

**HABITAT FOR HUMANITY OF
NEW CASTLE COUNTY, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2020 AND 2019

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
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JUNE 30, 2020 AND 2019

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Independent Auditors' Report

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.

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 New Castle County, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Belfint, Lyons & Shuman, P.A.

February 15, 2021
Wilmington, Delaware

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,528,212	\$ 655,434
Accounts Receivable	6,078	7,655
Prepaid Expenses	-	35,429
Inventory	159,814	285,870
Non-Interest-Bearing Mortgages Receivable (Current Portion)	293,159	301,547
TOTAL CURRENT ASSETS	2,987,263	1,285,935
MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)		
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	5,513,144	5,726,476
Discount on Non-Interest-Bearing Mortgages Receivable	(2,758,358)	(2,886,326)
TOTAL MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)	2,754,786	2,840,150
OTHER ASSETS		
Investments in Endowment Fund	504,244	918,217
Construction in Progress (Net of Accrued Subsidies)	1,524,037	1,920,035
Property and Equipment Used in Operations (Net)	850,040	853,226
Security Deposits	22,874	22,874
TOTAL OTHER ASSETS	2,901,195	3,714,352
TOTAL ASSETS	\$ 8,643,244	\$ 7,840,437
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes Payable (Current Maturities)	\$ 83,000	\$ 83,000
Accounts Payable	187,010	118,426
Accrued Expenses	68,577	42,767
Conditional Grant - Paycheck Protection Program	286,572	-
Deferred Revenue	-	11,500
TOTAL LIABILITIES	625,159	255,693
NET ASSETS		
Without Donor Restrictions	6,673,404	6,561,859
With Donor Restrictions	1,344,681	1,022,885
TOTAL NET ASSETS	8,018,085	7,584,744
TOTAL LIABILITIES AND NET ASSETS	\$ 8,643,244	\$ 7,840,437

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 1,643,738	\$ 1,081,329	\$ 2,725,067
Revenue from Home Sales	1,294,960	-	1,294,960
Noncash Donations for Resale at ReStore	1,176,463	-	1,176,463
Merchandise and ReStore Revenues	1,175,488	-	1,175,488
Less: Merchandise and Cost of Goods Sold	(1,440,613)	-	(1,440,613)
Event Income	147,208	-	147,208
Less: Event Expenses	(32,035)	-	(32,035)
Other Revenue	23,674	-	23,674
Mortgage Loan Discount Amortization	182,135	-	182,135
Gain on Sale of Mortgages	281,860	-	281,860
Interest Income	1,683	-	1,683
Investment Loss (Net of Fees)	(33,514)	-	(33,514)
	<u>4,421,047</u>	<u>1,081,329</u>	<u>5,502,376</u>
Net Assets Released from Restrictions	<u>759,533</u>	<u>(759,533)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>5,180,580</u>	<u>321,796</u>	<u>5,502,376</u>
EXPENSES			
Program Services (90%)	4,537,417	-	4,537,417
Supporting Services			
Management and General (3%)	161,831	-	161,831
Fundraising (7%)	369,787	-	369,787
TOTAL EXPENSES	<u>5,069,035</u>	<u>-</u>	<u>5,069,035</u>
CHANGE IN NET ASSETS	111,545	321,796	433,341
NET ASSETS - Beginning of Year	<u>6,561,859</u>	<u>1,022,885</u>	<u>7,584,744</u>
NET ASSETS - End of Year	<u>\$ 6,673,404</u>	<u>\$ 1,344,681</u>	<u>\$ 8,018,085</u>

