

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.

Financial Statements

For the years ended June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Table of Contents
June 30, 2021 and 2020

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	3
Statement of Activities For the year ended June 30, 2021	4
Statement of Activities For the year ended June 30, 2020	5
Statement of Functional Expenses For the year ended June 30, 2021	6
Statement of Functional Expenses For the year ended June 30, 2020	7
Statements of Cash Flows	8
Notes to Financial Statements	9



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Greater Newark, Inc.
Newark, New Jersey

Opinion

We have audited the accompanying financial statements of Habitat For Humanity Newark, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Newark, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Greater Newark, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Greater Newark, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

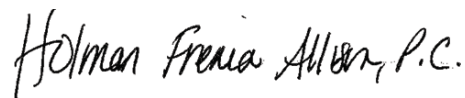
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity of Greater Newark, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Greater Newark, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 20, 2022
Lakewood, New Jersey

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Statements of Financial Position
June 30, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents	\$ 573,206	\$ 714,318
Mortgages receivable, net - current	66,635	66,786
Other receivables	5,767	17,149
Construction in progress	677,745	1,282,131
Prepaid expenses	7,941	7,475
Total current assets	1,331,294	2,087,859
Non-current assets:		
Mortgages receivable, net	731,626	823,083
Security deposit	38,916	2,750
Other assets	5,312	2,812
Property, plant and equipment, net	27,052	30,765
Total non-current assets	802,906	859,410
Total assets	\$ 2,134,200	\$ 2,947,269
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 82,992	\$ 108,086
Tithe payable	18,524	35,313
Deferred revenue	1,011	128,133
Construction loans payable	261,752	319,688
Notes payable - current	55,959	50,507
Total current liabilities	420,238	641,727
Long-term liabilities:		
Lines of credit	200,787	200,787
Notes payable, net	373,483	426,181
Total long-term liabilities	574,270	626,968
Total liabilities	994,508	1,268,695
NET ASSETS		
Without donor restrictions:		
Board designated for mortgages and loans	297,348	297,348
Undesignated for program services	563,074	1,374,702
Total net assets without donor restrictions	860,422	1,672,050
With donor restrictions	279,270	6,524
Total net assets	1,139,692	1,678,574
Total liabilities and net assets	\$ 2,134,200	\$ 2,947,269

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Statement of Activities
For the year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions:			
Foundations	\$ 317,660	\$ 268,439	\$ 586,099
Corporations	215,072	4,307	219,379
Individuals	104,321	-	104,321
Vehicle sales	80,499	-	80,499
Other contributions	11,793	-	11,793
Sales to homeowners	367,280	-	367,280
Amortization of mortgage discount	107,363	-	107,363
Critical home repairs	79,495	-	79,495
In-kind contributions	7,543	-	7,543
Other revenue	4,220	-	4,220
Net assets released from restrictions	-	-	-
Total revenues and support	<u>1,295,246</u>	<u>272,746</u>	<u>1,567,992</u>
Expenses:			
Program services	1,685,014	-	1,685,014
General and administrative	304,189	-	304,189
Fundraising	213,193	-	213,193
Total expenses	<u>2,202,396</u>	<u>-</u>	<u>2,202,396</u>
Changes in net assets from operations	<u>(907,150)</u>	<u>272,746</u>	<u>(634,404)</u>
Non-operating income:			
Gain on forgiveness of PPP loan	94,805	-	94,805
Interest income	717	-	717
Total non-operating income	<u>95,522</u>	<u>-</u>	<u>95,522</u>
Changes in net assets	(811,628)	272,746	(538,882)
Net assets, beginning of year	<u>1,672,050</u>	<u>6,524</u>	<u>1,678,574</u>
Net assets, end of year	<u>\$ 860,422</u>	<u>\$ 279,270</u>	<u>\$ 1,139,692</u>

