



HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Council Bluffs, Inc.
Council Bluffs, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Council Bluffs, Inc. (the Organization), a non-profit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BLAND + ASSOCIATES, P.C.

Omaha, Nebraska
December 17, 2021

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
STATEMENTS OF FINANCIAL POSITION
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2020)

ASSETS	June 30,	
	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 428,586	\$ 447,247
Prepaid Expenses	5,847	4,057
Grants Receivable	43,544	-
Mortgages Receivable, Current Portion	93,468	93,468
Inventories:		
Construction in Progress	105,804	-
Land Held for Development	66,460	27,525
Total Current Assets	743,709	572,297
PROPERTY AND EQUIPMENT		
Buildings and Improvements	3,490,367	3,484,214
Vehicles	9,000	-
Office Equipment and Furniture	133,908	126,784
	3,633,275	3,610,998
Less Accumulated Depreciation	(657,626)	(567,445)
Total Property and Equipment	2,975,649	3,043,553
OTHER ASSETS		
Cash Restricted for Escrow and Reserve Funding	65,612	62,054
Beneficial Interest in Assets Held by Pottawattamie County Community Foundation	6,497	3,568
Mortgages Receivable, Less Current Portion and Net of Discount of \$391,082 and \$424,724, Respectively	541,664	597,596
Total Other Assets	613,773	663,218
	\$ 4,333,131	\$ 4,279,068
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 100	\$ 46
Family Escrow Deposits	38,370	39,717
Accrued Liabilities	20,900	21,948
Current Portion of Long-Term Debt	117,089	116,992
Total Current Liabilities	176,459	178,703
LONG-TERM DEBT, LESS CURRENT PORTION	749,866	895,945
Total Liabilities	926,325	1,074,648
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,256,792	3,063,067
Board Designated Perpetual Endowment	3,381	1,613
Total Without Donor Restrictions	3,260,173	3,064,680
With Donor Restrictions:		
Purpose Restrictions	143,517	137,785
Perpetual Endowment	3,116	1,955
Total With Donor Restrictions	146,633	139,740
Total Net Assets	3,406,806	3,204,420
	\$ 4,333,131	\$ 4,279,068

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

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2020)

	Years Ended June 30,			
	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUES AND SUPPORT				
Restore Sales				
Contributions of Merchandise	\$ 243,134	\$ -	\$ 243,134	\$ 213,400
Sales of Donated Merchandise	243,134	-	243,134	213,400
Less: Value of Merchandise Sold	(243,134)	-	(243,134)	(213,400)
Net Restore Sales	243,134	-	243,134	213,400
Contributions and Grants	271,543	143,517	415,060	323,481
Sale of Homes	92,823	-	92,823	202,234
Interest Income Mortgage Discount Amortization	33,642	-	33,642	91,672
Rent Income	54,324	-	54,324	51,224
Paycheck Protection Program (PPP) Loan Forgiveness	34,000	-	34,000	-
Special Event Income	23,617	-	23,617	33,187
Less: Direct Benefit to Donors	(733)	-	(733)	(5,622)
In-Kind Donations	23,583	-	23,583	11,074
Other Income	6,104	-	6,104	7,291
Investment Income, Net of Expenses	1,039	-	1,039	28
Net Assets Released from Restriction				
Satisfaction of Program Restrictions	136,624	(136,624)	-	-
Total Net Assets Released from Restriction	136,624	(136,624)	-	-
Total Operating Revenues and Support	919,700	6,893	926,593	927,969
OPERATING EXPENSES				
Program Services	349,684	-	349,684	580,890
Management and General	354,853	-	354,853	200,496
Fundraising	19,670	-	19,670	29,457
Total Operating Expenses	724,207	-	724,207	810,843
Change in Net Assets	195,493	6,893	202,386	117,126
NET ASSETS - BEGINNING OF YEAR	3,064,680	139,740	3,204,420	3,087,294
NET ASSETS - END OF YEAR	\$ 3,260,173	\$ 146,633	\$ 3,406,806	\$ 3,204,420

