

**HABITAT FOR HUMANITY OF  
GREATER LOWELL, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED JUNE 30, 2021 AND 2020**

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**

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# CAIN, BOURRET, JARRY & CRESSMAN LLC

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Habitat for Humanity of Greater Lowell, Inc.  
Westford, Massachusetts

We have audited the accompanying financial statements of HABITAT FOR HUMANITY OF GREATER LOWELL, INC. (a Massachusetts not-for-profit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HABITAT FOR HUMANITY OF GREATER LOWELL, INC. as of June 30, 2021 and 2020, changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cain, Bourret, Jarry & Cressman LLC*

Dracut, Massachusetts

January 14, 2022

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 768,294	\$ 535,077
Grants receivable	29,608	40,000
Contributions receivable	21,390	22,887
Other receivables	-	5,713
Inventory - Restore	98,190	98,734
House construction in process	845,595	840,580
Current portion of mortgages receivable	102,839	98,360
<b>Total Current Assets</b>	<u>1,865,916</u>	<u>1,641,351</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	77,329	77,329
Vehicles	84,885	84,885
Office equipment	13,011	13,011
Furniture and fixtures	4,500	4,500
Less: accumulated depreciation	<u>(90,781)</u>	<u>(68,548)</u>
<b>Net Property and Equipment</b>	<u>88,944</u>	<u>111,177</u>
<b>OTHER ASSETS</b>		
Contributions receivable, net of current portion	87,696	109,086
Mortgages receivable, net of current portion	2,104,058	2,142,244
Deposits	480	8,376
Prepaid expense	<u>-</u>	<u>9,010</u>
<b>Total Other Assets</b>	<u>2,192,234</u>	<u>2,268,716</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,147,094</u>	<u>\$ 4,021,244</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 20,054	\$ -
Accounts payable	15,616	19,735
Accrued expenses	81,459	60,028
Prepaid deposits	7,000	1,000
SBA Payroll Protection Program Loan (PPP)	136,720	136,720
Current portion of long-term debt	<u>10,202</u>	<u>33,041</u>
<b>Total Current Liabilities</b>	271,051	250,524
<b>Long-Term Debt, net of current portion</b>	<u>9,115</u>	<u>19,736</u>
<b>TOTAL LIABILITIES</b>	<u>280,166</u>	<u>270,260</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,462,638	2,867,300
With donor restrictions	<u>404,290</u>	<u>883,684</u>
<b>TOTAL NET ASSETS</b>	<u>3,866,928</u>	<u>3,750,984</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,147,094</u>	<u>\$ 4,021,244</u>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 204,878	\$ 228,686	\$ 433,564
Grants	88,600	157,113	245,713
Donated services, materials and land	-	59,770	59,770
Special events, net	10,842	-	10,842
Restore program	755,098	-	755,098
Net assets released from restrictions			
Satisfaction of program/donor restrictions	<u>1,078,963</u>	<u>(1,078,963)</u>	<u>-</u>
Total support	<u>2,138,381</u>	<u>(633,394)</u>	<u>1,504,987</u>
Revenue			
Sale of homes	185,000	-	185,000
Mortgage loan discount amortization	115,856	-	115,856
Miscellaneous income	<u>68,027</u>	<u>-</u>	<u>68,027</u>
Total revenue	<u>368,883</u>	<u>-</u>	<u>368,883</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,507,264</u>	<u>(633,394)</u>	<u>1,873,870</u>
<b>FUNCTIONAL EXPENSES</b>			
Program service expenses - family support, education and construction	980,918	-	980,918
Program service expenses - ReStore	780,339	-	780,339
Management and general expenses	106,622	-	106,622
Fundraising expenses	<u>181,955</u>	<u>-</u>	<u>181,955</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>2,049,834</u>	<u>-</u>	<u>2,049,834</u>
<b>EXCESS (DEFICIT) OF REVENUES AND SUPPORT OVER EXPENSES</b>			
	<u>457,430</u>	<u>(633,394)</u>	<u>(175,964)</u>
<b>OTHER INCOME (EXPENSES)</b>			
Proceeds from Paycheck Protection Program (PPP)	136,720	-	136,720
Interest income	<u>1,188</u>	<u>-</u>	<u>1,188</u>
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<u>137,908</u>	<u>-</u>	<u>137,908</u>
<b>CHANGES IN NET ASSETS</b>	595,338	(633,394)	(38,056)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,867,300</u>	<u>883,684</u>	<u>3,750,984</u>
Prior period adjustment	<u>-</u>	<u>154,000</u>	<u>154,000</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,462,638</u>	<u>\$ 404,290</u>	<u>\$ 3,866,928</u>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 480,342	\$ -	\$ 480,342
Grants	87,173	152,011	239,184
Donated services, materials and land	-	599,351	599,351
Special events, net	94,373	-	94,373
Restore program	617,123	-	617,123
Net assets released from restrictions			
Satisfaction of program/donor restrictions	<u>1,032,818</u>	<u>(1,032,818)</u>	<u>-</u>
Total support	<u>2,311,829</u>	<u>(281,456)</u>	<u>2,030,373</u>
Revenue			
Sale of homes	610,000	-	610,000
Mortgage loan discount amortization	111,071	-	111,071
Miscellaneous income	<u>23,484</u>	<u>-</u>	<u>23,484</u>
Total revenue	<u>744,555</u>	<u>-</u>	<u>744,555</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,056,384</u>	<u>(281,456)</u>	<u>2,774,928</u>
<b>FUNCTIONAL EXPENSES</b>			
Program service expenses - family support, education and construction	1,573,729	-	1,573,729
Program service expenses - ReStore	745,018	-	745,018
Management and general expenses	105,567	-	105,567
Fundraising expenses	<u>166,027</u>	<u>-</u>	<u>166,027</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>2,590,340</u>	<u>-</u>	<u>2,590,340</u>
<b>EXCESS (DEFICIT) OF REVENUES AND SUPPORT OVER EXPENSES</b>	<u>466,044</u>	<u>(281,456)</u>	<u>184,588</u>
<b>OTHER INCOME (EXPENSES)</b>			
Interest income	<u>3,578</u>	<u>-</u>	<u>3,578</u>
<b>CHANGES IN NET ASSETS</b>	469,622	(281,456)	188,166
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,397,678</u>	<u>1,165,140</u>	<u>3,562,818</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,867,300</u>	<u>\$ 883,684</u>	<u>\$ 3,750,984</u>

