



HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)**

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Omaha, Inc. (the Organization), a non-profit corporation, which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BLAND + ASSOCIATES, P.C.
Omaha, Nebraska
May 23, 2023

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
STATEMENTS OF FINANCIAL POSITION
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2021)

ASSETS	June 30,	
	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 582,180	\$ 428,586
Prepaid Expenses	8,766	5,847
Other Receivables	10,900	43,544
Current Portion of Unconditional Promises to Give	150,000	-
Mortgages Receivable, Current Portion	93,564	93,468
Inventories:		
Construction in Progress	138,488	105,804
Land Held for Development	70,027	66,460
Total Current Assets	1,053,925	743,709
PROPERTY AND EQUIPMENT		
Buildings and Improvements	3,490,367	3,490,367
Vehicles	10,500	9,000
Office Equipment and Furniture	141,220	133,908
	3,642,087	3,633,275
Less Accumulated Depreciation	(749,762)	(657,626)
Total Property and Equipment	2,892,325	2,975,649
OTHER ASSETS		
Cash Restricted for Escrow and Reserve Funding	77,723	65,612
Unconditional Promises to Give, Less Current Portion	150,000	-
Beneficial Interest in Assets Held by Pottawattamie County Community Foundation	7,404	6,497
Mortgages Receivable, Less Current Portion and Net of Discount of \$382,682 and \$391,082, Respectively	452,079	541,664
Total Other Assets	687,206	613,773
	\$ 4,633,456	\$ 4,333,131
LIABILITIES AND NET ASSETS		
	June 30,	
	2022	2021
CURRENT LIABILITIES		
Accounts Payable	\$ 3,107	\$ 100
Family Escrow Deposits	41,110	38,370
Accrued Liabilities	26,382	20,900
Current Portion of Long-Term Debt	142,338	117,089
Total Current Liabilities	212,937	176,459
LONG-TERM DEBT, LESS CURRENT PORTION		
Total Liabilities	609,365	749,866
	822,302	926,325
COMMITMENTS AND CONTINGENCIES		
	-	-
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,427,105	3,260,173
Total Without Donor Restrictions	3,427,105	3,260,173
With Donor Restrictions:		
Purpose Restrictions	384,049	146,633
Total With Donor Restrictions	384,049	146,633
Total Net Assets	3,811,154	3,406,806
	\$ 4,633,456	\$ 4,333,131

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 2021)

	Years Ended June 30,			2021
	2022		Total	
	Without Donor Restrictions	With Donor Restrictions		
OPERATING REVENUES AND SUPPORT				
Restore Sales				
Contributions of Merchandise	\$ 257,769	\$ -	\$ 257,769	\$ 243,134
Sales of Donated Merchandise	257,769	-	257,769	243,134
Less: Value of Merchandise Sold	(257,769)	-	(257,769)	(243,134)
Net Restore Sales	257,769	-	257,769	243,134
Contributions and Grants	375,886	384,049	759,935	415,060
Sale of Homes	284,898	-	284,898	92,823
Interest Income Mortgage Discount Amortization	8,400	-	8,400	33,642
Rent Income	53,664	-	53,664	54,324
Paycheck Protection Program (PPP) Loan Forgiveness	-	-	-	34,000
Special Event Income	22,916	-	22,916	23,617
Less: Direct Benefit to Donors	(4,947)	-	(4,947)	(733)
In-Kind Donations	135,842	-	135,842	23,583
Other Income	20,930	-	20,930	6,104
Investment (Loss) Income	(1,572)	-	(1,572)	1,039
Net Assets Released from Restriction				
Satisfaction of Program Restrictions	146,633	(146,633)	-	-
Total Net Assets Released from Restriction	146,633	(146,633)	-	-
Total Operating Revenues and Support	1,300,419	237,416	1,537,835	926,593
OPERATING EXPENSES				
Program Services	780,199	-	780,199	349,684
Management and General	331,147	-	331,147	354,853
Fundraising	22,141	-	22,141	19,670
Total Operating Expenses	1,133,487	-	1,133,487	724,207
Change in Net Assets	166,932	237,416	404,348	202,386
NET ASSETS - BEGINNING OF YEAR	3,260,173	146,633	3,406,806	3,204,420
NET ASSETS - END OF YEAR	\$ 3,427,105	\$ 384,049	\$ 3,811,154	\$ 3,406,806