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Statement of Activities
For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions:			
Corporations	\$ 585,325	\$ -	\$ 585,325
Foundations	443,918	-	443,918
Small Business Association	110,600	-	110,600
Individuals	45,910	-	45,910
Other	9,732	-	9,732
Amortization of mortgage discount	74,741	-	74,741
Sales to homeowners	4,770	-	4,770
Other revenue	72,699	-	72,699
Vehicle sale income	29,306	-	29,306
Donated merchandise sales	795	-	795
Net assets released from restrictions	30,000	(30,000)	-
Total revenues and support	<u>1,407,796</u>	<u>(30,000)</u>	<u>1,377,796</u>
Expenses:			
Program services	701,304	-	701,304
General and administrative	292,630	-	292,630
Fundraising	264,432	-	264,432
Total expenses	<u>1,258,366</u>	<u>-</u>	<u>1,258,366</u>
Changes in net assets from operations	<u>149,430</u>	<u>(30,000)</u>	<u>119,430</u>
Non-operating income:			
Interest income	<u>1,703</u>	<u>-</u>	<u>1,703</u>
Total non-operating income	<u>1,703</u>	<u>-</u>	<u>1,703</u>
Changes in net assets	151,133	(30,000)	121,133
Net assets, July 1	<u>1,520,917</u>	<u>36,524</u>	<u>1,557,441</u>
Net assets, June 30	<u>\$ 1,672,050</u>	<u>\$ 6,524</u>	<u>\$ 1,678,574</u>

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Statement of Functional Expenses
For the year ended June 30, 2021

	Program Services					Support Services			Total
	Direct Housing Costs	Family Services & Compliance	Neighborhood Revitalization	Education & Advocacy	Construction/Program Services	Total Program Services	Management and General	Fundraising	
General construction costs	\$ 806,590	\$ -	\$ 126,395	\$ -	\$ -	\$ 932,985	\$ -	\$ -	\$ 932,985
Salaries, taxes and employee benefits	349,006	66,828	100,809	20,563	-	537,206	180,399	66,828	784,433
Professional fees	43,536	-	4,780	-	-	48,316	35,954	53,895	138,165
Other	58,451	-	-	-	-	58,451	-	-	58,451
Public relations	-	-	-	-	-	-	-	60,445	60,445
Occupancy	-	-	-	-	15,907	15,907	15,907	15,908	47,722
Office supplies	-	10,691	-	-	10,691	21,382	10,691	10,691	42,764
Insurance	-	-	-	-	-	-	30,668	-	30,668
U.S. stewardship and organization sustainability fee	25,000	-	-	-	-	25,000	-	-	25,000
Co-op maintenance	-	-	-	-	24,130	24,130	-	-	24,130
Interest expense	-	-	-	-	-	-	13,291	-	13,291
Automobile and truck expense	-	5,152	-	-	5,151	10,303	-	-	10,303
Bank and payroll service charges	-	-	-	-	-	-	3,949	3,949	7,898
Staff training/conferences/recruitment	-	3,363	-	-	-	3,363	3,363	-	6,726
Travel/parking	-	1,028	-	-	1,028	2,056	1,028	-	3,084
Depreciation	-	-	-	-	-	-	5,190	-	5,190
In-kind materials	5,000	-	-	-	-	5,000	-	-	5,000
Printing and postage	-	-	-	-	-	-	1,478	1,477	2,955
Dues and subscriptions	-	-	-	-	-	-	2,271	-	2,271
Tithing	915	-	-	-	-	915	-	-	915
Total expenses	\$ 1,288,498	\$ 87,062	\$ 231,984	\$ 20,563	\$ 56,907	\$ 1,685,014	\$ 304,189	\$ 213,193	\$ 2,202,396

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Statement of Functional Expenses
For the year ended June 30, 2020

