

**HABITAT FOR HUMANITY FOR RHODE ISLAND,  
SOUTH COUNTY, INC.**

**FINANCIAL STATEMENTS  
AS OF  
JUNE 30, 2021 AND 2020**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Habitat for Humanity for Rhode Island,  
South County, Inc.  
Charlestown, Rhode Island

We have audited the accompanying financial statements of Habitat for Humanity for Rhode Island, South County, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### 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 audits 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 auditors consider 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.

## **Opinion**

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

*Hoyt, Filippetti & Malaghan, LLC*

Westerly, Rhode Island  
November 3, 2021

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 708,538	\$ 269,207
Restricted cash	95,683	85,442
Investments	5,297	4,379
Pledges receivable	3,792	81,270
Other receivables	6,293	8,865
Completed homes available for sale	104,909	572,438
Construction in progress	466,383	361,205
Prepaid expenses	15,153	15,113
Total current assets	1,406,048	1,397,919
 PROPERTY AND EQUIPMENT, net	 536,385	 550,435
 <b>OTHER ASSETS</b>		
Land leased to homeowners	2,244,428	2,128,843
Property held for development	272,422	272,422
Beneficial interest in assets held by community foundation	90,109	65,884
Total other assets	2,606,959	2,467,149
Total assets	\$ 4,549,392	\$ 4,415,503
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 9,746	\$ 10,095
Accounts payable and accrued expenses	42,332	40,467
Escrow funds payable	95,683	85,442
Notes payable	368,479	212,681
Total current liabilities	516,240	348,685
 FORGIVABLE NOTES PAYABLE	 90,140	 365,051
 LONG-TERM DEBT, net	 93,553	 103,152
 <b>NET ASSETS</b>		
Without donor restrictions		
Invested in land, building and equipment	2,932,319	2,951,700
General operating purposes	580,665	381,051
Total net assets without donor restrictions	3,512,984	3,332,751
With donor restrictions	336,475	265,864
Total net assets	3,849,459	3,598,615
Total liabilities and net assets	\$ 4,549,392	\$ 4,415,503

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT</b>						
Contributions	\$ 338,860	\$ 60,995	\$ 399,855	\$ 342,416	\$ 34,212	\$ 376,628
Government grants	113,195	51,656	164,851	-	-	-
Fundraising events	9,554	-	9,554	49,361	-	49,361
Less: cost of direct benefit to donors	(93)	-	(93)	(7,177)	-	(7,177)
Net revenue from fundraising events	9,461	-	9,461	42,184	-	42,184
Total support	<u>461,516</u>	<u>112,651</u>	<u>574,167</u>	<u>384,600</u>	<u>34,212</u>	<u>418,812</u>
<b>REVENUE</b>						
Land lease income and other	28,652	-	28,652	29,854	-	29,854
Loss on home sales	(49,949)	-	(49,949)	-	-	-
ReStore and merchandise sales	443,793	-	443,793	430,600	-	430,600
Interest and dividends	335	-	335	1,065	-	1,065
Gain on disposition of property and equipment	-	-	-	3,800	-	3,800
Unrealized gains (losses) on investments	907	-	907	(1,356)	-	(1,356)
Miscellaneous income	28	-	28	1,317	-	1,317
Total revenue	<u>423,766</u>	<u>-</u>	<u>423,766</u>	<u>465,280</u>	<u>-</u>	<u>465,280</u>
Net assets released from restrictions	64,965	(64,965)	-	89,662	(89,662)	-
Total support and revenue	<u>950,247</u>	<u>47,686</u>	<u>997,933</u>	<u>939,542</u>	<u>(55,450)</u>	<u>884,092</u>
<b>EXPENSES</b>						
Program services						
Home construction and repairs	407,421	-	407,421	314,058	-	314,058
ReStore	265,453	-	265,453	247,943	-	247,943
Supporting services						
General and administrative	82,652	-	82,652	92,238	-	92,238
Fundraising	14,488	-	14,488	46,157	-	46,157
Total expenses	<u>770,014</u>	<u>-</u>	<u>770,014</u>	<u>700,396</u>	<u>-</u>	<u>700,396</u>
Change in net assets from operating activities	180,233	47,686	227,919	239,146	(55,450)	183,696
<b>NON-OPERATING ACTIVITIES</b>						
Change in value of beneficial interest a community foundation	-	22,925	22,925	-	(746)	(746)
Change in net assets from non-operating activities	-	22,925	22,925	-	(746)	(746)
Change in net assets	<u>180,233</u>	<u>70,611</u>	<u>250,844</u>	<u>239,146</u>	<u>(56,196)</u>	<u>182,950</u>
NET ASSETS, beginning of the year as originally reported	3,332,751	265,864	3,598,615	3,093,605	322,060	3,415,665
NET ASSETS, end of the year	<u>\$ 3,512,984</u>	<u>\$ 336,475</u>	<u>\$ 3,849,459</u>	<u>\$ 3,332,751</u>	<u>\$ 265,864</u>	<u>\$ 3,598,615</u>

