Habitat for Humanity of Greater Dayton, Inc.

Financial Statements

June 30, 2020 and 2019

FLAGEL HUBER FLAGEL

Certified Public Accountants | Business Advisors

Habitat for Humanity of Greater Dayton, Inc.

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June 30, 2020 and 2019

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Certified Public Accountants | 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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2020 and 2019, 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 15, 2020

DAYTON
3400 South Dixie Drive / Dayton, Ohio 45439-2304
phone: (937) 299-3400 / fax: (937) 293-5481 / www.fhf-cpa.com

CINCINNATI
9135 Governors Way / Cincinnati, Ohio 45249-2037
phone: (513) 774-0300 / fax: (937) 293-5481 / www.fhf-cpa.com

Habitat for Humanity of Greater Dayton, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 632,689	$ 591,613
Restricted cash - escrow holdings on deposit	130,627	165,828
Investments, at fair value	155,395	158,807
Pledges receivable, net of allowance	31,865	16,765
Grants receivable	10,000	138,817
Other receivables, net of allowance	0	8,888
Non-interest bearing mortgage loans receivable, net of discount, current portion	167,558	168,811
Prepaid expenses	15,263	9,403
Construction in progress	334,687	163,231
Notes receivable, current portion	8,318	7,719
Total Current Assets	1,486,402	1,429,882
Property and Equipment, net	682,013	703,188
Other Assets		
Land held for development	595,936	560,137
Non-interest bearing mortgage loans receivable, net of discount, long-term portion	2,915,866	2,984,472
Notes receivable, long-term portion	8,514	15,459
Total Other Assets	3,520,316	3,560,068
Total Assets	$ 5,688,731	$ 5,693,138

The accompanying notes are an integral part of these statements.

Habitat for Humanity of Greater Dayton, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Line of credit	$ 34,900	$ 59,900
Accounts payable and accrued expenses	132,903	135,442
Accrued payroll and related liabilities	75,475	61,662
Escrow holding liability	130,627	165,828
Deferred revenue	46,073	0
Refundable advance	159,600	0
Capital lease obligation, current portion	2,029	1,802
Total Current Liabilities	581,607	424,634
Long-Term Liabilities		
Capital lease obligation	6,975	9,005
Other agency liabilities	129,640	149,714
Total Long-Term Liabilities	136,615	158,719
Total Liabilities	718,222	583,353
Net Assets		
Without donor restrictions	4,852,144	5,016,715
Without donor restrictions - board designated	50,795	25,500
Total Net Assets Without Donor Restrictions	4,902,939	5,042,215
With donor restrictions	67,570	67,570
Total Net Assets	4,970,509	5,109,785
Total Liabilities and Net Assets	$ 5,688,731	$ 5,693,138

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 Activities

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	$ 987,317	$ 0	$ 987,317
In-kind contributions	289,099	0	289,099
Sales of houses and land	500,000	0	500,000
Repair program	19,616	0	19,616
Mortgage loan discount amortization	276,971	0	276,971
ReStore sales	655,454	0	655,454
Special events	117,293	0	117,293
Other revenue and losses	(49,072)	0	(49,072)
Net investment return	2,997	0	2,997
Total Support and Revenue	2,799,675	0	2,799,675
Expenses:			
Program services	2,228,136	0	2,228,136
Supporting services:			
Fundraising	178,011	0	178,011
Management and general	223,083	0	223,083
Total Expenses	2,629,230	0	2,629,230
Change in Net Assets	170,445	0	170,445
Net Assets - beginning of year	4,871,770	67,570	4,939,340
Net Assets - end of year	$ 5,042,215	$ 67,570	$ 5,109,785

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.

Statement of Functional Expenses

For the Year Ended June 30, 2019

		Supporting Services		
	Program Services*	Fundraising	Management and General	Total
Salaries and benefits	$ 624,568	$ 119,041	$ 49,997	$ 793,606
Contract labor	51,120	0	94,936	146,056
Cost of homes sold	510,827	0	0	510,827
Building services and supplies	142,181	0	0	142,181
Mortgage discounts	298,583	0	0	298,583
Equipment rental	1,692	0	0	1,692
Utilities	38,756	2,280	4,559	45,595
Publicity and promotion	36,088	32,479	3,609	72,176
Printing and postage	9,657	0	0	9,657
ReStore expenses	52,091	0	0	52,091
Bad debts	4,120	0	0	4,120
Professional fees	15,898	3,975	29,809	49,682
Insurance	18,404	1,255	1,255	20,914
Interest expense	0	0	5,945	5,945
Travel and entertainment	1,875	1,875	14,997	18,747
Office supplies, support, and services	110,454	13,149	7,890	131,493
Education	3,160	247	1,531	4,938
Property maintenance	54,185	2,356	2,356	58,897
Depreciation	31,141	1,354	1,354	33,849
Other	23,336	0	4,845	28,181
Tornado Relief in-kind expenses	200,000	0	0	200,000
	$ 2,228,136	$ 178,011	$ 223,083	$ 2,629,230
Portion of above expenditures supported by in-kind contributions	$ 281,219	$ 0	$ 0	$ 281,219