	Program Services						Support Services		
	Direct Housing Costs	Family Services & Compliance	Neighborhood Revitalization	Education & Advocacy	Construction/Program Services	Total Program Services	Management and General	Fundraising	Total
Salaries, taxes and employee benefits	\$ 174,550	\$ 110,074	\$ 45,098	\$ 21,125	\$ -	\$ -	\$ 142,367	\$ 73,938	\$ 567,152
Professional fees	12,271	-	21,352	-	-	-	35,331	131,317	200,271
General construction costs	92,705	-	72,276	-	-	-	-	-	164,981
Occupancy	-	-	-	-	16,340	16,340	16,340	16,340	49,020
Insurance	210	-	-	-	-	210	47,352	-	47,562
Office supplies	-	9,200	11,201	-	23,003	43,404	2,601	-	46,005
Public relations	-	-	-	-	-	-	-	35,869	35,869
U.S. stewardship and organization sustainability fee	25,000	-	-	-	-	25,000	-	-	25,000
Co-op maintenance	-	-	-	-	23,132	23,132	-	-	23,132
Tithing	17,609	-	-	-	-	17,609	-	-	17,609
Interest expense	-	-	-	-	-	-	15,296	-	15,296
Travel/parking	-	-	-	-	7,221	7,221	7,220	-	14,441
Printing and postage	-	-	-	-	-	-	6,969	6,968	13,937
Bank and payroll service charges	-	-	-	-	-	-	10,714	-	10,714
Other	8,880	-	1,500	-	-	10,380	-	-	10,380
Automobile and truck expense	-	450	-	-	7,609	8,059	-	-	8,059
Depreciation	-	-	-	-	-	-	5,268	-	5,268
Dues and subscriptions	-	-	-	-	250	250	2,923	-	3,173
Staff training/conferences/recruitment	-	248	-	-	-	248	249	-	497
Total expenses	\$ 331,225	\$ 119,972	\$ 151,427	\$ 21,125	\$ 77,555	\$ 701,304	\$ 292,630	\$ 264,432	\$ 1,258,366

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Statements of Cash Flows
For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ (538,882)	\$ 121,133
Items which did not use (provide) cash:		
Depreciation	5,190	5,268
Amortization of mortgage discount	(7,543)	(74,741)
Working capital changes which (used)/provided cash:		
Other receivables	11,382	(10,740)
Construction in progress	604,386	(395,200)
Prepaid expenses	(466)	1,750
Security deposit	(36,166)	-
Other assets	(2,500)	3,825
Accounts payable and accrued expenses	(25,094)	(10,097)
Tithe payable	(16,789)	(5,282)
Deferred revenue	(127,122)	(28,079)
	(133,604)	(392,163)
Cash flows from investing activities:		
Collections of mortgage receivable	99,151	170,987
Purchases of property and equipment	(1,477)	(6,499)
	97,674	164,488
Cash flows from financing activities:		
Proceeds from notes payable	-	150,000
Proceeds from line of credit	-	-
Proceeds from construction loans payable	54,687	196,529
Repayment of notes payable	(47,246)	(45,239)
Repayment of construction loan payable	(112,623)	-
	(105,182)	301,290
Net change in cash and cash equivalents	(141,112)	73,615
Cash and cash equivalents, beginning of year	714,318	640,703
Cash and cash equivalents, end of year	\$ 573,206	\$ 714,318
Supplementary information:		
Interest paid	\$ 33,618	\$ 27,868

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

Habitat for Humanity of Greater Newark, Inc. (the “Organization” or “Habitat”), formerly doing business as Habitat for Humanity Newark, Inc., was incorporated on May 19, 1986 under the laws of the State of New Jersey as a not-for-profit organization affiliated with Habitat for Humanity International, Inc., (HFHI), an ecumenical not-for-profit organization with affiliates worldwide that seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. Through volunteer labor, some paid labor, and donations of money and materials, Habitat builds simple, decent houses with the help of low-income homeowner families. The Organization focuses its efforts in Essex County, Hudson County, and most of Union County, New Jersey.