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

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

	Program Services			Supporting Services			Totals	
	Restore	Home Ownership	Total Program Services	Management and General	Fundraising	Total Supporting Services	2021	2020
Salaries and Benefits	\$ 98,912	\$ -	\$ 98,912	\$ 139,304	\$ -	\$ 139,304	\$ 238,216	\$ 189,025
Cost of Homes Transferred	-	156,660	156,660	-	-	-	156,660	316,024
Depreciation and Amortization	-	-	-	90,180	-	90,180	90,180	94,084
Professional Fees	19,254	9,802	29,056	27,468	5,202	32,670	61,726	46,221
Interest	-	-	-	41,020	-	41,020	41,020	47,423
Utilities	13,939	1,519	15,458	12,263	1,450	13,713	29,171	27,581
Payroll Taxes	14,593	-	14,593	14,307	-	14,307	28,900	22,246
Insurance and Other Taxes	3,721	341	4,062	15,632	406	16,038	20,100	21,546
Maintenance and Small Equipment	9,693	376	10,069	6,862	95	6,957	17,026	9,050
Grant Writing	-	-	-	-	9,839	9,839	9,839	1,463
Cost of Goods Sold	7,058	-	7,058	-	-	-	7,058	5,222
Tithe and Affiliate Fees	1,406	1,406	2,812	2,406	1,406	3,812	6,624	8,000
Supplies and Postage	1,887	579	2,466	2,727	501	3,228	5,694	4,849
Fees and Charges	4,859	3	4,862	541	43	584	5,446	4,726
Rent and Lease	693	396	1,089	693	398	1,091	2,180	1,991
Training and Travel	640	108	748	515	48	563	1,311	1,859
Dues and Subscriptions	334	83	417	768	83	851	1,268	3,298
Vehicle	1,164	-	1,164	11	48	59	1,223	801
Other	65	97	162	156	-	156	318	336
Advertising	50	12	62	-	151	151	213	868
Volunteer Hours	-	34	34	-	-	-	34	46
Bad Debt	-	-	-	-	-	-	-	4,184
TOTAL FUNCTIONAL EXPENSES	\$ 178,268	\$ 171,416	\$ 349,684	\$ 354,853	\$ 19,670	\$ 374,523	\$ 724,207	\$ 810,843

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

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
STATEMENTS OF CASH FLOWS
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2020)

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 202,386	\$ 117,126
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	90,180	94,084
In-Kind Donation of Property and Equipment	(9,000)	-
Paycheck Protection Program (PPP) Loan Forgiveness	(34,000)	-
Mortgage Receivable Discount Interest Income and Discount Recovery	(33,642)	(91,672)
(Increase) Decrease in Current Assets:		
Prepaid Expenses	(1,790)	(504)
Grants Receivable	(43,544)	-
Inventories	(144,739)	119,618
Beneficial Interest in Assets Held by Pottawattamie County Community Foundation	(2,929)	(2,218)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	54	(14,208)
Family Escrow Deposits	(1,347)	1,190
Accrued Liabilities	(1,048)	1,240
Net Cash Provided By Operating Activities	20,581	224,656
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Mortgages Receivable, Net of Forgiven Amounts	89,574	166,193
Purchase of Property and Equipment	(13,276)	(1,127)
Net Cash Provided By Investing Activities	76,298	165,066
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	-	34,000
Payments on Long-Term Debt	(111,982)	(133,994)
Net Cash Used In Financing Activities	(111,982)	(99,994)
Net (Decrease) Increase In Cash, Cash Equivalents, and Restricted Cash	(15,103)	289,728
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	509,301	219,573
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 494,198	\$ 509,301
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 41,198	\$ 47,051

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

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity of Council Bluffs, Inc., (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The Organization was incorporated in May 1993, as a non-profit organization affiliated with Habitat for Humanity International, Inc. (Habitat International), an ecumenical Christian not-for-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. The goal is to eliminate poverty housing everywhere and to make poverty housing and homelessness socially, politically, and religiously unacceptable. While the Organization is primarily and directly responsible for its own operations, Habitat International assists with information resources, training, publications, prayer support, etc. The Organization's funding for program services is dependent upon the collection of mortgages, special events and local support.