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Grants	\$ 822,013	\$ 502,122	\$ 1,324,135
Revenue from Home Sales	562,813	-	562,813
Noncash Donations for Resale at ReStore	1,432,096	-	1,432,096
Merchandise and ReStore Revenues	1,431,349	-	1,431,349
Less: Merchandise and Cost of Goods Sold	(1,508,581)	-	(1,508,581)
Event Income	140,115	-	140,115
Less: Event Expenses	(56,022)	-	(56,022)
Other Revenue	23,233	-	23,233
Mortgage Loan Discount Amortization	282,034	-	282,034
Gain on Sale of Mortgages	-	-	-
Interest Income	1,828	-	1,828
Investment Gain (Net of Fees)	27,405	-	27,405
	<u>3,158,283</u>	<u>502,122</u>	<u>3,660,405</u>
Net Assets Released from Restrictions	<u>762,518</u>	<u>(762,518)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,920,801</u>	<u>(260,396)</u>	<u>3,660,405</u>
EXPENSES			
Program Services (86%)	3,081,033	-	3,081,033
Supporting Services			
Management and General (4%)	159,671	-	159,671
Fundraising (9%)	335,217	-	335,217
TOTAL EXPENSES	<u>3,575,921</u>	<u>-</u>	<u>3,575,921</u>
CHANGE IN NET ASSETS	344,880	(260,396)	84,484
NET ASSETS - Beginning of Year	<u>6,216,979</u>	<u>1,283,281</u>	<u>7,500,260</u>
NET ASSETS - End of Year	<u>\$ 6,561,859</u>	<u>\$ 1,022,885</u>	<u>\$ 7,584,744</u>

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services				Total Expenses
	Construction	Discounts on Mortgage Originations	A Brush with Kindness	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salary and Related Costs	\$ 522,079	\$ -	\$ 80,036	\$ 523,479	\$ 1,125,594	\$ 316,303	\$ 41,644	\$ 357,947	\$ 1,483,541
Construction Administration	58,986	-	-	-	58,986	-	26,266	26,266	85,252
Advertising	-	-	-	62,616	62,616	-	-	-	62,616
Building Materials and Supplies (Net)	1,795,720	-	-	-	1,795,720	-	-	-	1,795,720
Depreciation	18,039	-	-	34,262	52,301	-	17,443	17,443	69,744
Fundraising Supplies	-	-	-	-	-	52,089	-	52,089	52,089
HFHI Franchise Fee	-	-	-	-	-	-	15,000	15,000	15,000
Loan Servicing Fees	-	-	-	-	-	-	2,512	2,512	2,512
Merchandise and Cost of Goods Sold	-	-	-	1,440,613	1,440,613	-	-	-	1,440,613
A Brush with Kindness Assistance Provided	-	-	214,756	-	214,756	-	-	-	214,756
Mortgage Discounts	-	632,586	-	-	632,586	-	-	-	632,586
Occupancy	-	-	-	428,336	428,336	-	4,263	4,263	432,599
Professional Services	-	-	-	-	-	3	54,703	54,706	54,706
ReStore Supplies	-	-	-	104,296	104,296	-	-	-	104,296
Special Events Expense	-	-	-	-	-	32,035	-	32,035	32,035
Telephone	10,948	-	-	-	10,948	1,392	-	1,392	12,340
Tithe to Habitat International	33,256	-	-	6,123	39,379	-	-	-	39,379
Training	11,899	-	-	-	11,899	-	-	-	11,899
	2,450,927	632,586	294,792	2,599,725	5,978,030	401,822	161,831	563,653	6,541,683
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,440,613)	(1,440,613)	-	-	-	(1,440,613)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	(32,035)	-	(32,035)	(32,035)
TOTAL FUNCTIONAL EXPENSES	\$ 2,450,927	\$ 632,586	\$ 294,792	\$ 1,159,112	\$ 4,537,417	\$ 369,787	\$ 161,831	\$ 531,618	\$ 5,069,035