The houses built by Habitat and its volunteers are sold to partner families at no profit, financed with affordable, no-interest loans. The homeowners’ monthly mortgage payments are used to build more houses. In addition to a down payment and the monthly mortgage payment, each homeowner family invests hundreds of hours of their own labor into the building of their house as well as the houses of others.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor imposed (or certain grantor 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. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect 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 those estimates.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Mortgage Receivable

Mortgages receivable consists of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments, with original maturities ranging from 10 to 30 years. All of the mortgages are related to new construction and the rehabilitation of existing homes rehabilitated by the Organization. These mortgages are shown on the statements of financial position discounted at the prevailing interest rate for the time value of money provided HFHI, which reflect current market conditions. The discount rate for the years ended June 30, 2021 and 2020 was 7.23% and 7.38%, respectively. Amortization revenue is recorded using the straight-line method over the lives of the mortgages.

Because the mortgages are secured by the deeds of the trust on the respective properties, management believes that no allowance for doubtful mortgages is necessary and no provision for loan losses has been recorded as of June 30, 2021 and 2020.

Revenue Recognition

Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period that a donor makes an unconditional promise to transfer assets to the Organization. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. In accordance with ASC 958-310, *Not-for-Profit Entities: Receivables*, contribution pledges due in one or more years are discounted to their net present value at the time the revenue is recorded. The Organization uses the allowance method to determine the reserve for uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of specific promises made.

The Organization receives donations to fund acquisition, construction and rehabilitation costs of houses. The related costs are capitalized as construction in progress until the home is completed and sold to a qualified family. The Organization recognizes revenue from home sales when a closing occurs. A closing is considered to occur when title, possession and other attributes of ownership have been passed to the buyer, and the Organization is not obligated to perform significant activities after the sale. During the year ended June 30, 2021, four properties were sold by the Organization and two properties were reclaimed by the city of Newark. During the year ended June 30, 2020, one foreclosed property was sold by the Organization.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services

Donated services meeting the requirements for recognition in the financial statements and donated materials are included in support and expense at their estimated fair values on the date they were contributed. The requirements for recognition of donated services in the financial statements are (a) the donated services create or enhance non-financial assets, or (b) the donated services require special skills, are provided by individuals who possess those special skills and donated services would typically be purchased by the Organization if they had not been provided by contribution.

Property and Equipment

Property and equipment is recorded at cost, except for donated assets, which are recorded at their estimated fair market value at the date of donation. Such donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Betterments and renewals in excess of \$1,000 are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated lives are as follows:

Building and improvements	10 – 25 years
Furniture and equipment	5 – 10 years
Vehicles and transportation equipment	3 – 8 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Federal and State Income Taxes

The Organization is a non-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, there is no provision for income taxes.

The Organization is required to file Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service and the *New Jersey Charities Registration & Investigation Form (CRI)*. The Organization follows the income tax standards for uncertain tax positions.

This standard had no impact on the Organization's financial statements. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new ASU will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and lease back transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This standard will be effective for nonpublic businesses for fiscal years beginning after December 15, 2021. Early implementation will be permitted. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not for Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events occurring June 30, 2020 through **June 20, 2022**, which is the date the financial statements were available to be issued. See Note 12 for further information.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents held by the Organization as of June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Demand deposits	\$ 567,307	\$ 713,695
Paypal	5,738	145
Petty Cash	<u>161</u>	<u>478</u>
Total cash and cash equivalents	<u>\$ 573,206</u>	<u>\$ 714,318</u>
Reconciliation to the Statements of Financial Position:		
Cash and cash equivalents	<u>\$ 573,206</u>	<u>\$ 714,318</u>
Total	<u>\$ 573,206</u>	<u>\$ 714,318</u>

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash had a bank balance of \$576,338 and \$724,619 at June 30, 2021 and 2020, respectively. Of the bank balance, \$576,338 and \$570,925 were fully insured by depository insurance at June 30, 2021 and 2020, respectively. Amounts totaling \$-0- and \$153,964 were uninsured at June 30, 2021 and 2020, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash investments. The Organization limits the amount of credit exposure to any one financial institution and invests cash in accounts with high credit quality.