Basis of Presentation

The Organization maintains its accounts on the accrual basis of accounting.

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 as follows:

Net assets without donor restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without restrictions, a board-designated endowment.

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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (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 and changes in net assets as net assets released from restriction.

Measure of Operations

In the statements of activities and changes in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with maturities of three months or less to be cash equivalents.

Restricted Cash

The Organization has classified certain cash that is restricted for a specific purpose as restricted cash. In addition, the Organization is required to maintain a reserve fund equal to three months of principal and interest due on notes payable to Habitat for Humanity of Iowa.

Inventories

Inventories consist of real property purchased by the Organization for rehabilitation and development held with the intention of transferring the properties to qualified buyers. Inventories are carried at the lower of cost, including cost of improvements and amenities incurred subsequent to acquisition, or net realizable value.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

Foreclosed assets are assets acquired through foreclosure or other proceedings and are initially recorded at the lower of cost or fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost. After foreclosure, valuations are periodically performed by management and foreclosed assets held for sale are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the cost of homes transferred.

Mortgage Receivables and Discount

Mortgage receivables are non-interest bearing loans and are secured by real estate and payable in monthly installments over the life of the loan. Management determines the allowance for doubtful accounts by regularly evaluating the loan listing and considering prior years' experience and analysis of specific promises made. The Organization considers all mortgage loans to be 100% collectible; therefore, no allowance for uncollectible accounts has been established. The loans have been discounted based upon prevailing market rates at the inception of the mortgages. Unearned interest on discounted loans is amortized to income over the life of the loans, using the interest method.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments over \$500 are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

The cost of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and Improvements	40
Vehicles	5
Office Equipment and Furniture	3-7

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Assets Held by Pottawattamie County Community Foundation

The Organization established an endowment under the Pottawattamie County Community Foundation (the Community Foundation). The Organization granted variance power to the Community Foundation, which allows the Community Foundation to have ultimate authority and control over the fund and the income derived therefrom. The fund is held and invested by the Community Foundation for the Organization's benefit and is reported at fair value within the statements of financial position, with distributions and changes in fair value recognized in the statements of activities and changes in net assets.

Compensated Absences

Employees of the Organization are entitled to certain amounts of paid personal time off. In the event of termination, an employee is reimbursed for accumulated unused paid time off.

Agency Transactions

The Organization acts as an agent for certain grants payable to a specified recipient. The Organization does not have variance power over the funds and does not have a controlling financial interest in the recipient.

Revenue Recognition

Under "Revenue from Contracts with Customers" ("Topic 606"), the Organization recognizes revenue when a customer obtains controls of promised goods or services, in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Organization satisfies the performance obligation. The Organization only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of Topic 606, the Organization assesses the goods or services promised within each contract and determines those that are performance obligations. The Organization then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 met.

For the years ended June 30, 2021 and 2020, the Organization has received conditional promises to give of \$35,338 and \$53,750, respectively which are dependent upon the requirements of the grant agreements. The Organization only received \$15,250 of the \$53,750 conditional promises to give from June 30, 2020 due to an amendment to the grant award in 2021.

Besides contribution and grant income, which is outside the scope of Topic 606, the Organization recognizes other operating revenues and support on the statements of activities and changes in net assets at a point in time, as described in more detail below for the Organization's significant revenue streams.

The Organization recognizes revenue on homebuilding activities at a point in time, upon the closing of the sale. ReStore Sales are recognized at the time the transaction occurs in the store. The Organization records event income as events are held.

All support and revenues are considered net assets without donor/grantor restrictions unless stipulated by the grantor. Net assets are released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor/grantors. When the net assets are released, such net assets are reclassified within the applicable classes of net assets.

