

HABITAT FOR HUMANITY OF SUMMIT COUNTY, INC.  
(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

March 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Habitat for Humanity of Summit County, Inc.  
Akron, Ohio

We have audited the accompanying financial statements of Habitat for Humanity of Summit County, Inc. (a non-profit organization), which comprise the Statement of Financial Position as of March 31, 2021 and 2020, and the related Statements of Changes in Net Assets, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Summit County, Inc. as of March 31, 2021 and 2020, and the results of 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.

MEADEN & MOORE, LTD.  
Akron, Ohio

August 31, 2021

Meaden & Moore, Ltd.

(A Meaden & Moore Affiliate Company)

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STATEMENT OF FINANCIAL POSITION

Habitat for Humanity of Summit County, Inc.

	March 31 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 823,049	\$ 91,169	\$ 914,218
Investments	702,174	-	702,174
Mortgages receivable - net of discount	2,912,043	-	2,912,043
Inventory	164,567	-	164,567
Prepaid expenses and deposits	10,236	-	10,236
Construction in progress - net of discount	244,221	-	244,221
Land, buildings and equipment - net	1,826,598	-	1,826,598
Intangible assets	6,812	-	6,812
Land held for resale	518,779	-	518,779
Homes held for resale - net of discount	46,965	-	46,965
	<u>7,255,444</u>	<u>91,169</u>	<u>7,346,613</u>
Total Assets	<u>\$ 7,255,444</u>	<u>\$ 91,169</u>	<u>\$ 7,346,613</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 87,067	\$ -	\$ 87,067
Accrued expenses	109,882	-	109,882
Refundable advance	262,915	-	262,915
Long-term debt	1,454,493	-	1,454,493
	<u>1,914,357</u>	<u>-</u>	<u>1,914,357</u>
Total Liabilities	<u>1,914,357</u>	<u>-</u>	<u>1,914,357</u>
<b>NET ASSETS</b>	<u>5,341,087</u>	<u>91,169</u>	<u>5,432,256</u>
Total Liabilities and Net Assets	<u>\$ 7,255,444</u>	<u>\$ 91,169</u>	<u>\$ 7,346,613</u>

See accompanying notes.

March 31  
2020

Without Donor Restrictions	With Donor Restrictions	Total
\$ 77,290	\$ 232,713	\$ 310,003
402,654	-	402,654
2,969,578	-	2,969,578
161,195	-	161,195
9,870	-	9,870
260,285	-	260,285
1,886,369	-	1,886,369
7,687	-	7,687
616,217	-	616,217
-	-	-
<u>\$ 6,391,145</u>	<u>\$ 232,713</u>	<u>\$ 6,623,858</u>
\$ 166,403	\$ -	\$ 166,403
83,766	-	83,766
-	-	-
999,920	-	999,920
1,250,089	-	1,250,089
5,141,056	232,713	5,373,769
<u>\$ 6,391,145</u>	<u>\$ 232,713</u>	<u>\$ 6,623,858</u>

STATEMENT OF CHANGES IN NET ASSETS

Habitat for Humanity of Summit County, Inc.

For the Years Ended March 31, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - March 31, 2019	\$ 5,199,168	\$ 246,062	\$ 5,445,230
Change in net assets - 2020	<u>(58,112)</u>	<u>(13,349)</u>	<u>(71,461)</u>
Net Assets - March 31, 2020	5,141,056	232,713	5,373,769
Change in net assets - 2021	<u>200,031</u>	<u>(141,544)</u>	<u>58,487</u>
Net Assets - March 31, 2021	<u>\$ 5,341,087</u>	<u>\$ 91,169</u>	<u>\$ 5,432,256</u>

*See accompanying notes.*

STATEMENT OF ACTIVITIES

Habitat for Humanity of Summit County, Inc.