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 20, 2021**

	Program Services			Supporting Services			Total
	Home Construction and Repairs	ReStore	Total	General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 227,711	\$ 144,636	\$ 372,347	\$ 36,920	\$ 5,910	\$ 42,830	\$ 415,177
Payroll taxes	18,021	11,446	29,467	2,922	468	3,390	32,857
Employee benefits	39,291	24,956	64,247	6,370	1,020	7,390	71,637
Workers compensation	3,833	2,435	6,268	622	99	721	6,989
Home construction costs	6,213	-	6,213	-	-	-	6,213
Storage	9,600	-	9,600	-	-	-	9,600
Property taxes	2,982	3,554	6,536	262	-	262	6,798
Insurance	27,971	2,047	30,018	1,129	-	1,129	31,147
National affiliate contribution	22,000	-	22,000	-	-	-	22,000
Repairs and maintenance	7,289	10,214	17,503	6,331	-	6,331	23,834
Travel and vehicle expense	2,393	19,463	21,856	-	-	-	21,856
Professional fees	1,321	777	2,098	16,702	32	16,734	18,832
Utilities	6,869	9,340	16,209	1,167	-	1,167	17,376
Volunteer and program expense	13,480	581	14,061	-	-	-	14,061
Fundraising and publicity	-	8,724	8,724	-	3,872	3,872	12,596
Office and supplies expense	-	2,438	2,438	5,801	3,087	8,888	11,326
Bank service charges	-	9,841	9,841	114	-	114	9,955
Telephone	568	4,538	5,106	567	-	567	5,673
Dues and subscriptions	2,811	-	2,811	-	-	-	2,811
Postage and freight	-	-	-	1,505	-	1,505	1,505
Meeting and committee expense	999	-	999	-	-	-	999
Miscellaneous	-	-	-	103	-	103	103
Interest	4,669	-	4,669	-	-	-	4,669
Depreciation	9,400	10,463	19,863	2,137	-	2,137	22,000
<b>Total</b>	<b>\$ 407,421</b>	<b>\$ 265,453</b>	<b>\$ 672,874</b>	<b>\$ 82,652</b>	<b>\$ 14,488</b>	<b>\$ 97,140</b>	<b>\$ 770,014</b>