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, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

	Program Services			Supporting Services			Totals	
	Restore	Home Ownership	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022	2021
Cost of Homes Transferred	\$ -	\$ 363,740	\$ 363,740	\$ -	\$ -	\$ -	\$ 363,740	\$ 156,660
Salaries and Benefits	127,950	17,030	144,980	165,588	-	165,588	310,568	238,216
Professional Fees	15,572	50,401	65,973	41,572	2,936	44,508	110,481	61,726
Depreciation and Amortization	46,068	9,214	55,282	27,640	9,214	36,854	92,136	90,180
Maintenance and Small Equipment	14,369	47,218	61,587	11,005	106	11,111	72,698	17,026
Interest	-	-	-	32,791	-	32,791	32,791	41,020
Utilities	11,770	3,424	15,194	15,553	1,241	16,794	31,988	29,171
Payroll Taxes	18,294	-	18,294	8,325	-	8,325	26,619	28,900
Insurance and Other Taxes	4,938	1,680	6,618	14,501	1,660	16,161	22,779	20,100
Vehicle	12,414	344	12,758	2,194	-	2,194	14,952	1,223
Cost of Goods Sold	14,571	-	14,571	-	-	-	14,571	7,058
Dues and Subscriptions	1,924	2,936	4,860	3,746	411	4,157	9,017	1,268
Supplies and Postage	4,275	420	4,695	3,184	135	3,319	8,014	5,694
Tithe and Affiliate Fees	1,875	1,875	3,750	1,875	1,875	3,750	7,500	6,624
Fees and Charges	4,898	61	4,959	629	422	1,051	6,010	5,446
Grant Writing	-	-	-	-	3,915	3,915	3,915	9,839
Training and Travel	350	114	464	1,737	-	1,737	2,201	1,311
Rent and Lease	693	396	1,089	693	198	891	1,980	2,180
Other	754	-	754	48	-	48	802	318
Advertising	631	-	631	66	-	66	697	213
Volunteer Hours	-	-	-	-	28	28	28	34
TOTAL FUNCTIONAL EXPENSES	\$ 281,346	\$ 498,853	\$ 780,199	\$ 331,147	\$ 22,141	\$ 353,288	\$ 1,133,487	\$ 724,207

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 2021)

	Years Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 404,348	\$ 202,386
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	92,136	90,180
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	(8,400)	(33,642)
(Increase) Decrease in Assets:		
Prepaid Expenses	(2,919)	(1,790)
Other Receivables	32,644	(43,544)
Unconditional Promises to Give	(300,000)	-
Inventories	(36,251)	(144,739)
Beneficial Interest in Assets Held by Pottawattamie County Community Foundation	(907)	(2,929)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	3,007	54
Family Escrow Deposits	2,740	(1,347)
Accrued Liabilities	5,482	(1,048)
Net Cash Provided By Operating Activities	191,880	20,581
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Mortgages Receivable, Net of Forgiven Amounts	97,889	89,574
Purchase of Property and Equipment	(8,812)	(13,276)
Net Cash Provided By Investing Activities	89,077	76,298
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(115,252)	(111,982)
Net Cash Used In Financing Activities	(115,252)	(111,982)
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	165,705	(15,103)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	494,198	509,301
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 659,903	\$ 494,198
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 33,328	\$ 41,198

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, 2022
(With Summarized Comparative Information for 2021)

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.