See independent auditors' report and notes to financial statements

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services		Supporting Services		Totals
	Family Support, Education and Construction	ReStore	Management and General	Fundraising	
	\$	\$	\$	\$	
Salaries and wages	309,388	172,062	19,507	140,738	\$ 641,696
Payroll taxes and benefits	61,244	27,003	3,079	15,347	106,673
Advertising	-	10,216	-	-	10,216
Bank and credit card fees	-	9,124	17	2,145	11,286
Construction and building costs	290,190	-	-	-	290,190
Cost of goods sold	-	16,710	-	-	16,710
Depreciation	-	9,881	12,352	-	22,233
Discount on mortgages	47,090	-	-	-	47,090
Insurance	9,746	22,030	1,260	-	33,036
Interest	2,057	-	-	-	2,057
Office expenses	-	5,650	3,628	178	9,456
Outside services	8,075	-	42,101	-	50,176
Membership dues	-	-	-	892	892
Miscellaneous	7,253	(117)	947	-	8,083
Postage and printing	795	-	1,283	20,038	22,116
Professional services	15,000	3,725	-	-	18,725
Rent and utilities	-	129,541	15,730	-	145,271
Repairs and maintenance	-	2,451	-	-	2,451
Telephone	2,005	-	3,335	-	5,340
Tithe to Habitat International	8,000	-	-	-	8,000
Travel and training	2,836	-	3,382	2,617	8,835
Vehicle expense	2,569	10,917	-	-	13,486
Volunteer appreciation	900	308	-	-	1,208
Loss on sale of fixed assets	-	-	-	-	-
	<u>767,148</u>	<u>419,500</u>	<u>106,622</u>	<u>181,955</u>	<u>1,475,225</u>
Donated materials, services and land:					
Materials	33,520	-	-	-	33,520
Services	26,250	-	-	-	26,250
Land	154,000	-	-	-	154,000
ReStore	-	360,839	-	-	360,839
	<u>213,770</u>	<u>360,839</u>	<u>-</u>	<u>-</u>	<u>574,609</u>
Total donated materials, services and land					
Total functional expenses	<u>\$ 980,918</u>	<u>\$ 780,339</u>	<u>\$ 106,622</u>	<u>\$ 181,955</u>	<u>\$ 2,049,834</u>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Totals</u>
	Family Support, Education and Construction	ReStore	Management and General	Fundraising	
Salaries and wages	\$ 304,604	\$ 176,685	\$ 17,526	\$ 111,778	\$ 610,593
Payroll taxes and benefits	55,635	28,921	10,432	12,520	107,508
Advertising	-	4,768	-	-	4,768
Bank and credit card fees	-	6,329	91	3,336	9,756
Construction and building costs	777,017	-	-	-	777,017
Cost of goods sold	-	60,722	-	-	60,722
Depreciation	-	16,365	6,297	-	22,662
Discount on mortgages	157,510	-	-	-	157,510
Insurance	10,499	22,873	1,289	-	34,661
Interest	4,997	-	-	-	4,997
Office expenses	-	1,547	8,214	-	9,761
Outside services	7,948	-	37,320	19,712	64,979
Membership dues	-	-	-	1,033	1,033
Miscellaneous	319	80	673	-	1,072
Postage and printing	547	-	815	15,548	16,910
Professional services	15,000	3,548	-	-	18,548
Rent and utilities	-	125,958	15,804	-	141,762
Repairs and maintenance	-	2,695	-	-	2,695
Telephone	661	-	5,234	-	5,895
Tithe to Habitat International	6,000	-	-	-	6,000
Travel and training	3,205	-	1,872	2,100	7,177
Vehicle expense	4,536	6,365	-	-	10,901
Volunteer appreciation	900	698	-	-	1,598