Years Ended March 31

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING SUPPORT AND REVENUE:</b>			
Contributions and grants	\$ 636,627	\$ 411,880	\$ 1,048,507
Donated goods and services	774,751	-	774,751
Special events - net	34,009	-	34,009
Mortgages and loans issued to homeowners	744,179	-	744,179
Imputed interest from discounted mortgages	263,230	-	263,230
ReStore income	873,529	-	873,529
Loss on sale of homes	-	-	-
Investment income	319	-	319
Paycheck Protection Program	244,129	-	244,129
Other income	150,775	-	150,775
Loss on sale of property and equipment	-	-	-
	<u>3,721,548</u>	<u>411,880</u>	<u>4,133,428</u>
Total Operating Support and Revenue			
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>553,424</u>	<u>(553,424)</u>	<u>-</u>
	<u>4,274,972</u>	<u>(141,544)</u>	<u>4,133,428</u>
<b>EXPENSES:</b>			
Program services	3,407,117	-	3,407,117
General and administrative	495,334	-	495,334
Fundraising and development	172,490	-	172,490
	<u>4,074,941</u>	<u>-</u>	<u>4,074,941</u>
Total Expenses			
Change in Net Assets	<u>\$ 200,031</u>	<u>\$ (141,544)</u>	<u>\$ 58,487</u>

See accompanying notes.

2020

Without Donor Restrictions	With Donor Restrictions	Total
\$ 716,499	\$ 462,884	\$ 1,179,383
1,014,495	-	1,014,495
29,154	-	29,154
737,534	-	737,534
214,059	-	214,059
981,175	-	981,175
(8,695)	-	(8,695)
2,718	-	2,718
-	-	-
19,377	-	19,377
<u>(6,905)</u>	<u>-</u>	<u>(6,905)</u>
3,699,411	462,884	4,162,295
<u>476,233</u>	<u>(476,233)</u>	<u>-</u>
4,175,644	(13,349)	4,162,295
3,513,436	-	3,513,436
536,083	-	536,083
<u>184,237</u>	<u>-</u>	<u>184,237</u>
<u>4,233,756</u>	<u>-</u>	<u>4,233,756</u>
<u>\$ (58,112)</u>	<u>\$ (13,349)</u>	<u>\$ (71,461)</u>



STATEMENT OF FUNCTIONAL EXPENSES

Habitat for Humanity of Summit County, Inc.

Years Ended March 31

	2021			Total
	Program Services	General and Administrative	Fundraising and Development	
Cost of ReStore sales	\$ 811,257	\$ -	\$ -	\$ 811,257
Cost of homes	1,054,705	-	-	1,054,705
Discount on mortgages issued, including anticipated discount on construction in progress	456,209	-	-	456,209
Cost of homes - International Tithe	10,000	-	-	10,000
Salaries and wages	660,485	196,932	121,370	978,787
Payroll taxes	59,236	17,662	10,885	87,783
Employee benefits	89,663	26,734	16,476	132,873
Professional and contract services	27,309	27,305	14,781	69,395
Rent	5,542	5,541	-	11,083
Utilities	39,110	39,109	-	78,219
Repairs and maintenance	25,388	25,387	-	50,775
Equipment expenses	10,425	10,424	-	20,849
Property taxes	3,764	3,763	-	7,527
Depreciation and amortization	30,623	30,623	-	61,246
Office supplies	28,981	28,981	-	57,962
Printing and publications	1,374	1,373	2,747	5,494
Postage	1,733	1,733	-	3,466
Insurance	19,601	19,601	-	39,202
Advertising and marketing	3,116	3,115	6,231	12,462
Transportation and travel	17,315	5,771	-	23,086
Conferences and meetings	196	196	-	392
Bank service charges	6,280	6,280	-	12,560
Interest expense	28,019	28,018	-	56,037
Miscellaneous operating expenses	16,786	16,786	-	33,572
<b>Total Functional Expenses</b>	<b>\$ 3,407,117</b>	<b>\$ 495,334</b>	<b>\$ 172,490</b>	<b>\$ 4,074,941</b>

See accompanying notes.