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, 2022
(With Summarized Comparative Information for 2021)

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, 2022
(With Summarized Comparative Information for 2021)

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, 2022
(With Summarized Comparative Information for 2021)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

Under “Revenue from Contracts with Customers” (Topic 606), the Organization recognizes revenue when a customer obtains control 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.

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, 2022 and 2021, the Organization has received conditional promises to give of \$10,000 and \$35,338, respectively which are dependent upon the requirements of the grant agreements.

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.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
(With Summarized Comparative Information for 2021)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was \$697 and \$213 for the years ended June 30, 2022 and 2021, 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, 2022, 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 2018 remain subject to examination by major tax jurisdictions.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
(With Summarized Comparative Information for 2021)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standard Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. 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. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Accordingly, the Organization adopted the new standard for the year ending June 30, 2022. The standard did not have a material impact on the financial statements, outside of enhanced disclosures.

Upcoming Accounting Standard Pronouncements

The FASB issued 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.

Subsequent Events

Management has evaluated subsequent events through May 23, 2023, which is the date the financial statements were available to be issued.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
(With Summarized Comparative Information for 2021)

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,:

	2022	2021
Cash and Cash Equivalents	\$ 582,180	\$ 428,586
Cash Restricted for Escrow and Reserve Funding	77,723	65,612
 Total Cash, Cash Equivalents, and Restricted Cash shown in the Statements of Cash Flows	 \$ 659,903	 \$ 494,198

At June 30, 2022 and 2021, cash restricted for the purpose of reserve funding was \$38,528 and \$29,644, respectively.

At June 30, 2022 and 2021, cash restricted for the purpose of escrow was \$39,195 and \$35,968, 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. A grantor made up approximately 50% and 17% of contribution and grant income at June 30, 2022 and 2021, respectively.

NOTE D – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows at June 30,:

	2022	2021
Foundation	\$ 300,000	\$ -
Total Unconditional Promises to Give	\$ 300,000	\$ -

The maturities of unconditional promises to give at June 30, 2022 are as follows:

Receivable in Less than One Year	\$ 150,000
Receivable in One to Five Years	150,000
Total Unconditional Promises to Give	\$ 300,000

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
(With Summarized Comparative Information for 2021)

NOTE E – 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, 2022:

Cash and Cash Equivalents	\$ 582,180
Mortgages Receivable, Current Portion	93,468
Other Receivables	34,530
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:	
Purpose restrictions outstanding at year-end	(384,049)
	\$ 326,129

NOTE F – 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.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
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NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 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, 2022.

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, 2022 and 2021.

	Assets at Fair Value as of June 30, 2022			
	<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>\$ 7,404</u>	<u>\$ 7,404</u>
	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>

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

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, 2022 and 2021:

Balance, July 1, 2020	\$	3,568
Investment Income, Net of Expenses		1,039
Contributions		1,890
Balance, June 30, 2021		6,497
Investment Loss, Net of Expenses		(1,572)
Contributions		2,479
Balance, June 30, 2022	\$	7,404

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.

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.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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NOTE H – MORTGAGES RECEIVABLE

The Organization holds 30 mortgage notes with maturities ranging from 2023 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,:

	<u>2022</u>	<u>2021</u>
Gross mortgage home loans	\$ 928,325	\$ 1,026,214
Less unamortized discount	(382,682)	(391,082)
Basis in loan	<u>\$ 545,643</u>	<u>\$ 635,132</u>

NOTE I – LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</u>
Note payable due in monthly installments of \$923, including interest at 4.0%, with final payment due October 2021, secured by mortgage receivables. Amount has been paid in full.	\$ -	\$ 4,747
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. (A)	295,259	332,857
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. (A)	281,368	304,510
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.	9,267	24,746
Note payable due in monthly installments of \$2,225, including interest at 4.0%, with final payment due April 2027, secured by mortgage receivables.	78,528	101,584
Note payable due in monthly installments of \$757, including interest at 4.0%, with final payment due December 2028, secured by mortgage receivables.	52,103	58,960

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
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NOTE I – LONG-TERM DEBT (Continued)

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

	2022	2021
Note payable due in monthly installments of \$490, including interest at 4.0%, with final payment due March 2028, secured by mortgage receivables.	\$ 35,178	\$ 39,551
Total Long-Term Debt	751,703	866,955
Less Current Portion of Long-Term Debt	(142,338)	(117,089)
	\$ 609,365	\$ 749,866

(A) These two notes were refinanced in August 2022. The updated terms include monthly installments of \$7,591, including interest at 5.15%, due August 2029, secured by certain real estate.