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 20, 2020**

	Program Services			Supporting Services			Total
	Home Construction and Repairs	ReStore	Total	General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 189,035	\$ 125,739	\$ 314,774	\$ 32,048	\$ 3,765	\$ 35,813	\$ 350,587
Payroll taxes	14,768	9,824	24,592	2,504	294	2,798	27,390
Employee benefits	33,363	22,251	55,614	5,761	666	6,427	62,041
Home construction costs	3,493	-	3,493	-	-	-	3,493
Storage	9,600	-	9,600	-	-	-	9,600
Workers compensation	2,670	1,776	4,446	453	53	506	4,952
Insurance	9,824	1,357	11,181	9,463	-	9,463	20,644
Meeting and committee expense	810	-	810	3,609	-	3,609	4,419
Utilities	2,496	11,432	13,928	1,429	-	1,429	15,357
Repairs and maintenance	2,441	14,653	17,094	4,399	-	4,399	21,493
Fundraising and publicity	-	3,305	3,305	-	37,841	37,841	41,146
Volunteer and program expense	14,590	5,054	19,644	-	-	-	19,644
National affiliate contribution	2,945	-	2,945	-	-	-	2,945
Property taxes	2,798	3,693	6,491	10	-	10	6,501
Professional fees	1,609	1,071	2,680	15,968	32	16,000	18,680
Office and supplies expense	-	4,086	4,086	6,219	3,506	9,725	13,811
Dues and subscriptions	4,012	-	4,012	-	-	-	4,012
Bank service charges	-	9,448	9,448	585	-	585	10,033
Training expense	564	-	564	-	-	-	564
Postage and freight	-	-	-	1,456	-	1,456	1,456
Telephone	578	4,623	5,201	578	-	578	5,779
Travel and vehicle expense	3,659	19,168	22,827	-	-	-	22,827
Interest	6,593	-	6,593	-	-	-	6,593
Miscellaneous	-	-	-	5,619	-	5,619	5,619
Depreciation	8,210	10,463	18,673	2,137	-	2,137	20,810
<b>Total</b>	<b>\$ 314,058</b>	<b>\$ 247,943</b>	<b>\$ 562,001</b>	<b>\$ 92,238</b>	<b>\$ 46,157</b>	<b>\$ 138,395</b>	<b>\$ 700,396</b>

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 250,844	\$ 182,950
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net unrealized (gains) losses on investments	(907)	1,356
Change in value of beneficial interest in assets held by community founda	(22,925)	746
Non-cash contributions	(122,950)	(134,500)
Depreciation	22,000	20,810
Gain on sale of property and equipment	-	(3,800)
Changes in operating assets and liabilities		
Mortgage receivable	-	31,923
Construction in progress	(218,624)	(227,861)
Completed homes available for sale	408,437	(212,983)
Pledges receivable	77,478	(62,034)
Other receivables	2,572	7,341
Prepaid expenses	(40)	(11,871)
Accounts payable and accrued expenses	1,866	(19,128)
Escrow funds payable	10,241	7,298
Net cash provided by (used in) operating activities	407,992	(419,753)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to beneficial interest in assets held by community foundation	(1,300)	(1,000)
Proceeds from sale of property and equipment	-	800
Purchases of property and equipment	(585)	(10,909)
Purchases of investments	(11)	(98)
Net cash used in investing activities	(1,896)	(11,207)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from forgivable notes payable	53,424	167,991
Principal payments of long-term debt	(9,948)	(9,755)
Net cash provided by financing activities	43,476	158,236
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	449,572	(272,724)
<b>CASH AND RESTRICTED CASH, beginning of the year</b>	354,649	627,373
<b>CASH AND RESTRICTED CASH, end of the year</b>	\$ 804,221	\$ 354,649
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash payments for interest	\$ 4,548	\$ 6,472
Proceeds from sale of property and equipment in other receivables	\$ -	\$ 3,000
Re-purchase of Habitat properties with assumption of notes payable	\$ 217,000	\$ 51,479
Completed homes reclassified to available for sale	\$ 330,445	\$ -
Payment of note payable from proceeds of home sale	\$ 61,202	\$ -
Forgiveness of notes payable at time of home sales	\$ 328,335	\$ -
<b>CASH AND RESTRICTED CASH:</b>		
Cash	\$ 708,538	\$ 269,207
Restricted cash	95,683	85,442
	\$ 804,221	\$ 354,649

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



**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Habitat for Humanity for Rhode Island, South County, Inc. (the Organization) is a nonprofit corporation organized in 1990 under the General Laws of the State of Rhode Island. The Organization's mission is to contribute to the elimination of substandard housing by creating decent homes in partnership with people in need. The Organization sponsors specific projects in habitat development within the South County area of Rhode Island.

The Organization's program services include home construction, rehab and homeowner assistance programs. In addition, the Organization operates a retail thrift store (d/b/a the ReStore). The ReStore specializes in selling surplus new and used building and home improvement materials, appliances and furniture to the public. All net proceeds from the operation of the ReStore help support and enhance the Organization's non-profit mission-related activities.