Contributions received and investment income with donor/grantor restrictions that are met in the same reporting period are reported as revenue and an increase in net assets without donor/grantor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocated among program and supporting services are based on management's estimate of services benefited.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was \$213 and \$868 for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

The Organization has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. As such, no provision for income taxes is reflected in the financial statements.

The Organization files Form 990, *Return of Organization Exempt from Income Tax*, in the U.S. Federal and state jurisdictions. As of June 30, 2021, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and there are no material amounts of unrecognized tax benefits. Tax years subsequent to 2017 remain subject to examination by major tax jurisdictions.

Upcoming Accounting Standard Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*: a revision of the 2010 ASU, *Leases (Topic 840)*, which once again revises a previous change to lease accounting standards. The FASB will require an entity to classify the right to use a leased asset as an asset and the obligation to make lease payments as a liability. The revised ASU contains other factors in determining the proper recording of related expenses. The FASB also decided on a dual approach for lessee accounting, with lease classification determined in accordance with the principle in existing lease requirements (that is, determining whether a lease is effectively an installment purchase by the lessee). A lessee therefore would account for most existing capital/finance leases as Type A leases (that is, recognizing amortization of the right-of-use (ROU) asset separately from interest on the lease liability) and most existing operating leases as Type B leases (that is, recognizing a single total lease expense). Both Type A leases and Type B leases result in the lessee recognizing a ROU asset and a lease liability. The new guidance is effective for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organization. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through December 17, 2021, which is the date the financial statements were available to be issued.

NOTE B – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the years ended June 30,:

	2021	2020
Cash and Cash Equivalents	\$ 428,586	\$ 447,247
Cash Restricted for Escrow and Reserve Funding	65,612	62,054
 Total Cash, Cash Equivalents, and Restricted Cash shown in the Statements of Cash Flows	 \$ 494,198	 \$ 509,301

At June 30, 2021 and 2020, cash restricted for the purpose of reserve funding was \$29,644 and \$24,366, respectively.

At June 30, 2021 and 2020, cash restricted for the purpose of escrow was \$35,968 and \$37,688, respectively.

NOTE C – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash, accounts receivable, and mortgage receivables. The Organization maintains cash balances in financial institutions in which balances sometimes exceed the federally insured limits. The Organization can receive a large portion of their support from specific grantors each year. For the year ended June 30, 2021, a grantor made up approximately 17% of contribution and grant income.

NOTE D – LIQUIDITY AND AVAILABILITY

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following as of June 30, 2021:

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE D – LIQUIDITY AND AVAILABILITY (Continued)

Cash and Cash Equivalents	\$ 428,586
Mortgages Receivable, Current Portion	93,468
Grants Receivable	43,544

Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:

Purpose restrictions outstanding at year-end	<u>(143,517)</u>
	<u>\$ 422,081</u>

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

- 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.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

Beneficial Interest in Assets Held by Pottawattamie County Community Foundation: Valued at the Organization's share of the Community Foundation's investment pool as of the measurement date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021 and 2020.

	Assets at Fair Value as of June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by Pottawattamie County Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,497</u>	<u>\$ 6,497</u>
	Assets at Fair Value as of June 30, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by Pottawattamie County Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,568</u>	<u>\$ 3,568</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the years ended June 30, 2021 and 2020:

Balance, July 1, 2019	\$ 1,350
Contributions	2,190
Investment Income, Net of Expenses	28
Balance, June 30, 2020	3,568
Investment Income, Net of Expenses	1,039
Board Designated Contributions	1,300
Outside Contributions	590
Balance, June 30, 2021	\$ 6,497

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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NOTE F – ENDOWMENTS

Management interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

Endowment net assets composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 3,116	\$ 3,116
Board-designated	3,381	-	3,381
	<u>\$ 3,381</u>	<u>\$ 3,116</u>	<u>\$ 6,497</u>

