METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2019)

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Haefele Flanagan
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Metropolitan Camden Habitat for Humanity, Inc.
Pennsauken, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of **METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.** (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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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 **METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.** as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.'s** June 30, 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 8, 2020

METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2019)

ASSETS

	2020	2019
Current assets		
Cash and cash equivalents	$ 312,062	$ 218,990
Cash and cash equivalents - restricted for properties	62,992	46,358
Current portion of mortgage notes receivable	68,183	83,428
Promises to give	245,461	-0-
ReStore inventory	224,959	240,210
Prepaid expenses and other current assets	8,290	1,905
Total current assets	921,947	590,891
Property and equipment		
Office and warehouse	123,574	123,574
Leasehold improvements	40,273	40,273
Tools and office equipment	50,840	22,415
	214,687	186,262
Less accumulated depreciation	(117,244)	(107,619)
Property and equipment, net	97,443	78,643
Other assets		
Mortgage notes receivable, net	133,269	194,048
Construction in progress	380,070	208,507
Security deposits, ReStore	13,710	4,370
Loan payable deposit	8,572	8,572
Total other assets	535,621	415,497
Total Assets	$ 1,555,011	$ 1,085,031

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

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities		
Current portion of loan payable	$ 29,963	$ 28,647
Current portion of capital lease obligation	2,635	2,408
Line of credit	159,285	-0-
Mortgage escrow liabilities	17,333	-0-
Accounts payable and accrued expenses	62,290	30,960
Total current liabilities	271,506	62,015
Capital lease obligation, net	2,138	4,772
Conditional contribution	117,565	-0-
Loan payable, net	88,144	110,697
SBA loan	150,000	-0-
Total long-term debt	238,144	110,697
Total liabilities	629,353	177,484
Net Assets		
Without donor restrictions	552,254	897,547
With donor restrictions	373,404	10,000
Total net assets	925,658	907,547
Total Liabilities and Net Assets	$ 1,555,011	$ 1,085,031

METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Foundation and corporate grants	$ 122,043	$ 373,404	$ 495,447	$ 290,390
Gifts and donations - individuals	88,571	-0-	88,571	79,580
Gifts and donations - congregations	398	-0-	398	526
Non-cash inventory contributions	572,954	-0-	572,954	706,854
Home sales	226,000	-0-	226,000	267,000
ReStore sales	607,350	-0-	607,350	790,386
Program income	16,990	-0-	16,990	5,642
Interest and other investment income	317	-0-	317	327
Mortgage discount	62,433	-0-	62,433	66,463
Gain on foreclosure collection	6,566	-0-	6,566	-0-
Miscellaneous income	-0-	-0-	-0-	5,193
Net assets released from restrictions	10,000	(10,000)	-0-	-0-
Total revenue and support	1,713,622	363,404	2,077,026	2,212,361
EXPENSES				
Program services				
Program services	402,786	-0-	402,786	348,268
ReStore program	1,309,860	-0-	1,309,860	1,427,943
Total program services	1,712,646	-0-	1,712,646	1,776,211
Supporting services				
Administrative	259,090	-0-	259,090	263,745
Resource development	87,179	-0-	87,179	66,784
Total supporting services	346,269	-0-	346,269	330,529
Total expenses	2,058,915	-0-	2,058,915	2,106,740
Change in net assets	(345,293)	363,404	18,111	105,621
Net assets, beginning of year	897,547	10,000	907,547	801,926
Net assets, end of year	$ 552,254	$ 373,404	$ 925,658	$ 907,547

METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020						2019
	Program Services	ReStore Program	Total Program	Administrative	Resource Development	Total	Total
Salaries	$ 42,562	$ 307,169	$ 349,731	$ 126,879	$ 63,418	$ 540,028	$ 511,339
Employee benefits	1,282	22,484	23,766	12,145	12,137	48,048	40,625
Payroll taxes	2,239	26,554	28,793	8,541	8,535	45,869	60,266
Payroll services	544	12,309	12,853	9,190	-0-	22,043	16,889
Cost of goods sold, in-kind contributions	-0-	588,205	588,205	-0-	-0-	588,205	644,595
Cost of goods sold, purchased goods for resale	-0-	34,396	34,396	-0-	-0-	34,396	83,532
Cost of home sales	267,232	-0-	267,232	-0-	-0-	267,232	323,375
Advertising	-0-	7,783	7,783	5,177	-0-	12,960	19,429
Bank and merchant fees	-0-	13,794	13,794	1,808	-0-	15,602	12,798
Depreciation	-0-	9,336	9,336	289	-0-	9,625	12,145
Habitat tithe	1,000	-0-	1,000	-0-	-0-	1,000	1,000
Hospitality	-0-	-0-	-0-	989	-0-	989	744
Insurance	-0-	46,302	46,302	29,563	-0-	75,865	56,724
Interest	-0-	-0-	-0-	7,795	-0-	7,795	8,150
Mortgage servicing	-0-	-0-	-0-	2,709	-0-	2,709	4,774
Office supplies and expense	-0-	10,031	10,031	2,855	-0-	12,886	16,685
Other project expenses	31,218	-0-	31,218	-0-	-0-	31,218	17,990
Other ReStore expenses	-0-	4,649	4,649	-0-	-0-	4,649	10,587
Printing	-0-	975	975	-0-	-0-	975	468
Professional fees	-0-	-0-	-0-	28,820	-0-	28,820	23,510
Rent	-0-	166,324	166,324	4,729	-0-	171,053	153,269
Repairs and maintenance	-0-	7,616	7,616	70	-0-	7,686	6,805
Resource development	-0-	-0-	-0-	-0-	3,089	3,089	5,954
SOSI fee	-0-	-0-	-0-	15,250	-0-	15,250	15,525
Telephone	-0-	-0-	-0-	1,782	-0-	1,782	2,562
Tools and equipment	-0-	2,578	2,578	-0-	-0-	2,578	3,796
Utilities	-0-	22,307	22,307	499	-0-	22,806	25,414
Vehicle expenses	1,239	27,048	28,287	-0-	-0-	28,287	27,790
Write-off of mortgage notes receivable	55,470	-0-	55,470	-0-	-0-	55,470	-0-
Total expenses	$ 402,786	$ 1,309,860	$ 1,712,646	$ 259,090	$ 87,179	$ 2,058,915	$ 2,106,740

METROPOLITAN CAMDEN HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 18,111	$ 105,621
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	9,625	12,145
Mortgage discount amortization	(62,433)	(66,463)
Write-off of mortgage notes receivable	55,470	-0-
(Increase) decrease in:		
Mortgage notes receivable	82,987	115,852
Promises to give	(245,461)	-0-
ReStore Inventory	15,251	(62,259)
Prepaid expenses and other current assets	863	45,340
Security deposit	(9,340)	-0-
Construction in progress	(171,563)	(66,009)
Increase (decrease) in:		
Accounts payable and accrued expenses	31,330	(37,742)
Mortgage escrow liabilities	17,333	-0-
Net cash provided by (used in) operating activities	(257,827)	46,485
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(28,425)	(3,271)
Net cash used in investing activities	(28,425)	(3,271)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	159,285	-0-
Repayments of capital lease obligation	(2,407)	(2,200)
Proceeds from conditional contribution	117,565	-0-
Repayments of long-term debt	(28,485)	(26,899)
Proceeds from SBA loan	150,000	-0-
Net cash provided by (used in) financing activities	395,958	(29,099)
Net increase in cash, cash equivalents, and restricted cash	109,706	14,115
Cash, cash equivalents, and restricted cash, beginning of year	265,348	251,233
Cash, cash equivalents, and restricted cash, end of year	$ 375,054	$ 265,348
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and cash equivalents - without donor restrictions	$ 312,062	$ 218,990
Cash and cash equivalents - restricted for properties	62,992	46,358
	$ 375,054	$ 265,348

Note 1 – Nature of Activities

Metropolitan Camden Habitat for Humanity, Inc., also trading as Camden County Habitat for Humanity, (the "Organization") is a New Jersey not-for-profit corporation dedicated to partnering with people and organizations to build and renovate houses for those in need of affordable, decent homes in Camden County, New Jersey. In addition, the Organization fosters and empowers healthy communities through educational programs in personal finance, successful homeownership, and job training in the construction trades. The Organization is an affiliate of Habitat for Humanity International, Inc. ("HFHI"), 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 HFHI assists the Organization with information, resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization also owns and operates a Habitat for Humanity ReStore in which they collect new and gently-used building materials, furniture, and appliances for the purposes of reselling the items to the public at a discounted price.