2020

Program Services	General and Administrative	Fundraising and Development	Total
\$ 989,384	\$ -	\$ -	\$ 989,384
966,949	-	-	966,949
410,400	-	-	410,400
1,400	-	-	1,400
699,073	208,438	128,460	1,035,971
46,208	13,778	8,491	68,477
93,180	27,783	17,123	138,086
35,361	35,357	19,139	89,857
8,133	8,133	-	16,266
45,968	45,967	-	91,935
28,805	28,805	-	57,610
9,381	9,381	-	18,762
3,815	3,814	-	7,629
38,725	38,724	-	77,449
21,172	21,170	-	42,342
1,258	1,257	2,515	5,030
2,023	2,022	-	4,045
18,212	18,212	-	36,424
4,255	4,254	8,509	17,018
31,118	10,373	-	41,491
1,568	1,568	-	3,136
10,287	10,287	-	20,574
15,602	15,601	-	31,203
31,159	31,159	-	62,318
<u>\$ 3,513,436</u>	<u>\$ 536,083</u>	<u>\$ 184,237</u>	<u>\$ 4,233,756</u>

STATEMENT OF CASH FLOWS

Habitat for Humanity of Summit County, Inc.

	Years Ended March 31	
	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from contributors	\$ 2,420,346	\$ 2,116,639
Cash received from sale of merchandise	873,529	981,175
Interest received	20	64
Cash paid to suppliers and employees	(3,339,114)	(3,810,273)
Interest paid	<u>(54,562)</u>	<u>(29,287)</u>
 Cash Used in Operating Activities	 <b>(99,781)</b>	 <b>(741,682)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds on sale of homes	-	82,960
Proceeds on sale of property and equipment	-	1,000
Capital expenditures	-	(12,405)
Net purchases of investment	(299,221)	(400,000)
Loan fees	(600)	(8,000)
Mortgage and loan payments received	<u>549,244</u>	<u>376,610</u>
 Cash Provided by Investing Activities	 <b>249,423</b>	 <b>40,165</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Additional borrowings on long-term debt	500,000	1,000,000
Net repayments on line-of-credit	-	(252,875)
Repayment of long-term debt	<u>(45,427)</u>	<u>(65,335)</u>
 Cash Provided by Financing Activities	 <u><b>454,573</b></u>	 <u><b>681,790</b></u>
 Increase (Decrease) in Cash and Cash Equivalents	 <b>604,215</b>	 <b>(19,727)</b>
 Cash and Cash Equivalents - Beginning of the Year	 <u><b>310,003</b></u>	 <u><b>329,730</b></u>
 Cash and Cash Equivalents - End of the Year	 <u><b>\$ 914,218</b></u>	 <u><b>\$ 310,003</b></u>

*See accompanying notes.*

	Years Ended March 31	
	<u>2021</u>	<u>2020</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 58,487	\$ (71,461)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	59,771	75,533
Amortization of loan fees	1,475	1,916
Mortgage loan discount amortization	(263,230)	(214,059)
Loss on sale of homes	-	8,695
Loss on sale of property and equipment	-	6,905
Donated land	(94,740)	(125,770)
Mortgages and loans issued to homeowners	(744,179)	(737,534)
Discount on mortgages and leases issued	472,928	286,290
Discount on construction in progress	(16,719)	124,110
Mortgage receivable written off	91,655	-
Interest reinvested	(299)	(2,654)
Increase (Decrease) in Cash from Changes in:		
Inventory	(3,372)	55,099
Home and land rehabilitation and construction in progress	219,756	(94,454)
Homes held for resale	(90,643)	-
Prepaid expenses and deposits	(366)	926
Accounts payable	(79,336)	(44,342)
Refundable advance	262,915	-
Accrued expenses	<u>26,116</u>	<u>(10,882)</u>
 Total Adjustments	 <u>(158,268)</u>	 <u>(670,221)</u>
 Cash Used in Operating Activities	 <u>\$ (99,781)</u>	 <u>\$ (741,682)</u>
 Supplemental Schedule of Noncash Investing and Financing Activities:		
Mortgage receivable forgiven on sale of home	<u>\$ -</u>	<u>\$ 91,655</u>

## NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

### 1 Summary of Significant Accounting Policies

#### *Nature of the Organization:*

Habitat for Humanity of Summit County, Inc. ("HFHSC" or "Organization"), a non-profit organization, is an affiliate of Habitat for Humanity International, Inc. ("International"), an ecumenical Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and make decent shelter a matter of conscience with people everywhere. Although International assists with information resources, training, publications, prayer support and in other ways, HFHSC is primarily and directly responsible for its own operations.