Loss on sale of fixed assets	-	-	-	-	-
	<u>1,349,378</u>	<u>457,554</u>	<u>105,567</u>	<u>166,027</u>	<u>2,078,525</u>
Donated materials, services and land:					
Materials	9,987	-	-	-	9,987
Services	39,764	-	-	-	39,764
Land	174,600	-	-	-	174,600
ReStore	-	287,464	-	-	287,464
Total donated materials, services and land	<u>224,351</u>	<u>287,464</u>	<u>-</u>	<u>-</u>	<u>511,815</u>
Total functional expenses	<u>\$ 1,573,729</u>	<u>\$ 745,018</u>	<u>\$ 105,567</u>	<u>\$ 166,027</u>	<u>\$ 2,590,340</u>

See independent auditors' report and notes to financial statements.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash contributions received	\$ 439,277	\$ 474,629
Grants received	278,992	326,871
Cash paid to suppliers and employees	(1,006,059)	(1,198,783)
Interest received	1,188	3,578
Interest paid	(2,057)	(4,997)
Mortgage income and sale of homes	334,563	478,546
Restore program	(14,816)	(71,905)
Other operating receipts	78,869	117,857
<b>Net cash provided (used) by operating activities</b>	<b>109,957</b>	<b>125,796</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(4,500)
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>(4,500)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds/(payments) from line of credit	20,000	(75,000)
Principal (payments) on long-term debt	(33,460)	(33,035)
Proceeds from Payroll Protection Plan Loan 2	136,720	136,720
<b>Net cash provided (used) by financing activities</b>	<b>123,260</b>	<b>28,685</b>
<b>INCREASE IN CASH</b>	<b>233,217</b>	<b>149,981</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>535,077</b>	<b>385,096</b>
<b>CASH, END OF YEAR</b>	<b>\$ 768,294</b>	<b>\$ 535,077</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CHANGES IN NET ASSETS</b>	<b>\$ (38,056)</b>	<b>\$ 188,166</b>
<b>ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Depreciation	22,233	22,662
(Increase) decrease in grants receivable	10,392	63,198
(Increase) decrease in unconditional promises to give	22,887	24,489
(Increase) decrease in other receivables	5,713	(5,713)
(Increase) decrease in inventory - Restore	544	39,625
(Increase) decrease in prepaid expenses	9,010	(9,010)
(Increase) decrease in inventory - construction costs	148,985	105,154
(Increase) decrease in mortgages receivable	33,707	(242,525)
(Increase) decrease in deposits	7,896	(949)
Increase (decrease) in accounts payable	(4,119)	(21,935)
Increase (decrease) in accrued expenses	21,485	(28,366)
Increase (decrease) in prepaid deposits	6,000	(9,000)
Increase (decrease) in SBA Payroll Protection Program Loan 1	(136,720)	-
<b>Total adjustments</b>	<b>148,013</b>	<b>(62,370)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 109,957</b>	<b>\$ 125,796</b>
<b>NONCASH INVESTING AND FINANCING ITEMS</b>		
In-kind donated services and materials	<b>\$ 574,609</b>	<b>\$ 599,351</b>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 1. ORGANIZATION AND PURPOSE**