* 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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ (139,276)	$ 170,445
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Sales of homes to homeowners	(168,114)	(193,417)
In-kind contributions of construction in progress	(25,830)	(7,880)
In-kind contributions of property and equipment	0	(1,800)
Depreciation	37,332	33,849
Mortgage loan receivable discount amortization	(265,638)	(276,971)
Gain on disposal of property, plant and equipment	(2,500)	(2,000)
Net realized and Unrealized gain on investments	(2,275)	(2,997)
Change in assets and liabilities:		
Pledges receivable, net of allowance	(15,100)	6,171
Grants receivable	128,817	(111,317)
Other receivables, net of allowance	8,888	(6,469)
Prepaid expenses	(5,860)	(3,347)
Construction in progress	(145,626)	(57,860)
Land held for development	23,330	190,885
Accounts payable and accrued expenses	(2,539)	20,564
Accrued payroll and related liabilities	13,813	3,071
Escrow holding liability	(35,201)	(2,431)
Deferred revenue	46,073	0
Refundable advance	159,600	0
Net Cash Used In Operating Activities	(390,106)	(241,504)
Cash Flows from Investing Activities:		
Mortgage payments and credits	444,482	457,629
Net proceeds from sale of investments	5,687	5,208
Purchase of property, plant and equipment	(16,157)	(13,330)
Proceeds from sale of property and equipment	2,500	2,000
Proceeds from notes receivable	6,346	6,771
Net Cash Provided By Investing Activities	$ 442,858	$ 458,278

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, 2020 and 2019

		2020		2019
Cash Flows from Financing Activities:				
Payments on other agency liabilities	$	(20,074)	$	(7,274)
Net payments on line of credit		(25,000)		(50,100)
Payments on note payable		0		(38,209)
Payments on capital lease obligation		(1,803)		(320)
Net Cash Used In Financing Activities		(46,877)		(95,903)
Change in Cash, Cash Equivalents and Restricted Cash		5,875		120,871
Cash, Cash Equivalents and Restricted Cash:				
Beginning of year		757,441		636,570
End of year	$	763,316	$	757,441

Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	3,422	$	5,945
Non-cash investing and financing activities:				
Issuance of non-interest bearing mortgage loans receivable	$	423,083	$	492,000
Discount on non-interest bearing mortgage loans receivable	$	254,969	$	298,583
Sales of houses to partner families subject to non-interest bearing mortgage loans	$	168,114	$	193,417
Net transfers from mortgage loans to land held for development	$	59,129	$	134,952
Purchase of property and equipment with capital lease obligation	$	0	$	11,127
In-kind contributions of inventory	$	25,830	$	7,880
In-kind contributions of property and equipment	$	0	$	1,800

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.

On February 27, 2020 the Board of Trustees agreed to assume 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 will be Habitat employees. Final dissolution of Clark County Fuller Center for Housing operations and transfer of assets will occur subsequent to year end.

2. Summary of Significant Accounting Policies

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

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 for not-for-profit organizations.

Financial Statement Presentation
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.

Cash and Cash Equivalents and Restricted Cash
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:

	2020	2019
Cash	$ 632,689	$ 591,613
Escrow holding on deposit	130,627	165,828
	$ 763,316	$ 757,441

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, 2020 and 2019, a discount was not necessary as all pledge balances were estimated to be collected within one year. Management reviewed pledges receivable and determined an allowance for doubtful accounts of $0 and $350 was necessary as of June 30, 2020 and 2019, respectively. Bad debt expense recorded related to these receivables were $0 and $350 for the years ended June 30, 2020 and 2019, respectively.

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 $28,115 and $15,057 at June 30, 2020 and 2019, respectively. Due to the suspect collectability of these balances, management has recorded an allowance for doubtful accounts of $28,115 and $15,057 at June 30, 2020 and 2019, respectively. Bad debt expense related to these receivables for the years ended June 30, 2020 and 2019 was $0 and $3,770, 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 $0 and $8,888 at June 30, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019. Management recorded bad debt expense related to non-interest bearing mortgage loans receivable of $11,657 and $0, respectively, for the years ended June 30, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019, collections on silent second mortgages were $1,327 and $0, respectively.

Land Held for Development

Land held for development consisted of 29 and 37 properties at June 30, 2020 and 2019, 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.

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.

2. Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019.