HFHSC, through its many volunteers, constructs affordable housing and transfers the homes to qualified families by providing non-interest bearing mortgage loans. HFHSC is primarily responsible for the legal, organizational, fundraising, family selection and nurture, financial and construction aspects of the work.

The Organization provides all homeowners in their program with financial and homeowner education classes on a variety of subjects in order to help ensure responsible and successful homeownership through the program, thereby minimizing the number of foreclosures produced.

HFHSC operates several other programs including a home repair program ("A Brush with Kindness") for exterior home repair to homeowners of similar qualifications to its core program of building new construction homes. Home repairs include windows, doors, siding, shutters, gutters, downspouts, painting, landscaping and porch repairs. The homeowner signs a non-interest bearing promissory note for the cost of materials used in the home repair.

Additionally, HFHSC operates a deconstruction program throughout Summit County on mostly vacant and abandoned homes that are slated for demolition. Some private projects are also completed through an indemnity waiver by the property owner. The deconstruction program reclaims items that are reusable, recyclable, or for resale to generate revenue to support its core programs.

HFHSC also builds to unify a voice to renew the community through their Neighborhood Network Mission. They engage in neighborhood organizations, block clubs, faith communities, social service agencies and business to build relationships and the community. They repair homes for qualifying households, install lights and complete vacant lot clean up and general landscaping assistance.

The Organization also operates a retail store under the name Habitat ReStore ("ReStore"). The store is open to the public and accepts donations of new and gently used building materials, furniture, and appliances that are sold to the public or used in the construction of Habitat homes. All revenue from the sale of items are used toward the expansion of the home building and repairing programs.

#### *Use of Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

**1 Summary of Significant Accounting Policies, Continued**

*Classification of Net Assets:*

In accordance with U.S. GAAP, contributions are classified as without donor restrictions or with donor restrictions based on donor specifications.

Assets, liabilities, revenue and gains are presented under these classifications. Designations by the Board, while separately stated, are considered without donor restriction.

Grants and contributions received with donor-imposed restrictions are recorded as without donor restriction if the restrictions are expected to be met within the same period. This policy is also followed for investment income received with donor-imposed restrictions.

No endowment funds, as defined by FASB ASC 958, are held by the Organization.

*Cash and Cash Equivalents:*

For the purposes of the Statement of Cash Flows, HFHSC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Temporarily uninvested cash in investment accounts is considered an investment rather than a cash equivalent. At times during the year, HFHSC maintained funds on deposit at its banks in excess of FDIC insurance limits.

*Mortgage Receivable and Discount:*

As homes are transferred to qualified families, HFHSC allows qualified families to purchase homes subject to mortgages which bear no interest. These mortgages are for terms of 15 to 30 years. The discount of the mortgages is required to reflect economic benefit of the zero-interest-mortgage to the qualified families. The discount recorded has been estimated based on the prevailing interest, as determined by International, in the period of origination and payment terms defined in the mortgage. A portion of the discount is amortized on a straight-line basis as interest income each year the mortgage is outstanding.

Mortgages are issued based upon the appraised value of the home and the buyer’s qualifications. These may include a “silent second” mortgage which represents the difference between total construction costs and the sales price of the property. The “silent second” mortgage is also non-interest bearing and payments are deferred until foreclosure, sale, transfer of title or full payment or refinance of the house or the first mortgage.

	2021			2020
	Total	Current Portion	Long-Term Portion	Total
Mortgage receivable - gross	\$ 6,530,671	\$ 397,288	\$ 6,133,383	\$ 6,427,391
Discount	(3,618,628)	(202,617)	(3,416,011)	(3,457,813)
Mortgage receivable - net	<u>\$ 2,912,043</u>	<u>\$ 194,671</u>	<u>\$ 2,717,372</u>	<u>\$ 2,969,578</u>

## NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

### 1 Summary of Significant Accounting Policies, Continued

#### *Mortgage Receivable and Discount, Continued:*

During the year ended March 31, 2021, 6 homes were transferred to qualified families recognizing \$735,000 of revenue from mortgage transfers. During the year ended March 31, 2020, 6 homes were transferred to qualified families recognizing \$670,000 of revenue from mortgage transfers.