Note 2 – Summary of Significant Accounting Policies

<u>Change for New Pronouncements</u>

On July 1, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, Not-For-Profit Entities, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). These two ASUs were adopted together, as of July 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. The Organization adopted these ASUs, and all the related amendments, using the modified retrospective method applied to all uncompleted contracts and grants as of the adoption date. The modified retrospective method of adoption requires a cumulative effect adjustment be recognized in net assets at such date. As a result of the adoption, no adjustment to revenue for periods prior to the adoption were required and the Organization did not identify any material differences in its revenue recognition methods that required modification under the new standards. Under the modified retrospective method, summarized comparative periods are not restated; therefore, the June 30, 2019 financial statements are prepared in accordance with the previous revenue recognition guidance.

Note 2 – Summary of Significant Accounting Policies (continued)

Change for New Pronouncements (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*, that requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The Organization adopted ASU 2016-18 effective July 1, 2019, which resulted in the inclusion of the Organization's restricted cash balances along with cash and cash equivalents in the Organization's Statement of Cash Flows. ASU 2016-18 was applied retrospectively to the prior year summarized comparative information.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities. Consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Basis of Presentation

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, its net assets and revenues have been reported according to the following classifications:

Net Assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

Net Assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Grants specified for home projects are considered net assets with donor restrictions.

Note 2 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Revenue and Revenue Recognition

Contributions

Contributions are recognized when cash, donated investments or other assets, unconditional promises to give, or other various notifications of a beneficial interest is received. Conditional contributions, including those received as conditional promises to give, that is, those with a measurable performance or other barrier, and right of return or release of assets, are not recognized until the conditions on which they depend have been substantially met. At June 30, 2020, conditional contributions of $117,565, for which amounts have been received in advance in conjunction with a Small Business Paycheck Protection Program loan have been recognized on the accompanying Statement of Financial Position. See Note 8.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Note 2 – Summary of Significant Accounting Policies (continued)

Program Income

The Organization recognizes program income as exchange transactions. Home sales are considered exchange transactions. Revenues are recognized from the home sales when the homeowner acquires a mortgage and ownership of the home is transferred to the homeowner. Revenues are recognized from the home sales at the time of sale, thus, at a point in time. Also see Home Sales and Mortgage Notes Receivable section below. For home sales originated after October 31, 2012, there is no variable consideration or significant financing components connected with the sales.

Program income also includes ReStore sales, which are considered exchange transactions. Revenues are recognized from the sale of items in the ReStore when the products are transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. ReStore revenues are recognized at the time of sale, thus, at a point in time. The Organization collects sales tax from customers on these sales and remits the entire amount to the state. All items are sold as-is and are non-refundable. There is no variable consideration or significant financing components connected with ReStore sales.

Home Sales and Mortgage Notes Receivable

Sales to homeowners are recorded at the gross amount with the sales price determined by comparable home sales in similar markets. The Organization records mortgage notes receivable when mortgage amounts are contracted to be received. On home sales originated after October 31, 2012, the Organization's policy is for home buyers to acquire their own mortgages and the Organization receives full payment at the time of sale. Mortgages on home sales with sale dates prior to October 31, 2012 were serviced by an outside third party mortgage servicer until June 2019. Subsequent to that date, the Organization began servicing mortgages in-house, which includes collecting monthly principal and escrow payments and remitting taxes and insurance from escrow. In February 2020, the Organization began using another third-party servicer for a portion of its mortgage portfolio. For these mortgages, the third party collects all mortgage and escrow payments and transfers principal payments to the Organization on a monthly basis. These non-interest bearing mortgages have been discounted using a discount rate established by HFHI, based on the Internal Revenue Service ("IRS") Index of Applicable Federal Rates Rulings for low income housing tax credits. Utilizing a straight-line basis, this discount is recognized as income over the term of the mortgage note.