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services				Total Expenses
	Construction	Discounts on Mortgage Originations	A Brush with Kindness	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salary and Related Costs	\$ 504,770	\$ -	\$ 48,980	\$ 522,388	\$ 1,076,138	\$ 286,221	\$ 33,970	\$ 320,191	\$ 1,396,329
Construction Administration	54,659	-	-	-	54,659	-	23,184	23,184	77,843
Advertising	-	-	-	36,257	36,257	-	-	-	36,257
Bad Debt Expense	-	-	-	-	-	-	18,170	18,170	18,170
Building Materials and Supplies (Net)	856,593	-	-	-	856,593	-	-	-	856,593
Depreciation	15,779	-	-	31,951	47,730	-	15,184	15,184	62,914
Fundraising Supplies	-	-	-	-	-	45,896	-	45,896	45,896
HFHI Franchise Fee	-	-	-	-	-	-	15,015	15,015	15,015
Loan Servicing Fees	-	-	-	-	-	-	5,825	5,825	5,825
Merchandise and Cost of Goods Sold	-	-	-	1,508,581	1,508,581	-	-	-	1,508,581
A Brush with Kindness Assistance Provided	-	-	67,810	-	67,810	-	-	-	67,810
Mortgage Discounts	-	294,805	-	-	294,805	-	-	-	294,805
Occupancy	-	-	-	436,663	436,663	-	6,918	6,918	443,581
Professional Services	-	-	-	-	-	3,100	41,405	44,505	44,505
ReStore Supplies	-	-	-	102,597	102,597	-	-	-	102,597
Special Events Expense	-	-	-	-	-	56,022	-	56,022	56,022
Telephone	10,813	-	-	-	10,813	-	-	-	10,813
Tithe to Habitat International	51,618	-	-	27,582	79,200	-	-	-	79,200
Training	17,768	-	-	-	17,768	-	-	-	17,768
	1,512,000	294,805	116,790	2,666,019	4,589,614	391,239	159,671	550,910	5,140,524
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,508,581)	(1,508,581)	-	-	-	(1,508,581)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	(56,022)	-	(56,022)	(56,022)
TOTAL FUNCTIONAL EXPENSES	\$ 1,512,000	\$ 294,805	\$ 116,790	\$ 1,157,438	\$ 3,081,033	\$ 335,217	\$ 159,671	\$ 494,888	\$ 3,575,921

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 433,341	\$ 84,484
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Bad Debt Expense	-	18,170
Depreciation Expense	69,744	62,914
Investment (Gain) Loss	33,514	(27,405)
Net Mortgage Discounts Issued	632,586	294,805
Mortgage Loan Discount Amortization	(182,135)	(282,034)
Mortgages Received from Home Sales	(1,230,516)	(562,813)
Gain on Sale of Mortgages	(281,860)	-
Contributed Properties Received	(510,000)	-
Changes in Assets and Liabilities		
Mortgages Receivable	311,624	601,090
Accounts Receivable	1,577	4,079
Pledges and Grants Receivable	-	4,750
Prepaid Expenses	35,429	109
Inventories	126,056	(83,532)
Construction in Progress, Net of Accrued Subsidies	905,998	(350,922)
Accounts Payable	68,584	(87,224)
Accrued Expenses	25,810	7,134
Deferred Revenue	(11,500)	5,400
	428,252	(310,995)
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(66,558)	(48,842)
Payments Received from Sales of Mortgages	844,053	-
Withdrawals from Endowment Fund	380,459	-
	1,157,954	(48,842)
NET CASH FROM INVESTING ACTIVITIES		

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes Payable	\$ -	\$ (8,624)
Proceeds from Conditional Grant - Paycheck Protection Program	286,572	-
NET CASH FROM FINANCING ACTIVITIES	286,572	(8,624)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,872,778	(368,461)
CASH AND CASH EQUIVALENTS - Beginning of Year	655,434	1,023,895
CASH AND CASH EQUIVALENTS - End of Year	\$ 2,528,212	\$ 655,434
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Investing and Financing Activities		
Increase in Construction in Process (Decrease in Mortgages Receivable) from Home Foreclosures	\$ -	\$ 376,513

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: NATURE OF ACTIVITIES

Habitat for Humanity of New Castle County, Inc., a nonprofit organization (Organization), was incorporated in 1986. The Organization is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational, Christian, nonprofit organization whose purpose is to build homes, community, and hope through creating and sustaining decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization also provides its “A Brush with Kindness” (ABWK) program. ABWK is a nationwide effort to serve low-income homeowners who struggle to maintain their homes. The focus is on helping homes stay safe, warm, and dry. Given the nature of the repairs, most of the work is performed by subcontractors.