**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 reported period. Actual results could differ from those estimates.

**NET ASSET CATEGORIES**

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Organization, the accounts of the Organization are maintained in two net asset classes as follows:

**Without Donor Restrictions**

Net assets without donor restrictions represent funds over which the Board of Directors retains full control in achieving any of the Organization's institutional purposes. Included in net assets without donor restrictions are grants, which are earmarked by the Board of Directors for specific purposes.

**With Donor Restrictions**

Net assets with donor restrictions represent funds restricted by outside sources which may only be utilized in accordance with purpose or time restrictions established by the donor of such funds.

See *Note 12* for more detail on the Organization's net assets with donor restrictions.

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**RECOGNITION OF SUPPORT AND REVENUE**

The Organization uses the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

**Contributions**

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. The Organization recognizes contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

**Donated Services**

Contributed services are required to be recorded in the accompanying financial statements at their estimated fair value at the time such services are provided to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Organization.

Many individuals volunteer their time to the Organization's program services and other activities. The value of these services has not been recognized in the accompanying financial statements, as it does not create or enhance nonfinancial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Organization.

**Donated Assets**

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

During the years ended June 30, 2021 and 2020, the Organization received contributions of land valued at \$115,000 and \$134,500 respectively.

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**RECOGNITION OF SUPPORT AND REVENUE *(Continued)***

**Donated Assets *(Continued)***

During the years ended June 30, 2021 and 2020, the Organization received contributions of property and equipment of \$7,950 and \$0, respectively.

Donated building materials are recorded at fair market value when received. Total in-kind contributions of building materials received and recognized for the years ended June 30, 2021 and 2020 were \$143,277 and \$160,392, respectively.

**ReStore**

ReStore sales are attributable to the sale of donated non-monetary items. Substantially all of the items sold in the ReStore are donated to the Organization. Given the uncertainty in valuing these non-monetary donations, the Organization recognizes revenue throughout the course of the year as items are sold.

The Organization does not recognize or record the fair market value of donated items to the ReStore at the time of donation as there is no objective measurement basis for determining fair value. The Organization recognizes and records the value of donated items when they are sold. Such sales are reported as ReStore and merchandise sales on the Statement of Activities.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements of the Organization report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation which is allocated based on the area in which the underlying assets are used. Payroll, payroll taxes and related service fees, employee benefits, insurance, workers compensation are allocated based on activity and time spent by the organization's personnel. Utilities, telephone, and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

**CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Center defines cash equivalents as liquid investments with an original maturity of three months or less. As of June 30, 2021 and 2020 the Organization did not have any cash equivalents.

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RESTRICTED CASH**

Restricted cash is comprised of cash escrow funds received from homeowners that are held in a separate bank account for homeowner association fees and maintenance. As of June 30, 2021 and 2020, these funds totaled \$95,597 and \$85,442, respectively. A corresponding liability is included in the accompanying statements of financial position.

**CONSTRUCTION IN PROGRESS**

Construction in progress represents costs incurred on uncompleted construction projects as of the date of the financial statements.

**COMPLETED HOMES AVAILABLE FOR SALE**

This amounts represents the building cost of homes that have been completed and that are currently held for sale by the Organization to qualified applicants.

**PROPERTY HELD IN PERPETUITY**

In March 1999, the Town of South Kingstown transferred property to the Organization for \$1 under the condition that the property be renovated and used to provide tenancy for a developmentally disabled person or persons in perpetuity.

**PROPERTY AND EQUIPMENT**

Property and equipment acquisitions and leasehold improvements are recorded at cost, if purchased, or fair market value, if donated. Depreciation is provided over the estimated useful lives of property and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25-40	years
Vehicles	5	years
Tools and equipment	5	years

Repairs and maintenance are charged to expense as incurred. Expenditures which substantially increase the useful life of the related assets are capitalized. 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 as a change in unrestricted net assets.