Note 2 – Summary of Significant Accounting Policies (continued)

Home Sales and Mortgage Notes Receivable (continued)

Historically, the Organization has had no need for an allowance for doubtful accounts and has a history of minimal write-offs. However, should receivable balances remain outstanding after management has used reasonable collection efforts and if foreclosure is imminent, the Organization would establish an allowance for doubtful accounts. During the year ended June 30, 2020, the Organization foreclosed on one property and adjusted the mortgage notes receivable balance for a mortgage note that had been paid off in a prior year but not removed from the third-party mortgage servicer's portfolio as of June 30, 2019. An allowance was established for these mortgage notes and utilized to write off a mortgage note in the amount of $55,470. The second mortgage note was collected at auction in an amount greater than what was owed, resulting in a gain on foreclosure collection of $6,566.

Donated Services

Volunteers contribute significant amounts of time to program and support services; however, the financial statements do not reflect the value of these contributed services because they do not meet the necessary criteria for recognition under GAAP. The Organization recognizes volunteer services if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. In-kind contributions of services, if any, are recorded as both revenue and expense and therefore, there is no effect on the change in net assets.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years, beyond one year from the year end date, are initially recorded at their fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution or grant revenue on the Statement of Activities. If necessary, an allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of any subsequent collections. Promises to give are to be written off when uncollectible. At June 30, 2020, no allowance was deemed necessary.

Note 2 – Summary of Significant Accounting Policies (continued)

ReStore Inventory

ReStore inventory consists of purchased and donated items and supplies. Inventory is stated at the lower of cost or net realizable value. Cost is determined by the specific identification method if purchased, or fair value if donated. Net realizable value is equal to the donated thrift shop value determined by selling price.

The Organization receives significant donations of goods during the year in addition to the items that are purchased. The donated goods have been recorded as both a contribution and increase in inventory. When sold, the Organization recognizes a program expense at a value equal to the donated value. The value of donated goods sold, included as non-cash contributions in the accompanying financial statements, are included in the corresponding cost of goods sold expense accounts on the Statement of Activities.

Property and Equipment and Depreciation

Property and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of assets for financial reporting purposes are as follows: office and warehouse, 25 years; leasehold improvements, 10 years; and tools and office equipment, range from 5 to 10 years. The Organization capitalizes all property and equipment purchased with a cost of $500 or more. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

The Organization reviews the carrying value of its property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. Based on these reviews, there were no adjustments to the carrying value of long-lived assets for the year ended June 30, 2020.

Depreciation expense for the year ended June 30, 2020 was $9,625.

Note 2 – Summary of Significant Accounting Policies (continued)

Construction in Progress

The amounts included in construction in progress consist of capitalized costs associated with the renovation of properties that the Organization holds with future plans to sell. Costs associated with the renovation of properties, including labor costs, are capitalized. When the property is sold, the related costs are offset against the sale price and the excess revenue or expense is reflected in the Statement of Activities. Any excess revenue from the sale of a property is used to offset overhead costs and to provide for the continuation of the Organization's mission.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the year ended June 30, 2020 was $12,960.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs, administrative, and resource development categories benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Salaries and benefits related costs are allocated on the basis of time and effort; facility costs, including rent, repairs and maintenance, utilities, and depreciation are allocated using an estimate of square footage as determined by an internal audit done by HFHI.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Federal Exempt Organization informational returns (Form 990) for 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after filing.

Note 2 – Summary of Significant Accounting Policies (continued)

Statement of Cash Flows

For financial statement purposes, the Organization considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Assets restricted for properties on the Statement of Financial Position include restricted cash received with a donor-imposed restriction that limits use to the construction of home projects under applicable grant terms.

Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842).” The primary objective of the standard is to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing arrangements. The effective date of the standard is for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the standard and its impact on the financial statements.

Note 3 – Cash and Cash Equivalents

The Organization maintains cash and cash equivalents at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 per depositor. At June 30, 2020, amounts in excess of insured limits totaled $141,225.

Note 4 – Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	$ 312,062
Cash and cash equivalents – restricted for properties	62,992
Current portion of mortgage notes receivable	68,183
Promises to give	245,461
Receivable – FlexCap loan (presented within prepaid expenses and other current assets)	7,248
Financial assets at year end	695,946
Net assets with donor restrictions	373,404
Less net assets with purpose and/or time restrictions able to be met in less than one year	(373,404)
Financial assets available to meet general expenditures over the next twelve months	$ 695,946

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Organization typically maintains its financial assets other than receivables and promises to give in cash accounts or investments available for sale with a goal of having funds available when needed.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

Note 5 – Mortgage Notes Receivable

At June 30, 2020, mortgage notes receivable consists of loans on properties that were developed by the Organization. These loans are noninterest bearing, with maturities ranging from 15 to 30 years, and are secured by the related properties. At June 30, 2020, the balance of mortgage notes receivable was $625,167.

Note 5 – Mortgage Notes Receivable (continued)

The Organization accounts for its mortgage notes in accordance with the HFHI's U.S. Affiliate Accounting Policy Manual. Under this guide, the non-interest bearing mortgage notes are discounted to their present value at the time the mortgage note is issued, using an imputed interest rate, averaging approximately 8% (see Note 2, home sales and mortgage notes receivable, for discussion on rate). The discounted amount is amortized over the term of the mortgage note on the straight line method.

The balance of mortgage notes receivable on a net basis at June 30, 2020 is as follows:

Mortgage notes receivable, gross	$ 625,167
Current portion of mortgage notes receivable	(68,183)
	556,984
Unamortized discount	(423,715)
Mortgage notes receivable, net	$ 133,269

Principal maturities of mortgage notes receivable at June 30, 2020 are as follows:

Year ending June 30,	Amount
2022	$ 61,863
2023	60,249
2024	56,409
2025	45,994
2026	38,202
Thereafter	294,267
	$ 556,984

Total mortgage discount amortization of $62,433 for the year ended June 30, 2020 includes additional amortization of $24,373 due to the write-off of two mortgage notes during the year.

During the year ended June 30, 2020, the Organization began servicing a portion of the mortgage notes in its portfolio. The Organization collects all principal and escrow payments on the mortgage notes. The escrow payments are collected from the homeowners and paid out for real estate taxes and insurance. At June 30, 2020, the mortgage escrow liability was $17,333.

Note 6 – Promises to Give

In November 2018, the Organization was awarded a $383,388 grant from one corporate donor, receivable in three installments of $117,383, $133,000, and $133,005 for the fiscal years ending June 30, 2019, 2020, and 2021. The first installment was received by the Organization in November 2018 at the time of the award. The second installment was received by the Organization in December 2019. The remaining $133,005 is expected to be collected during the year ending June 30, 2021 and is recorded as a promise to give in the Statement of Financial Position.

In January 2018, the Organization was awarded a $260,000 grant from one corporate donor, receivable based on the submission of cost reimbursement reports. As of June 30, 2020, the Organization has received $147,544. Due to the COVID-19 pandemic shutting down city licensing agencies, the contract was extended six months to March 31, 2020. The remaining $112,456 is expected to be collected during the year ending June 30, 2021 and is recorded as a promise to give in the Statement of Financial Position.

Note 7 – Loan Payable

In December 2013, the Organization obtained a FlexCAP loan from HFHI in the amount of $274,900. The loan is payable in 120 monthly installments of $2,857, which includes interest of 4.50%. The loan is secured by certain mortgage notes held by the Organization. At June 30, 2020, the amount owed on the loan was $118,107, of which the current portion was $29,963. Upon issuance of the loan payable, the Organization was required to prepay one quarter of payments toward the balance as a loan reserve. At June 30, 2020, the loan deposit balance was $8,572.