The Organization operates two ReStores, with locations in Wilmington and Middletown, Delaware. These ReStores are retail outlets where quality used and surplus building materials, furniture, and appliances are sold at a fraction of normal prices. The materials sold by the ReStores are usually donated from building supply stores, contractors, demolition crews or from individuals who wish to show their support for the Organization. In addition to raising funds, the ReStores help the environment by rechanneling good, usable materials into use. The proceeds from the ReStores help the Organization fund the construction of houses within the community. The ReStores are a department of the Organization and not a separate legal entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Financial Statement Reporting - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board’s Accounting Standards Codification (FASB ASC) No. 958, *Not-for-Profit Entities*. Under ASC 958, net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, although their use may be limited by other factors, such as by contract or board designation. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Statement Reporting - Continued

Net Assets With Donor Restrictions - Net assets subject to donor- 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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

Change in Accounting Principle - In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

Revenue Recognition - Contributions and Government Appropriations - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restriction is met. Promises to give subject to donor- or grantor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as net assets with donor restrictions, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Contributions and Government Appropriations - Continued

As disclosed in Note 9, the Organization received funding under the U.S. Small Business Administration's Paycheck Protection Program (PPP) in the amount of \$286,572. This is presented as a conditional grant liability in the statement of financial position as of June 30, 2020. The Organization anticipates satisfying the conditions and recognizing the funding as revenue during the year ending June 30, 2021.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Deposit balances in excess of federally insured limits as of June 30, 2020 and 2019 were \$2,121,995 and \$193,564, respectively.

Accounts Receivable - Accounts receivable are carried at cost. The Organization does not accrue finance or interest charges. On a periodic basis, management evaluates its accounts receivable based on the history of past write-offs and collections. An account is written off when it is determined that all collection efforts have been exhausted.

The Organization has not recognized an allowance for doubtful accounts receivable since experience and management's estimation indicate an allowance for such amounts is immaterial.

Pledges and Grants Receivable - Unconditional pledges receivable are recognized as revenues or gains in the period received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges and grants receivable.

Fair Value of Financial Instruments - FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The carrying amounts for cash and cash equivalents, receivables, prepaid expenses, payables, accrued expenses, and deferred revenue approximate their fair value because of their short-term maturity. The carrying value amount of long-term debt approximates its fair value since the Organization's interest rates approximate current interest rates.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments - Continued

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted 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 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. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

Endowment Fund, Pooled Separate Accounts - Valued at the net asset value (NAV) of units held by the Organization at year end based on the market value of its underlying investments. Although the pooled separate accounts are not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments - Continued

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	2020			
	Level 1	Level 2	Level 3	Total
Investment in Pooled Separate Accounts	\$ -	\$ 504,244	\$ -	\$ 504,244
	2019			
	Level 1	Level 2	Level 3	Total
Investment in Pooled Separate Accounts	\$ -	\$ 918,217	\$ -	\$ 918,217

Inventories - Inventories are valued at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

Mortgages Receivable - Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Allowance for Mortgage Receivable Losses - The Organization uses established underwriting criteria to ensure that only families who meet the Organization's financial and credit criteria are approved to be partner families and receive a non-interest-bearing mortgage loan from the Organization. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income, and financial history.

The Organization regularly reviews its portfolio of mortgage notes receivable and monitors the accounts for delinquencies. Homeowners whose mortgages are more than 30 days past due are considered to be in an early stage of default. During the period of delinquency, the Organization contacts the homeowner using collection efforts and establishes a payment plan with the homeowner, if necessary. Homeowners whose mortgages are more than 90 days past due, who have not made satisfactory payment arrangements or reached a deed in lieu of foreclosure agreement, are subject to foreclosure proceedings.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance for Mortgage Receivable Losses - Continued

Non-interest-bearing mortgages originated are discounted at the time of sale based on historical experience from the Organization's portfolio mortgages and upon prevailing market rates. This results in the net mortgage receivable balances being less than the home's fair market value. Therefore, the Organization believes that losses resulting from nonpayment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization has not recorded an allowance for mortgage notes receivable losses.

Property and Equipment - Property and equipment acquired by the Organization are considered owned by the Organization and are valued at cost. Donated property and equipment acquired by the Organization are considered owned by the Organization and are valued at fair value at the time of the donation. Depreciation is provided on the straight-line method. Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

The estimated useful lives for depreciation are:

Automobiles	5 Years
Buildings and Improvements	7 - 39 Years
Equipment, Furniture, and Software	3 - 7 Years

Long-Lived Assets - As required by FASB ASC 360, *Property, Plant, and Equipment*, long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. There was no impairment loss as of June 30, 2020 and 2019.