Certain notes are subject to financial covenants and restrictions on indebtedness. As of June 30, 2022, the Organization is not in compliance with all covenants but a temporary waiver has been granted.

The aggregate maturities of long-term debt for the years ending after June 30, 2022 are as follows:

Years Ending June 30,		
2023	\$	142,338
2024		105,764
2025		109,958
2026		91,805
2027		92,833
Thereafter		209,005
	\$	751,703

NOTE J – NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2022 and 2021:

	2022	2021
Capacity Expansion Project/Timing	\$ 300,000	\$ -
Home Ownership/Repairs	84,049	146,633
Net Assets with Donor Restrictions	\$ 384,049	\$ 146,633

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
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NOTE K – 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, 2022 and 2021, tithe and affiliates fees to Habitat International totaled \$7,500 and \$6,625, respectively.

NOTE L – OPERATING LEASES

The Organization leases office equipment with monthly payments of \$142 expiring in June 2027. Rent expense was \$1,980 and \$1,850 for the years ended June 30, 2022 and 2021, respectively.

The future minimum lease payments required under the above operating lease as of June 30, 2022 are as follows:

Years Ending June 30,	Amount
2023	\$ 1,699
2024	1,699
2025	1,699
2026	1,699
2027	1,558
	<u>\$ 8,354</u>

NOTE M – 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 \$2,865,049 and \$2,952,155 as of June 30, 2022 and 2021, respectively, to various tenants through lease agreements expiring at various times through November 2024. The monthly base rent payments range from \$485 to \$3,042.

The future minimum lease receipts expected under these operating leases as of June 30, 2022 are as follows:

Years Ending June 30,	Amount
2023	\$ 42,324
2024	24,072
2025	2,425
	<u>\$ 68,821</u>

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2022
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NOTE N – 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, 2022 and 2021 was 3% and contribution expense was \$8,339 and \$5,050, respectively.

NOTE O – 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.

HABITAT FOR HUMANITY OF COUNCIL BLUFFS, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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NOTE P – CONTRIBUTED NONFINANCIAL ASSETS

Contributions of nonfinancial assets included in the statements of activities and changes in net assets are comprised of the following as of June 30,:

	<u>2022</u>	<u>2021</u>
Clothing, Furniture, Household Goods	\$ 257,769	\$ 243,134
Home	129,000	-
Roof and Repairs	6,256	14,583
Other Miscellaneous	586	9,000
	<u>\$ 393,611</u>	<u>\$ 266,717</u>

The Organization recognized contributed nonfinancial assets within revenue, including clothing, furniture, and household goods, a contributed home, roof and repair, and other minor miscellaneous donations. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization operates a thrift store in which it sells donated items to provide funds for the Home Ownership program and also to promote the Organization in the community. The fair value of the items at the time of donation are not readily determinable. Contributions of gifts in-kind for the thrift store is recorded upon overcoming uncertainty about the existence of value when subsequently sold by the Organization and monetized.

The contributed home will be used for home ownership. In valuing the contributed home, the Organization estimated the fair value using a third party appraiser.

Contributed roof and repairs are used for the home ownership program. In valuing contributed roof and repairs, the Organization estimated the fair value at the wholesale prices of identical or similar products purchased in the area, along with current rates for similar repair services.

NOTE Q – RECLASSIFICATIONS

Certain reclassifications were made to the 2021 financial statements to conform to 2022 presentation.