No allowance for bad debts is recorded because HFHSC feels all costs would be recovered through the resale of the house in the event of foreclosure. At March 31, 2021, there were no mortgages in foreclosure. At March 31, 2020, there was 1 mortgage in foreclosure totaling \$20,710 with an unamortized discount of \$11,197.

#### *Fair Value Measurements:*

As defined in FASB ASC 820, "Fair Value Measurements", fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable firm inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the examination of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- \* Quoted prices for similar assets or liabilities in active markets;
- \* Quoted prices for identical assets or similar assets or liabilities in inactive markets;
- \* Inputs other than quoted prices that are observable for the asset or liability;
- \* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

## NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

### 1 Summary of Significant Accounting Policies, Continued

#### *Investments:*

Investments are comprised of money market funds (referred to as cash and cash equivalents) and mutual funds. Investments whose values are based on quoted market prices in active markets are classified within Level 1. These investments generally include equity securities traded on a national securities exchange, U.S. government and corporate securities, and money market securities.

#### *Land Held for Resale:*

Property and land donated to HFHSC for the purpose of resale is recorded at the locality's assessed value for property tax purposes, which approximates fair market value. The Organization buys land that they may or may not build on and occasionally sells the land outright. Therefore, it is considered an investment.

In 2021 and 2020, there were 30 and 33 lots totaling \$518,779 and \$616,217, respectively.

Land held for resale are measured at fair value, which are classified as Level 2.

#### *Homes Held for Resale:*

Homes held for resale are carried on the books as assets at the mortgage value or cost, less the unamortized discount. At March 31, 2021, there was 1 home held for resale totaling \$95,848 with unamortized discount of \$48,883. At March 31, 2020, there was no home held for resale.

Homes held for resale are measured at fair value, which are classified as Level 2.

#### *Escrow Liability:*

The Organization collects escrow amounts from qualified families for the payment of taxes and insurance. These amounts are held in escrow pending the payment of expenses relating to the funds received.

Funds held in escrow at year-end were \$82,773 (2021) and \$76,170 (2020). These amounts are included in accrued expenses.

#### *Inventories:*

Inventories consist of purchased and donated raw materials used in the construction of partner family homes. The value of in-kind donations included in inventory are recorded at an estimated fair market value, as determined by management, at the time of receipt.



NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

**1 Summary of Significant Accounting Policies, Continued**

***Inventories, Continued:***

ReStore inventories consist of 100% contributed inventory. The International guidelines historically have recommended that no valuation be placed on goods received from the public for processing and sale, other than the related revenue at the time of sale to the public for their internal reporting. However, for generally accepted accounting principles, it is acknowledged that this inventory does have some value and more current guidance have outlined approaches that may be considered. Management calculates an estimated value of inventory based on a retail value method incorporating inventory turnover and retail value assumptions. Inventory consists of:

	<u>2021</u>	<u>2020</u>
Donated inventory	\$ 152,099	\$ 148,397
Purchased inventory	<u>12,468</u>	<u>12,798</u>
Total inventory	<u>\$ 164,567</u>	<u>\$ 161,195</u>

***Revenue Recognition:***

Contributions and grants are recognized when awarded as with or without donor restrictions in accordance with donor specifications. When a restriction expires through accomplishment of purpose or passage of time, the with donor restricted net assets are reclassified to without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions (see Note 10).

***Donated Goods and Services and Donated Land:***

HFHSC receives various donated goods and services each year. The value of in-kind donations are recorded at an estimated fair market value, as determined by management, at the time of receipt of the goods or services. No amount is recorded if no objective basis is available to measure the value of the good or service, as determined by management. Donations made to the ReStore are also valued at an estimated fair market value which is equal to total ReStore sales. Donated land is included in contributions and grants revenue. All other in-kind donations are included in donated goods and services.