During the year, in response to the COVID-19 pandemic, HFHI offered a deferment of six principal payments of the FlexCAP loan (three prior to June 30, 2020). However, as the Organization's payments are automatically withdrawn from the bank account, the payments were made and HFHI agreed to refund the payments during the year ending June 30, 2021. A receivable of $7,248 is included in prepaid expenses and other current assets on the Statement of Financial Position.

On June 17, 2020, the Organization obtained an Economic Injury Disaster Loan (“EIDL”) from the Small Business Administration (“SBA”) in the amount of $150,000. The loan is payable in 360 monthly installments of $641, which includes interest of 2.75%, beginning one year from the loan origination date, or June 17, 2021. Upon issuance of the EIDL loan, the Organization received an advance of $9,900. The advance is immediately forgiven and is included in Grants on the Statement of Activities. At June 30, 2020, the full amount of the EIDL loan ($150,000) was owed.

Note 7 – Loan Payable (continued)

Principal maturities of the long-term loan payables at June 30, 2020 are as follows:

Year ending June 30,	Amount
2022	$ 34,914
2023	36,501
2024	27,849
2025	3,932
2026	4,041
Thereafter	130,907
	$ 238,144

Note 8 – Conditional Contribution

On April 28, 2020, the Organization applied for and received a $117,565 loan under the Paycheck Protection Program ("PPP"), established under the CARES Act. The PPP loan has a maturity date of April 28, 2022 and a stated interest rate of 1.0% per annum. Payments of principal and interest are deferred until the earlier of ten months after the end of the covered period or the date on which the loan forgiveness amount is remitted to the lender. The loan provides for customary events of default, including, among others, those relating to failure to make payment when due and breaches of representations. The Organization may prepay the principal of the loan at any time without incurring any prepayment charges.

In June 2020, the Paycheck Protection Program Flexibility Act (“PPPFA”) was signed into law adjusting certain key terms of loans issued under the PPP. In accordance with the PPPFA, the initial deferral period may be extended from six to up to ten months and the loan maturity may be extended from two to five years. The PPPFA also provided for certain other changes, including the extent to which the loan may be forgiven.

The loan’s principal and accrued interest are forgivable to the extent that the proceeds are used for eligible purposes, subject to certain limitations, and that the Organization maintains its payroll levels over a specified covered period ranging from eight to twenty-four-weeks following the loan date. The Organization intends to use the proceeds for eligible purposes consistent with the provisions of the program. The Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents a grant that is expected to be forgiven, thus, constitutes a conditional contribution. As a conditional contribution, the contribution is not recognized until the conditions are substantially met or explicitly waived, representing forgiveness of the loan. However, there can be no assurance that any portion of the loan will be forgiven and that the Organization will not have to repay the loan in full.

Note 8 – Conditional Contribution (continued)

Because the Organization also received an EIDL advance, the SBA will deduct the amount of the advance from the forgiveness amount remitted to the lender. As a result, the amount of the advance, $9,900, remain as a balance due on the PPP loan and adhere to the payment terms as stated above.

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following programs or purposes at June 30, 2020:

Restrictions related to time and purpose:	
For the years 2020 to 2021 to be used	
for specified home projects	$ 373,404

Net assets were released from restrictions by incurring expenses to satisfy the specified restriction in the following amounts for the year ended June 30, 2020:

Purpose restrictions:	
949 Monitor Road Home Project	$ 10,000

Note 10 – Leases

Operating Leases

In March 2012, the Organization entered into a building lease in Pennsauken, New Jersey. The lease provides for a monthly rental with annual escalations through March 2022. Total building lease expense, including real estate taxes and insurance, for the year ended June 30, 2020, included in rent on the Statement of Functional Expenses, was $159,620.

In addition, the Organization also leased a vehicle under an operating lease agreement which expired in September 2019. The lease provided for a monthly rental amount of $953 plus $0.095 per mile driven. In January 2020, the Organization leased vehicles under operating lease agreements expiring through January 2026. The leases provide for a monthly rental amount totaling $2,186. Total vehicle lease expense for the year ended June 30, 2020, included in vehicle expenses on the Statement of Functional Expenses, was $17,376.

