,310	0	0	25,310
Other assets	12,655	0	0	12,655
Total investments	$ 210,916	$ 0	$ 0	$ 210,916
Receivables:				
Mortgage loans	$ 0	$ 7,744,872	$ 0	$ 7,744,872
Less: discounts	0	(4,078,072)	0	(4,078,072)
Net receivables	$ 0	$ 3,666,800	$ 0	$ 3,666,800

Fair values of assets and liabilities measured on a recurring basis at June 30, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 3,108	$ 0	$ 0	$ 3,108
Common stocks	133,640	0	0	133,640
Fixed income	13,986	0	0	13,986
Other assets	4,661	0	0	4,661
Total investments	$ 155,395	$ 0	$ 0	$ 155,395
Receivables:				
Mortgage loans	$ 0	$ 6,429,140	$ 0	$ 6,429,140
Less: discounts	0	(3,345,716)	0	(3,345,716)
Net receivables	$ 0	$ 3,083,424	$ 0	$ 3,083,424

18. Refundable Advance

In April 2020, Habitat received approval and funding for a loan under the Paycheck Protection Program (PPP) as provided for by the CARES Act. The loan was issued through PNC Bank, National Association in connection with the Small Business Administration (SBA) for a total of $159,600. In June 2021, Habitat was notified that $157,898 had been forgiven by the SBA and $1,702 was to be repaid. The unforgiven amount of the PPP loan is required to be repaid in July 2021, with interest at 1%, and is reflected in accounts payable. The forgiven loan amount is recorded as debt forgiveness income at June 30, 2021.

In March 2021, Habitat received approval and funding for a second loan under the Paycheck Protection Program (PPP) as provided for by the CARES Act. The loan was issued through PNC Bank, National Association in connection with the Small Business Administration (SBA) for a total of $160,802. The PPP loan may be forgiven in whole or in part depending upon certain factors. Any unforgiven amount of the PPP loan will be required to be repaid in monthly installment amounts necessary to repay the balance by March 26, 2026, with interest at 1%. Habitat is accounting for the PPP loan as a conditional contribution. As such, the original loan amount is recorded as a refundable advance until Habitat has received forgiveness of the loan balance or repaid the loan to the lender. Habitat intends to use the entire loan amount for qualifying expenses.

19. Clark County Fuller Center for Housing

Effective February 2021, the Organization assumed the net assets of Clark County Fuller Center for Housing, a 501(c)(3) organization whose operations fell within the scope of the organization’s mission. Net assets assumed totaled $583,652 and consisted of the following:

Cash	$	103,857
Mortgages receivable, net		505,981
Escrow receivables		2,860
Land held for development		3,275
Fixed assets		14,327
Accumulated depreciation		(14,327)
Refundable advance		(10,000)
Allowance on loan loss		(20,106)
Escrow payables		(2,215)
	$	583,652

20. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak” or “COVID”) and the health risks to the international community. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In addition to complying with local health mandates, management took appropriate actions to mitigate the spread of the virus by altering its protocols to minimize personal contact within its office. However, given the continuing evolution of the COVID-19 outbreak, the organization is not able to fully estimate the effects of COVID-19 on its results of operations, financial condition, or liquidity for fiscal year 2022. Management believes that adaptive changes in operations have been sufficient to protect Habitat from the near-term negative impact related to the COVID-19 outbreak through the date of this report.

21. Subsequent Events

Subsequent to year end, Habitat signed a three-year lease (effective September 15, 2021) for the new ReStore location in Clark County.

Management evaluated the activity of Habitat through December 9, 2021 (the date the financial statements were available to be issued) and concluded that no additional subsequent events have occurred that require recognition in the financial statements or disclosure in the notes to the financial statements.

In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

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