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**PROPERTY HELD FOR DEVELOPMENT/LAND LEASED TO HOMEOWNERS**

Property held for development consists of all property either donated or purchased by the Organization to be used for new construction of housing.

Land leased to homeowners is the value of land either donated or purchased by the Organization that has been developed and the home has been sold to a qualified homeowner.

Donated property is recorded a fair market value as determined by an appraisal at the date of the donation. Purchased property is recorded at cost.

**PLEDGES RECEIVABLE**

Unconditional pledges receivable are recognized as revenues in the period received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Provisions for uncollectible receivables are offset against contributions when determined to be uncollectible by management. It is the opinion of management that the expense computed under this method is not materially different than what the expense would be if an allowance method was used. There were \$0 and \$6,675 of pledges receivable written off during the years ended June 30, 2021 and 2020, respectively.

**ADVERTISING**

The Organization expenses advertising costs as incurred. Advertising expense was \$8,724 and \$3,305 for the years ended June 30, 2021 and 2020, respectively.

**INCOME TAXES**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to Federal income tax. The Organization had no unrelated business income for the years ended June 30, 2021 and 2020. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

The Organization's tax returns for the year ended June 30, 2021 and 2020 are subject to examination by the IRS, generally for three years after they have been filed.

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**SUBSEQUENT EVENTS**

The Organization has performed an evaluation of subsequent events through November 3, 2021, which is the date the financial statements were available to be issued. There are no subsequent events identified that require disclosure.

**NOTE 2 - CONCENTRATIONS OF CREDIT RISK**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, restricted cash, investments, pledges receivable, other receivables and the beneficial interest in funds held by a community foundation.

**Cash and Restricted Cash**

The Organization places its cash and restricted cash in high quality financial institutions. From time to time, the Organization maintains deposits in excess of FDIC insurance limits. Management believes this to be a normal business risk.

**Pledges Receivable**

Pledges receivable consist of amounts due from donors for multi-year pledges. Management reviews outstanding pledges annually and records a provision for uncollectible pledges as needed. Management believes they represent minimal credit risk.

**Investments**

The Organization invests in a professionally managed portfolio. Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risks. However, investments are subject to risk of the securities market as a whole.

**Other Receivables**

Other receivables consist primarily of store credits donated by a company to be used for the purchase of building supplies and materials used by the Organization. Management believes they represent minimal credit risk.

**Beneficial Interest in Funds Held by a Community Foundation**

Assets, including investments held by a community foundation in which the Organization has a beneficial interest, are subject to the risks of the securities markets as a whole.

**HABITAT FOR HUMANITY FOR RHODE ISLAND  
SOUTH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the statement of financial position available for general use within one year of the statement of financial position:

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end		
Cash	\$ 708,538	\$ 269,207
Restricted cash	95,683	85,442
Investments	5,297	4,379
Pledges receivable	3,792	81,270
Other receivables	6,293	8,865
Total financial assets, at year end	<u>819,603</u>	<u>449,163</u>
Less: those unavailable for general use due to:		
Escrow funds payable	(95,683)	(85,442)
Donor imposed restrictions	<u>(125,450)</u>	<u>(79,064)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 598,470</u>	<u>\$ 284,657</u>

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

In addition to the above, the Organization has a line of credit with a local bank in the amount of \$200,000 to help ensure and manage any unanticipated liquidity needs.

**NOTE 4 - FAIR VALUE MEASUREMENT**

Generally accepted accounting principles establish 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 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 method include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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**NOTE 4 - FAIR VALUE MEASUREMENT (Continued)**

**Level 3**

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

In determining fair value, the Organization utilizes valuation methodologies that maximize the use of observable inputs to the extent possible.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

**U.S. Equities**

U.S. Equities are valued at the quoted prices of shares held by the Organization at year end.

**Beneficial Interest in a Community Foundation**

Beneficial interests in a community foundation are measured at the fair value of the underlying investment assets.

The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis on June 30, 2021 and 2020.