Note 10 – Leases (continued)

Operating Leases (continued)

Future minimum lease payments under operating lease agreements as of June 30, 2020 are as follows:

Year ending June 30,	Amount
2021	$ 133,209
2022	99,268
2023	26,231
2024	26,231
2025	26,231
Thereafter	15,301
	$ 326,471

On May 26, 2020, the Organization signed a lease for a new location for the Habitat ReStore. However, as per the signed agreement, the commencement date of the lease is contingent on completion of renovations to the location. There are renovations to be done as the current owner moves out and payments and occupancy will not begin until those renovations are completed.

On January 27, 2020, the Organization signed a lease for a second ReStore location in Lawnside, New Jersey. However, as per the signed copy of the lease, the commencement date of the lease is dependent on licenses, permits, and improvements to the facility. There are renovations to be done and payments and occupancy will not begin until those renovations are completed.

Capital Leases

The Organization leases equipment under a capital lease agreement. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Organization’s assets and liabilities. The lease agreement contains a bargain purchase option at the end of the lease term.

The following is an analysis of the leased asset included in property and equipment at June 30, 2020:

Tools and office equipment	$ 9,900
Less accumulated depreciation	(4,290)
	$ 5,610

Note 10 – Leases (continued)

Capital Leases (continued)

Depreciation expense relating to the asset under the capital lease was $1,980 for the year ended June 30, 2020.

Capital lease obligations on a net basis at June 30, 2020 are as follows:

Capital lease obligations, gross	$	4,773
Current portion of capital lease obligations	(	2,635)
Capital lease obligations, net	$	2,138

The following is a schedule by years of the future minimum payments required under the lease with its present value as of June 30, 2020:

Year ending June 30,		Amount
2021	$	2,960
2022		2,218
Total minimum lease payments		5,178
Less amount representing interest	(	405)
Present value of minimum lease payments	$	4,773

Note 11 – Retirement Plan

The Organization has a 401(k) retirement plan for the benefit of all eligible employees. The plan currently does not provide for an Organization match, but the Organization is able to provide discretionary contributions to employees. During the year ended June 30, 2020, the Organization incurred retirement plan contributions for employees totaling $15,000. This amount is included in employee benefits on the Statement of Functional Expenses.

Note 12 – Risks and Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread across many countries, including the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

Note 12 – Risks and Uncertainties (continued)

Due to a stay at home order issued by the Governor of New Jersey, the Organization closed its office and ReStore on March 14, 2020. With the onset of COVID-19, office employees have been able to work from home remotely and there were few furloughs and no slowdowns. The Organization had to close the ReStore temporarily, for approximately three months, from March 14 to June 16, 2020. During the closure, orders for items could be placed online and picked up curbside. The pandemic has impacted and could further impact operations by limiting charitable contributions as a result of quarantines, facility closures, job market changes, and travel and logistics restrictions. To maintain liquidity during the period of slowdown, the Organization borrowed $150,000 and $117,565 from the SBA in the form of an EIDL loan (see Note 7) and a PPP loan (see Note 8), respectively.

While the disruption caused by the pandemic was initially expected to be temporary, there is remaining uncertainty regarding its duration. The impact of the pandemic on the Organization's results of operations, financial position, and liquidity cannot be reasonably estimated at this time.

Note 13 – Supplementary Disclosure of Cash Flow Information

For the year ended June 30, 2020, cash paid for interest was $7,795.

Non-cash financing activities for the year ended June 30, 2020 are as follows:

Additions to loan payable	$ 7,248
Less: receivable from HFHI	(7,248)
Cash additions to loan payable	$ -0-

Note 14 – Subsequent Events

The Organization evaluated subsequent events through December 8, 2020, the date these financial statements were available to be issued. Except as noted in Note 12 with the ongoing effects of the Coronavirus pandemic, there were no material subsequent events that required recognition or additional disclosures in these financial statements.