Construction in Progress - Construction in progress is carried at cost less accrued subsidies. Cost includes initial acquisition and all subsequent costs to develop the property. It is not the Organization's intent to earn a profit selling developed property. Generally, sales are at a loss. The Organization considers losses incurred to be a subsidy to the respective buyer. However, in accordance with accounting principles generally accepted in the United States of America, the Organization records a provision of estimated losses on construction in progress in the period such losses are determined. These estimated losses are recorded on the statements of financial position as accrued subsidies included in the cost of construction incurred. As of June 30, 2020 and 2019, accrued subsidies on construction in progress were \$1,577,042 and \$1,578,080, respectively.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Services - The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services and support services. No amounts have been recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Donated Inventory - The Organization received noncash contributions from donors in the amount of \$1,176,463 and \$1,432,096 for the years ended June 30, 2020 and 2019, respectively. These noncash items were provided to the ReStore for resale to support the Organization's mission.

Home Sales - Transfers to homeowners are generally financed by the Organization. Home sales are recorded when title is transferred at the gross mortgage amount plus down payment received, if any. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Home Construction Costs - Costs incurred in conjunction with home construction are capitalized as construction in progress. Capitalized construction costs are expensed when ownership transfers to the homeowners. Post-settlement costs are expensed as incurred.

Functional Allocation of Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Certain costs have been allocated among the programs and supporting services benefited.

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on the best estimates of management. Expenses that are not directly identifiable by program or support services that are allocated based on personnel time spent on the activity include certain professional fees, supplies, and occupancy costs including maintenance and utilities. Depreciation expenses are allocated based on personnel costs specifically related to the utilization of property and equipment assets.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). However, a Form 990, Return of Organization Exempt from Income Taxes, is required to be filed each year. The Organization complies with other Internal Revenue Service reporting requirements regarding contributions received and payments to independent contractors.

The Organization recognizes tax benefits only to the extent that the Organization believes it is “more likely than not” that its tax positions will be sustained upon taxing authorities' examination.

The federal informational returns of the Organization for the years ended June 30, 2017, 2018, and 2019 are subject to examination by the tax authorities, generally for three years after they were filed.

Subsequent Events - The Organization’s policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported total net assets or changes in net assets.

Accounting Policies for Future Pronouncements - In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the year ending June 30, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position 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 statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Organization is currently evaluating the effect of the implementation of these new standards and the impact they will have on the Organization’s financial statements.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 3: AVAILABILITY AND LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover 30 days of general expenses. The Organization regularly monitors the liquidity required to meet its operating needs and other contractual commitments. The Organization has a few sources of liquidity at its disposal, including cash and cash equivalents and a line of credit (Note 10).

For purposes of analyzing resources available to meet general expenses over a 12-month period, the Organization considers all expenses related to its ongoing program and support activities to be general expenses. If assets are not available to meet current operating needs, then they are not included in our analysis below. Inventory and properties available for resale are not included in our analysis because they require the Organization to sell the assets.

In addition to financial assets available to meet general expenses over the next 12 months, the Organization operates within its budget and anticipates collecting sufficient funding to cover general expenses not covered by donor-restricted resources.

The following reflects the Organization's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use because of contractual, board designation, or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial Assets as of June 30		
Cash and Cash Equivalents	\$ 2,528,212	\$ 655,434
Accounts Receivable, Net	6,078	7,655
Non-Interest-Bearing Mortgages Receivable, Net	3,047,945	3,141,697
Investments in Endowment Fund	<u>504,244</u>	<u>918,217</u>
Financial Assets as of June 30	6,086,479	4,723,003
Less Amounts Not Available to be Used Within a Year		
Net Assets with Donor Restrictions to be Used for Specific Purposes	1,344,681	722,885
Endowment Assets in Excess of Amount Available per Spending Policy	504,244	878,484
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	<u>2,754,786</u>	<u>2,840,150</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,482,768</u>	<u>\$ 281,484</u>