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:

	2020		2019	
	Number	Costs	Number	Costs
Homes under construction, beginning of year	11	$ 163,231	13	$ 97,491
Additional costs in process		352,717		412,647
New homes started during the year	10	167,033	3	163,920
Homes transferred during the year	(4)	(409,611)	(5)	(510,827)
Homes under construction, end of year	17	$ 273,370	11	$ 163,231

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, 2020 and 2019, construction in progress includes $61,317 and $0, respectively, related to unreimbursed expenses.

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

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.

2. Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, donated services recognized as contributions were $56,808 and $32,431, 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.

Donated Goods
Habitat receives donated goods for resale at the ReStore and records the donated goods at zero value rather than its fair market value as is the practice prevalent with other organizations engaged in similar activities.

During the years ended June 30, 2020 and 2019, Habitat received $25,830 and $7,880, respectively, of donated property that was capitalized as part of construction in progress. Habitat also received $43,193 and $248,788 for the years ended June 30, 2020 and 2019, respectively, in various donated goods and debt forgiveness, which are included in in-kind contributions on the statements of activities.

Sales of Houses and Land
Sales of houses and land to partner families are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest-bearing mortgages have been discounted at various rates ranging from 6.0% to 9.0% based upon prevailing market rates for disadvantaged loans at the inception of the mortgages. Discounts are amortized using the straight-line method over the lives of the mortgages. Sales of houses and land to non-partner families are recorded at the gross sales amount.

Advertising Costs
Advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2020 and 2019 totaled $70,564 and $72,176, 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.

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.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes (continued)
Habitat's evaluation as of June 30, 2020 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, 2020. The 2016 through 2018 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, 2020 and June 30, 2019, 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, 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
Financial assets at June 30, 2019	$	1,257,248
Less those unavailable for general expenditures within one year, due to:		
Agency liabilities		(315,542)
Donor-imposed restrictions		(67,570)
Board Designated for ReStore and Greene County		(25,500)
Financial assets available to meet cash needs for general expenditures within one year	$	848,636

Habitat's financial assets available to meet cash needs for general expenditures within one year at June 30, 2020 and 2019 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.

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:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 3,108	$ 3,108	$ 4,764	$ 4,764
Common stocks	126,494	133,640	119,220	127,046
Fixed income	13,238	13,986	17,883	19,057
Other assets	4,246	4,661	7,158	7,940
	$ 147,086	$ 155,395	$ 149,025	$ 158,807

Interest and dividend income for the years ended June 30, 2020 and 2019 totaled $3,104 and $3,070, respectively. Investment management fees for the years ended June 30, 2020 and 2019 totaled $2,919 and $2,936, respectively. Components of investment return include the following for the years ended June 30:

	2020	2019
Unrealized losses	$ (1,473)	$ (1,745)
Realized gains	3,748	4,742
	$ 2,275	$ 2,997

5. Notes Receivable

Habitat issued two notes in December 2016 and May 2017 respectively, 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 $16,831 and $23,178 at June 30, 2020 and 2019, respectively.

6. Mortgage Loans Receivable

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

	2020	2019
Current	$ 4,757,564	$ 4,995,601
30 – 60 days past due	514,331	262 926
61 – 90 days past due	192,874	131,463
Over 90 days past due	964,371	1,183,169
Total	6,429,140	6.573.159
Less: discount	(3,345,716)	(3,419,876)
	$ 3,083,424	$ 3,153,283

At June 30, 2020, one home was in the foreclosure process with a discounted value of $32,022. During the year ended June 30, 2020 and 2019, three and five deeds were received in lieu of foreclosure, respectively. As a result, mortgage loan receivable balances, net of discount, and the related escrow receivable totaling $60,169 and $133,983 were transferred to homes available for sale during the year ended June 30, 2020 and 2019, respectively.

7. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019	Estimated Useful Life in Years
Cost:			
Land	$ 74,750	$ 74,750	-
Building and improvements	663,862	650,907	39
Tools	12,390	10,489	5 - 7
Office equipment	54,319	54,319	3 - 7
Vehicles	156,816	187,018	4 - 7
TOTAL	962,137	977,483	
Less accumulated depreciation	(280,124)	(274,295)	
	$ 682,013	$ 703,188	

Depreciation expense was $37,332 and $33,849 for the years ended June 30, 2020 and 2019, 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% and 5.5% at June 30, 2020 and 2019, respectively) and is due in March, 2021. The outstanding balance on the line of credit was $34,900 and $59,900 as of June 30, 2020 and 2019, respectively.

9. Leasing Arrangements

As lessee, Habitat leases certain office equipment under a long-term lease agreement. The lease expires in 2021. Rent expense under operating lease agreements for the years ended June 30, 2020 and 2019 was $2,988 each year. Minimum future lease payments as of June 30, 2020 for the following fiscal year are $2,490.

As lessor, Habitat leases four properties that were built with the intention to sell; however, partner families were not available in a timely manner. Rental income for the years June 30, 2020 and 2019 were $21,750 and $18,306, 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.