Endowment net assets composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 1,955	\$ 1,955
Board-designated	1,613	-	1,613
	<u>\$ 1,613</u>	<u>\$ 1,955</u>	<u>\$ 3,568</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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NOTE F – ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the years ended June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2019	\$ 400	\$ 950	\$ 1,350
Contributions	1,200	990	2,190
Investment Income, Net of Expenses	13	15	28
Endowment Net Assets, June 30, 2020	\$ 1,613	\$ 1,955	\$ 3,568
Contributions	1,300	590	1,890
Investment Income, Net of Expenses	468	571	1,039
Endowment Net Assets, June 30, 2021	<u>\$ 3,381</u>	<u>\$ 3,116</u>	<u>\$ 6,497</u>

Investment Return Objectives and Risk Parameters

The Organization has not adopted investment and spending policies for endowment assets. The fund is subject to the Community Foundation’s investment policy.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective of preserving endowment funds, the Organization relies on a total return strategy in which investment returns are achieved primarily through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

The fund is subject to the Community Foundation’s spending policies. The Community Foundation can distribute 5% of the endowment’s previous year ending balance to the Organization. Distributions in excess of the income of the fund may be made to the Organization in any year as determined by the Community Foundation Board of Directors.

NOTE G – CONDITIONAL MORTGAGE RECEIVABLE

In 2010, the Organization partnered with Omaha 100, Inc., a subsidiary of Family Housing Advisory Services. Omaha 100, Inc. holds the mortgages on the homes transferred and the Organization receives payment from Omaha 100, Inc. for the mortgage at the zero interest rate equivalency at closing. The Organization holds a second mortgage on the property that is forgiven ratably over the life of the loan.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
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NOTE G – CONDITIONAL MORTGAGE RECEIVABLE (Continued)

If the home was sold or foreclosed on, or if the loan was refinanced, the balance on this second mortgage would be collected after the mortgage held by Omaha 100, Inc. was paid in full. Management has not recorded the values of the second mortgages as it is unlikely that value would ever be recognized.

Prior to the partnership with Omaha 100, Inc., buyers of homes signed both a mortgage and a promissory note with the Organization and these mortgages are recorded on the statements of financial position as mortgages receivable.

The promissory note agreed to the total mortgage amount. However, under the terms of the promissory note, only part of the total mortgage was payable in monthly installments. The remainder was forgivable over the life of the mortgage contingent upon the buyer meeting certain conditions.

The forgivable portion of the mortgage would become receivable only in the event that the homeowner failed to meet the conditions identified in the promissory note and to the extent that the Organization chose to exercise its option of treating any remaining forgivable amount as payable by the homeowner.

For purposes of the financial statement presentation, none of the forgivable portions of the mortgages have been recorded as receivable as it is unlikely they will ever be collected.

NOTE H – MORTGAGES RECEIVABLE

The Organization holds 32 mortgage notes with maturities ranging from 2022 to 2039. The notes are non-interest bearing mortgages, payable in equal monthly installments. The notes have been discounted using the effective interest method over the terms of the mortgages. Mortgages are reported net of amortized cost. The Organization's mortgage home loans are as follows at June 30,:

	2021	2020
Gross mortgage home loans	\$ 1,026,214	\$ 1,115,788
Less unamortized discount	(391,082)	(424,724)
Basis in loan	<u>\$ 635,132</u>	<u>\$ 691,064</u>

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
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NOTE I – LONG-TERM DEBT

Long-term debt consists of the following at June 30,:

	2021	2020
Note payable due in monthly installments of \$923, including interest at 4.0%, with final payment due October 2021, secured by mortgage receivables.	\$ 4,747	\$ 15,401
Note payable due in monthly installments of \$4,334 with a final payment of \$276,844 at maturity in October 2022, including interest at 4.5%, secured by certain real estate and substantially all business assets.	332,857	365,830
Note payable due in monthly installments of \$3,055 with a final payment of \$260,600 at maturity in September 2022, including interest at 4.5%, secured by certain real estate and substantially all business assets.	304,510	326,724
Note payable due in monthly installments of \$1,299, including interest at 5.0% with final payment due January 2023, secured by certain real estate.	24,746	37,514
Note payable due in monthly installments of \$2,225, including interest at 4.0%, with final payment due April 2027, secured by mortgage receivables.	101,584	123,738
Note payable due in monthly installments of \$757, including interest at 4.0%, with final payment due December 2028, secured by mortgage receivables.	58,960	65,547
Note payable due in monthly installments of \$490, including interest at 4.0%, with final payment due March 2028, secured by mortgage receivables.	39,551	43,753
Non-interest bearing note payable to Iowa Finance Authority in monthly installments of \$130, with final payment due October 2024, secured by mortgage receivables. This note has been paid in full.	-	430
PPP Loan, subject to forgiveness, unsecured, with interest at the rate of 1% per annum and lump sum final payment due April 2022. This note was forgiven in June 2021. See Note N.	-	34,000
Total Long-Term Debt	866,955	1,012,937
Less Current Portion of Long-Term Debt	(117,089)	(116,992)
	\$ 749,866	\$ 895,945

Certain notes are subject to financial covenants and restrictions on indebtedness. As of June 30, 2021, the Organization is not in compliance with all covenants but a temporary waiver has been granted.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
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NOTE I – LONG-TERM DEBT (Continued)

The aggregate maturities of long-term debt for the years ending after June 30, 2021 are as follows:

Years Ending June 30,	
2022	\$ 117,089
2023	620,435
2024	37,165
2025	38,680
2026	16,375
Thereafter	37,211
	<u>\$ 866,955</u>

NOTE J – TRANSACTIONS WITH HABITAT INTERNATIONAL

Tithe and Affiliate Fees

The Organization contributes up to 10% of unrestricted support received to Habitat International. For the years ended June 30, 2021 and 2020, tithe and affiliates fees to Habitat International totaled \$6,625 and \$8,000, respectively.

NOTE K – OPERATING LEASES

The Organization leases office equipment with monthly payments of \$154, expiring in March 2022. Rent expense was \$1,850 and \$1,850 for the years ended June 30, 2021 and 2020, respectively.

The future minimum lease payments required under the above operating lease as of June 30, 2021 are as follows:

Year Ending June 30,	Amount
2022	\$ 1,233

NOTE L – LEASE REVENUES UNDER OPERATING LEASES

The Organization rents out a portion of their building with a cost of \$3,484,214 and carrying amount of \$2,952,155 and \$3,039,260 as of June 30, 2021 and 2020, respectively, to various tenants through lease agreements expiring at various times through December 2023. The monthly base rent payments range from \$485 to \$3,042.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2021
(With Summarized Comparative Information for 2020)

NOTE L – LEASE REVENUES UNDER OPERATING LEASES (Continued)

The future minimum lease receipts expected under these operating leases as of June 30, 2021 are as follows:

Years Ending June 30,	Amount
2022	\$ 36,504
2023	36,504
2024	18,252
	<u>\$ 91,260</u>

NOTE M – RETIREMENT PLAN

The Organization has a Simple IRA Plan that covers all employees. The contribution made on behalf of each eligible employee is the same percentage of total compensation for every employee. The percentage for the years ended June 30, 2021 and 2020 was 3% and contribution expense was \$5,050 and \$2,109, respectively.

NOTE N – PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

On March 11, 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Organization operates. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which they operate and the related impact on consumer confidence and spending, all of which are highly uncertain. On April 16, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of \$34,000 (the “PPP Loan”). The PPP Loan had interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration (SBA).

The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization applied for forgiveness and in June 2021 the Organization was notified that full forgiveness was granted. Because forgiveness was granted, the proceeds were recognized as revenue and are included as “Paycheck Protection Program (PPP) Loan Forgiveness” in the accompanying statements of activities and changes in net assets.