Funds held in the Organization's endowment are subject to contractual spending policies of the Delaware Community Foundation. There was no amount available for distribution as of June 30, 2020.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	2020	2019
Subject to Expenditure for Specified Purpose		
Construction of Homes	\$ 974,534	\$ 631,303
Rock the Block	20,000	-
A Brush with Kindness	350,147	91,582
Total Subject to Expenditure for Specified Purpose	1,344,681	722,885
Subject to Endowment Spending Policy and Appropriations		
Endowment Funds	-	300,000
Total Net Assets with Donor Restrictions	\$ 1,344,681	\$ 1,022,885

NOTE 5: NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions by incurred expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended June 30:

	2020	2019
Purpose Restrictions Accomplished		
Construction of Homes	\$ 164,741	\$ 645,728
A Brush With Kindness	294,792	116,790
Endowment Withdrawal	300,000	-
Total Releases from Restrictions	\$ 759,533	\$ 762,518

NOTE 6: MORTGAGES RECEIVABLE

Mortgages from home sales represent the sale of houses built by the Organization in exchange for mortgage notes with no interest. These mortgages are payable over 20 to 30 years and discounted for the present time value of money. The held mortgages receivable are discounted in order to reflect their economic value. The interest rates used to determine the discount range from 7.55% to 9.00%. As of June 30, 2020 and 2019, the Organization had 63 loans outstanding.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 6: MORTGAGES RECEIVABLE - CONTINUED

The following are annual maturities to be received for the years ending June 30:

	2020	2019
Past Due	\$ 117,303	\$ 166,588
2021	293,159	301,547
2022	293,159	301,547
2023	293,159	301,547
2024	290,284	301,547
2025	285,291	298,672
Thereafter	4,233,948	4,356,575
	5,806,303	6,028,023
Less: Unamortized Discount	(2,758,358)	(2,886,326)
Non-Interest-Bearing Mortgages Receivable (Net of Discount)	\$ 3,047,945	\$ 3,141,697

To account for uncertainty in the timing of cash collections, management has excluded from current assets in the statements of financial position amounts reflected as past due mortgages.

The following table shows an aging analysis of mortgages receivable by past due status:

2020			
Current	30-89 Days Past Due	90 Days or More Past Due	Total
\$ 5,698,493	\$ 16,332	\$ 91,478	\$ 5,806,303
2019			
Current	30-89 Days Past Due	90 Days or More Past Due	Total
\$ 5,873,743	\$ 17,855	\$ 136,425	\$ 6,028,023

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment as of June 30 were as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 152,523	\$ 152,523
Automobiles	131,500	98,953
Building and Improvements	1,176,915	1,163,900
Equipment, Furniture, and Software	<u>172,542</u>	<u>151,546</u>
	1,633,480	1,566,922
Less: Accumulated Depreciation	<u>783,440</u>	<u>713,696</u>
Net Property and Equipment	<u><u>\$ 850,040</u></u>	<u><u>\$ 853,226</u></u>

NOTE 8: ENDOWMENT FUND

The endowment fund consists of pooled investments managed by the Delaware Community Foundation (DCF). The Organization is the primary income beneficiary. DCF reserves the right to make the final decision regarding distributions to the Organization.

Endowment fund activity consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Beginning Balance - July 1	\$ 918,217	\$ 890,812
Withdrawals	(380,459)	-
Investment Income (Loss)	<u>(33,514)</u>	<u>27,405</u>
Ending Balance - June 30	<u><u>\$ 504,244</u></u>	<u><u>\$ 918,217</u></u>

The Organization does not believe that investments within the DCF endowment fund are within the scope of the FASB ASC, *Not-for-Profit Organizations*, in regard to required disclosures for endowments, because in contrast to donor-restricted endowment funds, no ongoing decisions about the investment or distributions from the fund are within the authority of the Organization.

The endowment includes net assets with donor restrictions in the amount of \$0 and \$300,000 as of June 30, 2020 and 2019, respectively, the income from which is not donor-restricted. Amounts are appropriated for expenditure annually; however, in lieu of distributing the donor restricted income for operations, management retains the income to maintain the purchasing power of the fund. As a result, to reflect the appropriation, investment income is reported as increases in net assets without donor restrictions in the statements of activities.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 8: ENDOWMENT FUND - CONTINUED

During the year ended June 30, 2020, with approval from the respective donors, endowment funds with donor restrictions were appropriated for expenditure and distributed from the endowment assets.