Description	Fair Value	Assets (Level 1)	Assets (Level 2)	Assets (Level 3)
<b>2021</b>				
Investments				
Cash	\$ 28	\$ 28	\$ -	\$ -
U.S. equities	5,269	5,269	-	-
	<u>5,297</u>	<u>5,297</u>	-	-
Beneficial interest in community foundation	90,109	-	-	90,109
	<u>\$ 95,406</u>	<u>\$ 5,297</u>	<u>\$ -</u>	<u>\$ 90,109</u>



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**NOTE 4 - FAIR VALUE MEASUREMENT (Continued)**

Description	Fair Value	Assets (Level 1)	Assets (Level 2)	Assets (Level 3)
<b>2020</b>				
Investments				
Cash	\$ 17	\$ 17	\$ -	\$ -
U.S. equities	4,362	4,362	-	-
	<u>4,379</u>	<u>4,379</u>	-	-
Beneficial interests in community foundation	65,884	-	-	65,884
	<u>\$ 70,263</u>	<u>\$ 4,379</u>	<u>\$ -</u>	<u>\$ 65,884</u>

Changes in the value of Level 3 assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Fair value, beginning of the year	\$ 65,884	\$ 65,630
Contributions received	1,300	1,000
Increase (decrease) in value of beneficial interests	<u>22,925</u>	<u>(746)</u>
Fair value, end of the year	<u>\$ 90,109</u>	<u>\$ 65,884</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

As of June 30, 2021 and 2020, the components of property and equipment are as follows:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 696,896	\$ 696,896
Vehicles	36,103	28,152
Land	37,500	37,500
Fixtures and equipment	<u>22,111</u>	<u>22,111</u>
	792,610	784,659
Less accumulated depreciation	<u>256,225</u>	<u>234,224</u>
	<u>\$ 536,385</u>	<u>\$ 550,435</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$22,000 and \$20,810, respectively.

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**NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Organization is the beneficiary of the earnings from two funds maintained by the Rhode Island Foundation. The Organization did not receive distributions from such funds during the years ended June 30, 2021 and 2020.

**NOTE 7 - LONG-TERM DEBT**

The Organization is obligated under a mortgage payable to a bank, bearing interest at 4.98% at June 30, 2020. The mortgage requires monthly principal and interest payments of \$1,299 through August 2029. The mortgage is collateralized by certain real estate owned by the Organization. Long-term debt as of June 30, 2021 and 2020 is presented net of unamortized financing costs of \$675 and \$796, respectively.

As of June 30, 2021, annual maturities of the mortgage payable are as follows:

Year ending June 30:	
2022	\$ 9,746
2023	11,150
2024	11,719
2025	12,316
2026	12,943
2027 and thereafter	<u>46,100</u>
Total	<u>\$ 103,974</u>

Interest expense for the years ended June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Interest expense	\$ 4,548	\$ 6,472
Amortization of financing costs	<u>121</u>	<u>121</u>
	<u>\$ 4,669</u>	<u>\$ 6,593</u>

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**NOTE 8 - FORGIVABLE NOTES PAYABLE**

In August 2018, the Organization received financial assistance for development and construction of a duplex property from the State of Rhode Island Housing Resources Commission. Under the terms of the agreement, up to \$220,000 of funds are provided to the Organization in the form of a forgivable loan. The funds are disbursed upon written request from the Organization as work and expenditures are incurred during the project. The outstanding principal amount bears no interest and will be forgiven upon the sale of the units to an eligible low-income homebuyer, subject to certain conditions. Amounts received are reflected as a forgivable note payable until all conditions necessary to secure the forgiveness of the debt are met, at which time the forgivable loans are recognized as grant revenue. As of June 30, 2021 and 2020, the Organization received \$220,000 and \$197,060, respectively, of financial assistance under the agreement. The property was sold to an eligible homebuyer in November 2020 and all conditions necessary to secure forgiveness were met.