Habitat for Humanity of Greater Lowell, Inc. (the Organization) is a not-for-profit 501(c)(3) organization that works to strengthen families and communities through affordable homeownership opportunities. The Organization works in partnership with corporations, like-minded community groups, faith-based organizations, and individual volunteers to develop communities with people in need by building and renovating simple, decent, energy efficient, affordable homes. The Organization's goal is to eliminate poverty housing and homelessness in the greater Lowell area and to stir the hearts and minds of others to take action on this issue. The Organization receives donations, grants and contributions from individual and corporate donors that enable it to fulfill its mission. The Organization is also affiliated with Habitat for Humanity International, Inc., a worldwide organization with more than 1,400 local affiliates in the United States and more than 70 national organizations around the world.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets whose use is not subject to donor-imposed stipulations. Contributions are available for unrestricted use unless specifically restricted by the donor.
- *Net assets with donor restrictions* – Net assets that are either available for use, but expendable only for those purposes specified by the donor, or net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions restricted for capital improvements are released to unrestricted revenue at the time funds are expended for the specified.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents for the years ended June 30, 2021 and 2020.

See independent auditors' report.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Receivables

Receivables, other than mortgages, are stated at the amount management expects to collect on outstanding balances. Management provides for uncollectible amounts through a charge to expense, based on its assessment of the current status of individual accounts. All receivables were deemed to be collectible at June 30, 2021.

Contributions Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate discount rate. Future amortization of the discount will be included in contributions revenue. Management closely monitors outstanding balances and writes off any balances deemed uncollectible.

Grant Receivables

Grants receivable are reflected net of an allowance for uncollectible amounts based on management's judgement and analysis of the creditworthiness of the donors, past payment experience, and other relevant factors. At June 30, 2021 and 2020, the balance of grants receivables was \$29,608 and \$40,000, respectively.

Mortgage Receivables

The Organization transfers rehabilitated and newly constructed homes based on prices pre-determined by area, construction or rehabilitation costs and the income status of the homeowner. This pre-determined price is then discounted in accordance with Internal Revenue Code Section 1288. The discounted amount, which represents the underlying mortgage receivable, is recorded at the original transfer price less the calculated discount. Mortgage receivables that arose prior to January 1, 2003 were discounted at a rate of 8.0%. Effective January 1, 2003 the Organization revised its policy by requiring mortgages be discounted using the applicable long-term Federal Funds rate in effect as of the date of transfer to the homeowner. The mortgages have an original maturity of 20 to 40 years and arise in connection with the Organization's homebuilding initiatives in Greater Lowell, Massachusetts. Effective, January 1, 2015 Habitat changed the policy to limit the mortgages to no longer than 30 years, interest free. These mortgages are secured by the underlying real estate that is located primarily in the Greater Lowell, Massachusetts area.

The underlying real estate is transferred to the homeowner at below the then fair market value. The fair value of the homes is in excess of the related mortgage note balances, and due to the secured creditor status of the Organization, all mortgage balances are fully collectible. The Organization believes that no allowance for doubtful accounts is necessary.