Endowment fund income (loss) consisted of the following for the years ended June 30:

	2020	2019
Realized and Unrealized Gain (Loss)	\$ (39,725)	\$ 22,080
Income Earned	17,821	16,881
Administrative and Investment Fees	(11,610)	(11,556)
Investment Income (Loss), Net of Fees	\$ (33,514)	\$ 27,405

NOTE 9: CONDITIONAL CONTRIBUTION - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In response to the uncertainty created by the COVID-19 pandemic, the federal government signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. A provision of the CARES Act allowed for loans to eligible small businesses, including nonprofit organizations, under its Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration. PPP loans have a maturity term of two or five years and incur interest at a rate of 1%. PPP loans contain provisions to forgive all or a portion of the funds borrowed based on a calculation that considers the borrower's incurrence of eligible costs and maintaining employee and salary levels for a period of time after receipt of the loan funds. In April 2020, the Organization received a PPP loan in the amount of \$286,572.

The PPP loan has been recorded as a conditional grant liability on the statement of financial position as of June 30, 2020. Upon satisfaction of the measurable performance barriers contained in the PPP loan agreement, which includes the submission of an application for loan forgiveness, the Organization will recognize the conditional contribution as revenue.

NOTE 10: NOTE PAYABLE - DEMAND

The Organization has a revolving line of credit with a local financial institution in the amount of \$300,000. Principal is payable on demand with interest paid monthly at the bank's prime rate (3.25% as of June 30, 2020) less 1% annually on all outstanding balances. The line of credit is considered due on demand; therefore, renewal documentation is not required each year unless changes are made to the original agreement. The line of credit is collateralized by a security interest in the assets of the Organization. No amounts were outstanding on the line of credit as of June 30, 2020 and 2019.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 11: NOTES PAYABLE

Notes payable as of June 30 were as follows:

	2020	2019
<i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate.	\$ 21,000	\$ 21,000
<i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate.	56,000	56,000
<i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate.	6,000	6,000
Total Notes Payable	83,000	83,000
Less: Current Portion	83,000	83,000
Total Notes Payable, Net of Current Portion	\$ -	\$ -

As indicated in the preceding chart, in June 2013, the City of Wilmington provided properties in exchange for three loans payable by the Organization totaling \$83,000. The loans were to be used to acquire and renovate specific properties to provide affordable housing. The terms of the agreements converted the notes to grants if the Organization sold the properties for affordable housing during the contract period. As of June 30, 2020 and 2019, the Organization had not transferred the properties via affordable housing home sales and the contract periods had expired.

The City of Wilmington has indicated an intent to revise the mortgages to bring the Organization in compliance with the terms of the agreement and provide a timeline that meets the needs of the Organization. Until a revised contract is executed to cure the contract default, the balances have been presented as current liabilities in the statements of financial position.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 12: LEASE COMMITMENTS

The Organization leases various facilities and a copier under noncancelable operating leases which expire in various years through November 30, 2025. Rent expense on the facilities and copier was \$331,180 and \$3,270, respectively, for the year ended June 30, 2020 and \$319,978 and \$8,257, respectively, for the year ended June 30, 2019.

The following are the future minimum lease payments required by these leases for the years ending June 30:

	Facilities	Copiers	Total
2021	\$ 273,234	\$ 3,504	\$ 276,738
2022	169,950	3,504	173,454
2023	177,482	584	178,066
2024	182,862	-	182,862
2025	182,862	-	182,862
Thereafter	76,193	-	76,193
Total Minimum Lease Payments	\$ 1,062,583	\$ 7,592	\$ 1,070,175

NOTE 13: COMMITMENTS AND CONTINGENCIES

Mortgage Loan Repurchase Commitment - The Organization is required to repurchase any mortgage loan that it had previously sold that becomes 120 days past due. The Organization is notified regularly of delinquent mortgages that are at risk of repurchase. During the years ended June 30, 2020 and 2019, the Organization was not required to repurchase delinquent mortgages receivable.

NOTE 14: RELATED-PARTY TRANSACTIONS

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI). Affiliate fees paid to HFHI were \$15,000 and \$15,015 for the years ended June 30, 2020 and 2019, respectively.