NOTE 4: MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Mortgages receivable	\$ 1,282,436	\$ 1,481,406
Less: unamortized mortgage discount	<u>(484,175)</u>	<u>(591,537)</u>
Total net mortgages receivable	798,261	889,869
Less: current portion	<u>(66,635)</u>	<u>(66,786)</u>
Long-term portion	<u>\$ 731,626</u>	<u>\$ 823,083</u>

Future balances due on mortgages receivable are scheduled to be received as follows for the years ended June 30:

2022	\$ 66,635
2023	68,455
2024	68,174
2025	67,616
2026	62,683
Thereafter	<u>464,698</u>
Total	<u>\$ 798,261</u>

NOTE 5: TITHE PAYABLE

The Organization is affiliated with HFHI and periodically receives a portion of its cash flow through individual contributions collected by HFHI. These funds are designated for Habitat for Humanity Newark, Inc. to utilize in their operations.

The Organization contributes a portion of their annual contributions without donor restriction to HFHI for their international housing programs. For the years ended June 30, 2021 and 2020, tithing expense totaled \$915 and \$17,609, respectively. Tithe payable totaled \$18,524 and \$35,313 as of June 30, 2021 and 2020, respectively.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 6: CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred to build/rehabilitate single family dwellings. Upon completion of construction, these houses will be sold or leased under a lease purchase agreement until clear title can be transferred to the member family. The summary of construction in process as of June 30, 2021 and 2020 is as follows:

	Number of Homes	Balance
Construction in progress, June 30, 2019	13	\$ 886,931
Additions to construction in progress	-	395,200
Sales and construction in progress adjustments, net	-	-
Construction in progress, June 30, 2020	13	\$ 1,282,131
Additions to construction in progress	-	239,247
Sales and construction in progress adjustments, net	(6)	(843,633)
Construction in progress, June 30, 2021	7	\$ 677,745

During the year ended June 30, 2021, there were four homes sold from construction in progress, and two homes that were reclaimed by the city of Newark. During the year ended June 30, 2020, there were no homes sold from construction in progress.

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Land	\$ 19,244	\$ 19,244
Buildings and improvements	204,864	204,864
Leasehold improvements	38,631	38,631
Furniture and equipment	10,030	8,552
Vehicles and transportation equipment	31,546	31,546
	304,315	302,837
Less: accumulated depreciation	(277,263)	(272,072)
Total property and equipment, net	\$ 27,052	\$ 30,765

Depreciation expense totaled \$5,190 and \$5,268 for the years ended June 30, 2021 and 2020, respectively.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 8: CONSTRUCTION LOANS PAYABLE

In order to finance the construction of two single housing units located in Livingston, New Jersey, the Organization secured two construction loans in the amounts of \$150,000 and \$155,000 on May 25, 2018. These loans are to be drawn on as work progresses through the completion of construction. As of June 30, 2021 and 2020, the amount outstanding under these loans totaled \$129,251 and \$195,201, respectively. The loans require a debt service escrow, which totaled \$1,651 as of June 30, 2021 and 2020, and is recorded as an offset against construction loans payable. The loans bear a variable interest rate based on the Wall Street Journal Prime Rate. As of June 30, 2021 and 2020, the interest rates were 5.75%. The loan calls for the monthly payment of interest only through the draw period and each loan will term and amortized 18 months from the date of closing. As of June 30, 2021 the homes are still under construction.

In order to finance the construction of selected housing units, the Organization was granted a construction loan up to \$823,781 in October 2018 to be utilized as work progresses through the completion of such construction. This loan bears interest at 6.75%. Amounts are repaid over a period of 24 months following the closing. As of June 30, 2021 and 2020, the amount outstanding under this loan totaled \$134,152 and \$126,138, respectively.