Amortization of leased assets is included with depreciation expense and amounted to $2,198 and $371 for the years ended June 30, 2020 and 2019, respectively. The following is an analysis of capital leased property included in property and equipment at June 30:

	2020	2019
Capitalized cost of office equipment	$ 11,127	11,127
Less: accumulated depreciation	(2,198)	(371)
	$ 8,929	$ 10,756

10. Capital Lease Obligation (Continued)

Future minimum lease payments succeeding June 30, 2020 for the capital lease are as follows:

	Amount
2021	$ 2,879
2022	2,879
2023	2,879
2024	1,919
	10,556
Less amount representing interest	(1,552)
	$ 9,004

11. Transactions with Related Parties

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2020 and 2019, Habitat contributed $39,275 and $38,500, 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, 2020 and 2019 were $3,875 and $0, respectively.

A member of Habitat's Board of Directors is a partner in a law firm that provides legal services to Habitat. For the year ended June 30, 2020, legal services provided by this firm and charged to expense totaled $2,765, of which $500 was included in in-kind contributions. For the year ended June 30, 2019, legal services provided by this firm and charged to expense totaled $18,284, of which $2,725 was included in in-kind contributions.

12. Net Assets

As more fully described in Note 16, net assets with donor restrictions consist of endowment fund investments created to further the mission of Habitat.

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

	2020	2019
Greene County operations	$ 789	$ 500
Opening a new ReStore	50,006	25,000
	$ 50,795	$ 25,500

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. The expenses that are allocated include salaries and benefits, utilities, publicity and promotion, insurance, and depreciation which are allocated on the basis of estimates of personnel time and facility square footage.

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, 2020 and 2019 was $10,618 and $9,229, 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. 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, 2020 and 2019, 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.

16. Endowment Funds (Continued)

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

	2020	2019
Endowment net assets held in perpetuity:		
Beginning of year	$ 67,570	$ 67,570
Net appreciation	1,484	941
Amounts appropriated for expenditure	(1,484)	(941)
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.

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, 2020 and 2019.

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.

17. Fair Value Measurements (Continued)

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

Fair values of assets and liabilities measured on a recurring basis at June 30, 2019 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 4,764	$ 0	$ 0	$ 4,764
Common stocks	127,046	0	0	127,046
Fixed income	19,057	0	0	19,057
Other assets	7,940	0	0	7,940
Total investments	$ 158,807	$ 0	$ 0	$ 158,807
Receivables:				
Mortgage loans	$ 0	$ 6,573,159	$ 0	$ 6,573,159
Less: discounts	0	(3,419,876)	0	(3,419,876)
Net receivables	$ 0	$ 3,153,283	$ 0	$ 3,153,283

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. 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 April 23, 2022, 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. COVID Response

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 risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Given the continuing evolution of COVID-19 and the local responses to curb its spread, Habitat is not able to fully estimate the effects of COVID-19 on its results of operations, financial condition or liquidity for fiscal year 2021. Management believes that adaptive changes in operations and government support through various programs have been sufficient to protect Habitat from the near-term negative impact related to the COVID-19 outbreak through the date of this report.

20. Change in Accounting Policies

The FASB issued two Accounting Standard Updates (ASU's) that affect revenue recognition under Accounting Principles Generally Accepted in the United States of America. The first, *Accounting Standards Update No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions, contributions or conditional contributions. The adoption of this new standard changed the classification of governmental reimbursement type grants from program service fee revenue to conditional contributions. Consequently, these reimbursement type grants are not subject to *ASU 2014-09 Revenue from Contracts with Customers*. The adoption of this new standard impacted the manner in which Habitat accounted for the funds received under the Paycheck Protection Program, see Note 18.

The second, *ASU 2014-09 Revenue from Contracts with Customers*, which was to be effective for fiscal years beginning after December 15, 2018, prescribed a single model for revenue recognition. However, on May 20, 2020 the Financial Accounting Standards Board extended by one year the effective date of this revenue recognition standard to all nonpublic entities that have not yet issued their financial statements. Therefore, Habitat has deferred the adoption of this new accounting standard.

Effective July 1, 2019, Habitat adopted Financial Accounting Standards Board (FASB) *Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230)*. The standard provides guidance on the classification and presentation of restricted cash in the statements of cash flows. The adoption of this new guidance does not have a material impact on Habitat's financial statements.

The FASB issued an additional Accounting Standard Update *ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities.* The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Habitat has implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU. There was no material impact to the financial statements presented upon adoption of this standard.

21. Subsequent Events

Management evaluated the activity of Habitat through December 15, 2020 (the date the financial statements were available to be issued) and concluded that no 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*.

www.fhf-cpa.com
3400 South Dixie Drive, Dayton, OH 45439 | 937.299.3400
9135 Governors Way, Cincinnati, OH 45249 | 513.774.0300