HFHI has a suggested 10% tithing based on internal calculations for unrestricted funds; however, there is no penalty for tithing less than this amount. This amount is used for HFHI's worldwide housing programs. For the years ended June 30, 2020 and 2019, contributions to HFHI amounted to \$39,379 and \$79,200, respectively.

NOTE 15: RETIREMENT PLAN

The Organization sponsors a 401(k) plan. Full-time employees with 30 days of service are eligible to participate in the plan. Matching contributions are made on a discretionary basis as approved by the Organization's board of directors. For the years ended June 30, 2020 and 2019, matching contributions of \$12,378 and \$8,948, respectively, were determined based on 2% eligible compensation.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 16: HOME CONSTRUCTION COSTS

Following is a summary of home building activity:

	Years Ended June 30	
	2020	2019
Construction in Progress (Net of Accrued Subsidies) - Beginning	\$ 1,920,035	\$ 1,521,104
Cost of Homes Transferred	(1,917,793)	(687,865)
Capitalized Home Development Costs	1,010,757	588,855
Contributed Properties Received	510,000	-
Homes Reacquired Through Foreclosure	-	376,513
Decrease in Accrued Subsidies on Homes Under Construction	1,038	121,428
	<u>\$ 1,524,037</u>	<u>\$ 1,920,035</u>
Construction in Progress (Net of Accrued Subsidies) - Ending		
Homes Under Construction - Beginning	11	11
Homes Transferred to Homeowners	(10)	(4)
Homes Rented	2	-
New Homes Entering Development Stage	13	4
	<u>16</u>	<u>11</u>
Homes Under Construction - Ending		

Net building materials and supplies expense as reported in the statements of functional expenses consisted of the following:

	Years Ended June 30	
	2020	2019
Cost of Homes Transferred	\$ 1,917,793	\$ 687,865
Decrease in Accrued Subsidies on Homes Under Construction	(1,038)	(121,428)
Property Maintenance and Construction Administration	198,965	412,156
Allocation of Construction Overhead to Construction in Progress	(320,000)	(122,000)
	<u>\$ 1,795,720</u>	<u>\$ 856,593</u>
Total Building Materials and Supplies (Net)		

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 17: RESTORE

Selected operating information for the Organization's ReStore program is as follows:

	Years Ended June 30	
	2020	2019
Noncash Donations for Resale at ReStore	\$ 1,176,463	\$ 1,432,096
Merchandise and ReStore Revenues	1,175,488	1,431,349
Less: Merchandise and Cost of Goods Sold	<u>(1,440,613)</u>	<u>(1,508,581)</u>
	911,338	1,354,864
Other ReStore Expenses	<u>(1,159,112)</u>	<u>(1,157,438)</u>
Net ReStore Activity	<u>\$ (247,774)</u>	<u>\$ 197,426</u>

NOTE 18: ADJUSTMENTS TO PRIOR PERIOD FINANCIAL STATEMENTS

Management determined that mortgages receivable and discount on mortgages receivable were overstated and construction in progress was understated as of June 30, 2019. The Organization's mortgage portfolio is serviced by a third-party service provider. At the time of a mortgage default, the Organization recognizes the reacquired property at the outstanding value of the mortgage receivable. The service provider removes the loan from reports provided to the Organization, and the Organization utilizes those reports for accounting reconciliations. The need for restatement is a result of timing differences for reporting properties reacquired from defaulted mortgages. The third-party experienced a timing delay in accounting for and reporting to the Organization the foreclosure activity.

The effect of the above-referenced restatement on the 2019 financial statements is as follows:

<u>As of June 30, 2019</u>	<u>As Previously Reported</u>	<u>Reclassification of Defaulted Mortgages</u>	<u>As Restated</u>
Non-Interest-Bearing Mortgages Receivable (Current Portion)	\$ 338,339	\$ (36,792)	\$ 301,547
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	6,176,560	(450,084)	5,726,476
Discount on Non-Interest Bearing Mortgages Receivable	(3,044,698)	158,372	(2,886,326)
Construction in Progress, Net of Accrued Subsidies	1,591,531	328,504	1,920,035