***Construction in Progress:***

Costs incurred relating to homes under construction at the end of each year are recorded as construction in progress. Construction costs include the cost of materials and labor purchased by HFHSC. Donated materials are recorded based on their estimated value at the time of receipt. No amounts have been recorded in construction in progress for donated services, in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the construction of the homes.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

**1 Summary of Significant Accounting Policies, Continued**

*Construction in Progress, Continued:*

	2021		2020	
Homes Under Construction - Beginning of Year	4	\$ 531,193	5	\$ 287,839
Additional costs incurred on beginning homes	-	74,858	-	366,018
Homes started during the year	8	830,996	4	531,193
Homes transferred during the year	(6)	(938,637)	(5)	(653,857)
Homes Under Construction - End of Year	<u>6</u>	<u>498,410</u>	<u>4</u>	531,193
Discount		<u>(254,189)</u>		<u>(270,908)</u>
Construction in progress - net		<u>\$ 244,221</u>		<u>\$ 260,285</u>

*Anticipated Discount on Future Home Builds:*

Discounts are recognized on homes that HFHSC has committed to build for qualified families as costs are incurred. The value of construction in progress is discounted by the average discounted value of mortgages issued (51%).

*Property and Equipment:*

Property and equipment purchased by HFHSC are carried at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to expense as incurred. Additions and betterments over \$1,000 are capitalized.

The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities.

	2021		2020	
Land, buildings and improvements	\$	2,288,390	\$	2,288,390
Equipment		21,342		21,342
Office furniture		105,803		105,803
Vehicles		<u>171,539</u>		<u>171,539</u>
		2,587,074		2,587,074
Less: Accumulated depreciation		<u>(760,476)</u>		<u>(700,705)</u>
	\$	<u>1,826,598</u>	\$	<u>1,886,369</u>
Depreciation Expense	\$	<u>59,771</u>	\$	<u>75,533</u>

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

*Property and Equipment, Continued:*

The Organization primarily follows the straight-line method of depreciation utilizing the following lives:

Class	Years
Buildings and improvements	5 - 39
Equipment	5 - 10
Office furniture	3 - 10
Vehicles	5

*Functional Expense Allocations:*

Expenses are charged to functional areas based on specific-identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expense, time spent by employees and square footage of space used for various programs.

*Program Services:*

HFHSC strives to eliminate sub-standard housing through life-skill and homeowner education programs, neighborhood development and raising awareness of housing issues and solutions. HFHSC constructs affordable housing, provides homeowner education to its partner families and transfers the homes to qualified families at cost by providing non-interest bearing mortgage loans.

The success of the Organization is ensured by family educational programs, volunteer participation and support of the donor community. These homes serve as catalysts for comprehensive neighborhood development projects in neighborhoods in need.

In addition, the ReStore program’s primary goal is to raise money for HFHSC through sales revenue, while also reducing the amount of building materials deposited into landfills. Individuals, as well as construction companies, donate new or used unwanted building materials, keeping them from landfills; and local contractors and do-it-yourselfers then have the option to purchase materials and products at a reduced cost. Revenue from the home repair program and deconstruction projects are reinvested into program services. All revenues go back to HFHSC to support home building programs.

*General and Administrative:*

Expenses incurred in the day-to-day operations of HFHSC.

*Fundraising and Development:*

Expenses incurred in raising additional funds for HFHSC.

## NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

### 1 Summary of Significant Accounting Policies, Continued

#### *Income Tax Status:*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption granted by International and operates as a public charity. The Organization is required to operate in conformity with the Code to maintain its tax-exempt status.

#### *Accounting for Uncertainty in Income Taxes:*

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken certain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. The Organization would recognize interest and penalties accrued, if any, related to unrecognized tax uncertainties in income tax expense. Management has analyzed tax positions taken and has concluded that there are no material uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

#### *Recently Issued Accounting Pronouncements:*

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the year ending March 31, 2023. HFHSC is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

#### *Subsequent Events:*

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

Subsequent events have been evaluated through August 31, 2021, which is the date the financial statements were available to be issued.

### 2 Liquidity and Availability

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization receives support without donor restrictions; such support has historically represented some of the annual program funding needs. Sales from the ReStore are unrestricted and used for general expenditures as they are received.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

**2 Liquidity and Availability, Continued**

- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The table below presents financial assets available for general expenditures within one year.

<b>Financial Assets at Year-End:</b>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 914,218	\$ 310,003
Investments	702,174	402,654
Mortgage receivable - current portion	194,671	181,795
Inventory	<u>164,567</u>	<u>161,195</u>
Net working capital	1,975,630	1,055,647
Less: Amount with donor restriction	<u>(91,169)</u>	<u>(232,713)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 1,884,461</u>	<u>\$ 822,934</u>

The Organization also has the ability to use available funds on their line-of-credit. As of March 31, 2021, the unused portion of the line-of-credit amounted to \$500,000.