In October 2019, the Organization received additional financial assistance for development and construction of a single family property from the State of Rhode Island Housing Resources Commission. Under the terms of the agreement, up to \$108,335 of funds are provided to the Organization in the form of a forgivable loan. The funds are disbursed upon written request from the Organization as work and expenditures are incurred during the project. The outstanding principal amount bears no interest and will be forgiven upon the sale of the units to an eligible low-income homebuyer, subject to certain conditions. Amounts received are reflected as forgivable note payable until all conditions necessary to secure the forgiveness of the debt are met, at which time the forgivable loans are recognized as grant revenue. As of June 30, 2021 and 2020, the Organization received \$108,335 and \$75,796, respectively, of financial assistance under the agreement. The property was sold to an eligible homebuyer in November 2020 and all conditions necessary to secure forgiveness were met.

In May 2020, the Organization entered into a loan agreement with a bank under the Small Business Administration's Paycheck Protection Program (PPP) for \$92,195. Such loan bears interest at 1% and is due in full no later than May 2022. Under the terms of the Paycheck Protection Program, such loan was forgiven in March 2021.

In January 2021, the Organization entered into a loan agreement with a bank under the second funding phase of the Small Business Administration's Paycheck Protection Program (PPP) for \$90,140. Such loan bears interest at 1% and is due in full no later than January 2026. Under the terms of the Paycheck Protection Program, such loan was forgiven in August 2021.

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**NOTE 9 - NOTES PAYABLE**

In connection with the buyback of properties previously sold through the affordable housing program, the Organization is obligated to pay Rhode Island Housing \$368,479 and \$212,681, respectively as of June 30, 2021 and 2020, upon the resale of the properties to qualified applicants. Such amounts are non-interest bearing and represent the outstanding mortgage balance guaranteed by RI Housing at the time of buyback.

**NOTE 10 - LINE OF CREDIT**

The Organization has an unsecured demand revolving line of credit agreement with a bank which allows for maximum borrowings of \$200,000. Interest is payable monthly at 1% above the bank's prime rate with a floor of 3.25%. The bank's prime rate at June 20, 2021 was 3.25%. As of June 30, 2021 and 2020, no amounts were outstanding under the agreement.

**NOTE 11 - COMMITMENTS**

**Operating Leases**

The Organization leases a vehicle and certain administrative equipment under two separate operating lease agreements. One agreement expires in December 2021 and the other expires in December 2025. Rent expense under such leases for the years ended June 30, 2021 and 2020 amounted to \$17,448.

Future minimum lease payments under these leases are as follows:

Year ending June 30:	
2022	\$ 16,363
2023	15,588
2024	15,588
2025	15,588
2026	<u>6,495</u>
Total	<u>\$ 69,622</u>

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**NOTE 12 - NET ASSETS**

**NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2021 and 2020, the Organization has net assets with donor restrictions available for the following purposes:

	<u>2021</u>	<u>2020</u>
Time restrictions:		
Beneficial interest in a community foundation	\$ 90,109	\$ 65,884
Real estate held in perpetuity	120,916	120,916
Purpose restrictions:		
Home construction	49,342	-
Housing education	43,833	44,583
Tool purchases	12,455	15,298
Home repairs	7,638	9,501
Donor development	9,682	9,682
Youth advocacy	2,500	-
Total	<u>\$ 336,475</u>	<u>\$ 265,864</u>

**NET ASSETS RELEASED FROM RESTRICTION**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time or by occurrence of events specified by donors. The amounts released during the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Home construction	\$ 32,705	\$ 55,201
Volunteer coordinator	18,952	-
Tool purchases	2,843	6,497
Homebuyer education	750	3,313
Community projects	-	2,134
International projects	-	1,712
Home repairs	7,215	1,568
Youth advocacy	2,500	-
Total purpose restrictions	<u>64,965</u>	<u>70,425</u>
Time restrictions	<u>-</u>	<u>19,237</u>
Total net assets released	<u>\$ 64,965</u>	<u>\$ 89,662</u>

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**NOTE 13 - EMPLOYEE BENEFIT PLANS**

The Organization has a Simple Retirement Plan eligible to all qualifying employees. The Organization contributed a matching contribution up to 4% of salary for the years ended June 30, 2021 and 2020.

For the years ended June 30, 2021 and 2020, the employer contribution was \$10,296 and \$7,712, respectively.