NOTE 9: NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
The Organization entered into a note payable to HFHI on June 25, 2018 HFHI for the purpose of building future homes. The loan is payable in 40 quarterly installments of \$9,958, including interest of 4.25% per annum; final payment due June 30, 2028.	\$ 240,075	\$ 268,933
The Organization entered into a note payable to HFHI on June 20, 2013 for the purpose of building future homes. The loan is payable in 40 quarterly installments of \$5,176, including interest of 4.55% per annum; final payment due June 30, 2023	39,367	57,755
On June 9, 2020, the Organization received an Economic Disaster Injury Loan (EIDL) totaling \$150,000 from the U.S. Small Business Administration in response to the COVID-19 pandemic. The loan matures on June 9, 2050 and accrues interest at 2.75%. Payments begin 12 months following the date of the loan.	150,000	150,000
Total notes payable	<u>429,442</u>	<u>476,688</u>
Less: current portion	<u>(55,959)</u>	<u>(50,507)</u>
Long-term portion, net	<u>\$ 373,483</u>	<u>\$ 426,181</u>

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 9: NOTES PAYABLE

Future minimum principal payments are as follows for the years ending June 30:

2022	\$	55,959
2023		54,981
2024		36,305
2025		37,818
2026		39,395
2027-2031		96,331
2032-2036		23,344
2037-2041		26,780
2042-2046		30,723
2047-2051		<u>27,806</u>
Total	\$	<u><u>429,442</u></u>

NOTE 10: LINES OF CREDIT

On August 8, 2013, the Organization secured a line of credit with a maximum withdrawal of \$250,000 and is secured by all business assets. The line of credit is to be used for working capital and general corporate purposes. As of June 30, 2021 monthly payments of accrued interest or \$100, whichever is greater, are required. As of June 30, 2021, a maturity date had not yet been declared. The principal balance will not be required to be paid until a final maturity date is declared. The line of credit bears interest at the prime rate plus an additional one percent. As of June 30, 2021 and 2020, the interest rate was 6.50%, and the line of credit had an outstanding balance of \$200,787.

On April 16, 2020, the Organization secured a line of credit with a maximum withdrawal of \$300,000 and a 24-month repayment term. The line of credit is to be used for working capital and general corporate purposes to bridge pledged grant and contribution dollars. The line of credit bears interest at 5.33%. As of June 30, 2021 and 2020, there was an outstanding balance of \$7,500 and \$-0-, respectively.

NOTE 11: PPP LOAN

In April 2020, the Organization was granted proceeds of \$102,600, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act. The PPP, which was in the form of a Note dated April 24, 2020, matures in April 2022 and bears interest at a rate of 1.00% per annum, with interest payments commencing October 24, 2020. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Proceeds from the PPP may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred. Under the terms of the PPP, certain amounts of the PPP may be forgiven if they are used for qualifying expenses during the eligibility period as described in the CARES Act. During the year ended June 30, 2020, a gain on forgiveness of PPP loan totaling \$102,600 was recognized in the accompanying statement of activities.

The Organization received a second round PPP loan totaling \$94,805 on February 26, 2021. This amount was forgiven in full on April 15, 2021. During the year ended June 30, 2021, a gain on forgiveness of PPP loan totaling \$94,805 was recognized in the accompanying statement of activities.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 12: OPERATING LEASES

The Organization leases office space in Newark under an operating lease expiring in December 2024. Monthly payments are \$3,167.

Subsequent to year end, the Organization entered into an operating lease agreement for the ReStore in Fairfield, NJ. Monthly payments are \$18,083 and begin to escalate in 2027. This lease expires in July 2032.