**3 Investments**

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 201,115	\$ 201,115	\$ 251,876	\$ 251,876
Mutual funds - Government	<u>501,059</u>	<u>501,059</u>	150,778	150,778
Total	<u>\$ 702,174</u>	702,174	<u>\$ 402,654</u>	402,654
Less: Cost		<u>702,174</u>		<u>402,654</u>
Net Unrealized Gains (Losses) on Marketable Securities	<u>\$ -</u>		<u>\$ -</u>	

**4 Line-of-Credit**

The Organization has a line-of-credit with borrowings up to \$500,000 through September 2021. Interest is charged at prime plus 0.50% (3.75% at year-end). There was \$0 outstanding on the line-of-credit at March 31, 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

**5 Long-Term Debt**

	<b>Current Portion</b>	<b>Total</b>	
	<b>2021</b>	<b>2021</b>	<b>2020</b>
<p>Note payable was entered into by the Organization and the City of Akron for sewer and water lines on August 16, 2012, amounting to \$13,529. Principal and interest payments are due monthly in the amount of \$147. The note bears interest at 5.38% and matures in October 2022. The City reserves the right to terminate sewer and water service in the event of default of the note. This note was paid off early in April 2021.</p>	\$ 2,672	\$ 2,672	\$ 4,247
<p>Note payable was entered into by the Organization and the City of Akron for sewer and water lines on August 16, 2012, amounting to \$13,529. Principal and interest payments are due monthly in the amount of \$147. The note bears interest at 5.38% and matures in October 2022. The City reserves the right to terminate sewer and water service in the event of default of the note. This note was paid off early in April 2021.</p>	2,672	2,672	4,247
<p>Note payable was entered into by the Organization and the City of Akron for sewer and water lines on May 9, 2017, amounting to \$15,050. Principal and interest payments are due monthly in the amount of \$162. The note bears interest at 5.28% and matures in June 2027. The City reserves the right to terminate sewer and water service in the event of default of the note. This note was paid off early in April 2021.</p>	10,194	10,194	11,557

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

**5 Long-Term Debt, Continued**

	<u>Current Portion</u>	<u>Total</u>	
	<u>2021</u>	<u>2021</u>	<u>2020</u>
Note payable with Habitat Mortgage Solutions, LLC in the amount of \$1,000,000. Principal and interest payments are due quarterly in the amount of \$30,906. The note bears interest at 4.31% and matures in November 2029. The note is secured by certain mortgage receivables.	<b>86,338</b>	<b>938,955</b>	979,869
Emergency Injury Disaster Loan with the Small Business Administration (SBA) on April 22, 2020, amounting to \$500,000. Principal and interest payments are due monthly in the amount of \$2,136. The note bears interest at 2.75% and matures in April 2051. This note is collateralized by all assets of the Organization.	<u><b>11,678</b></u>	<u><b>500,000</b></u>	-
	<u><b>\$ 113,554</b></u>	<u><b>1,454,493</b></u>	999,920
Less: Current Portion		<u><b>113,554</b></u>	46,312
Total Long-Term Portion		<u><b>\$ 1,340,939</b></u>	<u><b>\$ 953,608</b></u>

Maturities of long-term debt are as follows:

	<u>Total</u>
2022	\$ 113,554
2023	102,123
2024	106,405
2025	110,869
2026	115,523
Thereafter	<u>906,019</u>
Total	<u><u>\$ 1,454,493</u></u>

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

**6 Leases**

The Organization has various lease agreements for office equipment and a truck through July 2026. Rent expense was \$25,238 (2021) and \$29,332 (2020). Minimum lease payments due under the operating lease obligations are due as follows:

2022	\$	31,999
2023		20,321
2024		17,880
2025		17,880
2026		<u>4,470</u>
Total	\$	<u><u>92,550</u></u>

**7 Net Assets with Donor Restrictions**

Net assets with donor restrictions at March 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Donor restricted by purpose:		
Neighborhood Network Revitalization	\$ <b>60,020</b>	\$ 54,309
Operating support for Adopt a House	<u>31,149</u>	<u>178,404</u>
	<u><b>\$ 91,169</b></u>	<u>\$ 232,713</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions:		
Neighborhood Network Revitalization	\$ <b>9,557</b>	\$ 23,606
Operating support for Adopt a House	<u>543,867</u>	<u>452,627</u>
	<u><b>\$ 553,424</b></u>	<u>\$ 476,233</u>

**8 Related Party Transactions**

HFHSC is an affiliate of International. As an affiliate, HFHSC is encouraged to contribute (tithe) a portion of its revenues to International for use in carrying out its mission around the world.

HFHSC tithes to International amounted to \$10,000 (2021) and \$1,400 (2020). HFHSC is affiliated with Habitat for Humanity of Ohio ("HFHSC Ohio"). Through the affiliation, HFHSC is encouraged to support Habitat for Humanity of Ohio in carrying out its mission throughout the state.

HFHSC contributions to HFHSC Ohio amounted to \$1,500 in 2021 and 2020.



## NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

### **8 Related Party Transactions, Continued**

International assesses an affiliate branding fee to all of the affiliates. HFHSC's branding fees amounted to \$15,000 in 2021 and 2020.

### **9 Retirement Plan**

The Organization has a Simple IRA plan covering substantially all employees. The Organization matches employees' contributions of up to 3% of compensation or \$13,500 per employee, whichever is less. The Organization's contributions to the Plan were \$14,704 (2021) and \$14,029 (2020).

### **10 Conditional Grants**

HFHSC had a conditional grant from Summit County ("County") for the Home Investment Partnership Program ("HOME"), contingent upon the new construction of homes and sale to qualified low to moderate income individuals within the County. Revenue is recognized as the conditions are met. HFHSC has recognized revenue of \$0 (2021) and \$5,000 (2020). All revenue has been recognized on this grant.

HFHSC has a second conditional grant with the City of Akron ("City") under the same HOME program. This grant is awarded annually and allows up to \$340,000 (2021) and \$80,000 (2020) of revenue for new construction homes and sale to qualified low income families in the City of Akron. Revenue is recognized as conditions are met. HFHSC has recognized \$180,000 (2021) and \$200,000 (2020) of revenue from this grant. Any revenue not recognized during the year may be carried over to the following year upon approval by the City.

HFHSC had a third conditional grant with the City of Akron to implement a Deconstruction Project. A total amount of \$52,360 (2021) and \$56,000 (2020) was contingent upon assignment of properties to be deconstructed by the City of Akron's Planning Department and completion of the deconstruction. HFHSC has recognized revenue of \$4,200 (2021) and \$6,160 (2020).

HFHSC has a fourth conditional grant with the Summit County Land Reutilization Corporation ("SCLRC"). A total of \$15,000 (2021) and \$25,000 (2020) was contingent upon deconstruction services as assigned by SCLRC. HFHSC has recognized revenue of \$0 (2021) and \$25,000 (2020).

The Organization was awarded a capacity build reimbursement grant of \$50,000 for the period of September 1, 2020 through March 31, 2022. The Organization will receive the funds over the three-year period for salary reimbursement for the build or repair of homes. In 2021, approximately \$24,000 of revenue has been recognized under this grant.

### **11 Paycheck Protection Program**

In April 2020, the Organization received loan proceeds in the amount of \$244,129, under the Paycheck Protection Program ("PPP"), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels throughout the covered period. In December 2020, the Organization received full forgiveness of the PPP loan and accrued interest based on qualifying expenses.

## NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

### **11 Paycheck Protection Program, Continued**

Therefore, all the conditions of the grant were met during the 2021 fiscal year, and the Organization has recognized these funds as revenue on the Statement of Activities.

In March 2021, the Organization received loan proceeds in the amount of \$262,915, under the second round of the Paycheck Protection Program (“PPP”), established as part of the 2021 Consolidated Appropriations Act. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels throughout the covered period. In August 2021, the Organization received full forgiveness of the PPP loan and accrued interest based on qualifying expenses. The refundable advance will be reduced, and the grant will be recognized as revenue in 2022.