Minimum future rental payments are as follows under the operating leases for the years ended June 30,:

NOTE 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 are salaries, taxes and employee benefits, professional fees general construction costs, insurance, occupancy, travel/parking, automobile and truck expensed, dues and subscriptions and office supplies. Salaries, taxes and employee benefits and insurance are allocated on the basis of actual time and effort worked in each function. All other expenses are allocated based on costs of actual expenses utilized.

NOTE 14: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 are available for the following purposes:

	2021	2020
Sandy relief projects	\$ 6,524	\$ 6,524
COVID-19 Relief	20,307	-
Neighborhood Revitalization	2,000	-
Comfort Partners Program	250,439	-
Total	\$ 279,270	\$ 6,524

NOTE 15: NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, as follows:

	2021	2020
House sponsorships	\$ -	\$ 30,000
Total	\$ -	\$ 30,000

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 16: BOARD DESIGNATED FUNDS

The Board of Trustees established a designated fund in which collections from mortgages and loans are deposited for future construction expenses of the Organization. The Organization's board designated net assets totaled \$297,348 as of June 30, 2021 and 2020.

The Organization has adopted investment and spending policies for board designated assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the organization while preserving the long-term, real purchasing power of the assets. An additional purpose of the fund is to provide a source of funds for a time when the Organization may face a financial emergency.

NOTE 17: LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2021</u>	<u>2020</u>
Current financial assets:		
Cash and cash equivalents	\$ 573,206	\$ 714,318
Mortgage receivable, net - current	66,635	66,786
Other receivables	<u>5,767</u>	<u>17,149</u>
	645,608	798,253
Less: Net assets with donor restrictions for specified purposes	<u>(279,270)</u>	<u>(6,524)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 366,338</u>	<u>\$ 791,729</u>

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to donors. Thus, certain financial assets may not be available for general expenditures within one year.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a goal to maintain cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$362,000. As more fully described in Note 10, the Organization also has a line of credit, which it can draw upon in the event of an unanticipated liquidity need.

NOTE 18: COMMITMENTS AND CONTINGENCIES

Habitat commits to building homes for individuals and obtains corporate or other sponsors who underwrite approximately half of the construction costs associated with building the homes. The Organization is dependent upon its staff and board members' ability to secure funding sources to fulfill future commitments. Habitat serves as a builder while building homes for low to moderate income families. Habitat uses volunteers for constructing the homes and indemnifies its sponsors from liability arising from home construction. Generally, construction companies are subject to uninsured risks resulting from their homebuilding activities.

HABITAT FOR HUMANITY OF GREATER NEWARK, INC.
Notes to Financial Statements (continued)

NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)

In the normal course of operations, Habitat is involved with claims against the corporation for issues associated with homes it constructed and former volunteer and employee claims. Asserted claims are contested vigorously by management. However, the ultimate outcome of these uncertainties is not quantifiable and, accordingly, management does not accrue any estimate of losses it may incur in the future arising from these ongoing issues.

NOTE 19: RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout New Jersey and the United States as a whole. On March 16, 2020, Habitat for Humanity of Greater Newark made the decision to close our corporate offices and work remotely. Our spring corporate challenge was cancelled, and onsite volunteerism was suspended, our construction staff continued to work on our new home build but with new protocols in place which included use of PPE and limiting the number of employees and subcontractors on the site. Simultaneously our critical repair program was halted to ensure the safety of our staff and homeowners and limit the risk of transmittal to the communities that we serve.

As a result of the pandemic Habitat experienced a significant decline in corporate sponsorships and volunteerism. In response Habitat has taken steps to conserve cash and reduce operating costs where possible. Habitat supplemented the loss in revenue by utilizing financing available through the American Rescue Plan. HFHGN obtained two PPP loans as well as an EIDL loan. Both PPP loans have been fully forgiven.

At this time the pandemic continues to impact the Organization's corporate challenge and management anticipates that this will be the case for the foreseeable future. With the availability of vaccinations and boosters management is hopeful that corporations and individual volunteer restrictions will relax.