Inventory

Inventory consists of donated building supplies and other home improvement items to be sold at the Organization's ReStore. Purchased inventory is valued at cost. Donated inventory is valued at its estimated fair value based on its expected selling price. At June 30, 2021 and 2020 inventory for the Organization's ReStore was valued at \$98,190 and \$98,734 respectively.

See independent auditors' report.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

House Construction in Process

Construction costs relate to the expenditures for new construction, remodeling and rehabbing of residential property. These costs may represent donated buildings, land, building materials and skilled volunteer services. Donated inventory is recorded at the fair market value on the date of receipt and such items are expensed when used or sold based on the specific identification method. Costs incurred in conjunction with construction are expensed when the home is sold.

Property and Equipment

Property and equipment purchased by the Organization with unrestricted funds is recorded at cost. Donated property and equipment are recorded at fair value at the date of the gift. Depreciation is provided beginning when the asset is placed in service using the straight-line method over the estimated useful life of the asset, ranging from 5 to 15 years. Expenditures for renewals and betterments are capitalized. ReStore costs incurred prior to the opening of the store were capitalized and are being depreciated over 15 years. When assets are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gain or loss is included in the change in net assets for the period. Depreciation expense for the years ended June 30, 2021 and 2020 was \$22,233 and \$22,662, respectively, of which \$9,881 and \$16,365, respectively, was related to the ReStore.

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick days, and other personal days off, depending on job classification, length of service, and other factors. These entitlements accrue during the calendar year but must be used by the end of the calendar year or the employee forfeits the benefit as explained in the employee handbook. For the years ended June 30, 2021 and 2020, the Organization accrued a liability for compensated absences in the amount of \$19,856 and \$11,788, respectively.

Revenues and Support Recognition

**Revenue Recognition**

Effective July 1, 2020, the Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization delayed initial adoption of ASC 606 in accordance with FASB's notice on April 8, 2020.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**Transfer to Homeowners**

Mortgage income includes the annual amortization of the discount for the present time value of money on the primary mortgage and recognition for the release of the contingent mortgage (Note 5) upon the premature sale by a homeowner. For the years ended June 30, 2021 and 2020 mortgage income was \$115,856 and \$111,071 respectively.

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**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenues and Support Recognition (Continued)

**Contributions and Contributed Services**

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved.

Contributions received with donor-imposed restrictions that will lapse are reported as revenues with donor restrictions when they are received. A reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions in the year the restriction is met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenues, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses, with or without donor restrictions, at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. A substantial number of volunteers have made significant contributions of their time to the Organization's program of building and rehabbing houses, and other supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, such as plumbing, HVAC and electrical are provided by individuals possessing those skills and/or licenses that would otherwise need to be purchased if not provided by donation are recognized as revenues and expenses with donor restrictions. Contributions of materials to be used in program operations are reported as revenues and expenses with donor restrictions of the net asset category at the time the materials are received. Contributed services and materials for the years ended June 30, 2021 and 2020 totaled \$59,770 and \$599,351, respectively.

**Fundraising and Special Events**

Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received.

**ReStore Sales**

Retail store sales represent sales of building materials, furniture, appliances, and housewares donated to the Organization. Retail store revenues are recognized when the related goods are sold. The Organization records sales taxes collected on these sales in ReStore Revenue.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$10,216 and \$4,768, respectively, and relates primarily to the ReStore Program.

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**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes and Uncertain Tax Positions

The Organization is exempt from federal and state income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code and Section 830 CMR 63.38T.1 of Massachusetts General Laws. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expenses. The Organization is not a private foundation. Only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Organization accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, *Income Taxes*. Management is not aware of any transactions that would negatively impact the Organization's tax-exempt status.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from any tax authorities were recorded in the accompanying financial statements.

The Organization's federal exempt tax returns and state of Massachusetts reports for the years ended June 30, 2019 through June 30, 2021 (open years) are subject to examination by the Internal Revenue Service and Massachusetts Attorney General's Office.

Fair Value of Financial Instruments

Generally accepted accounting principles establish a framework for measuring fair value.

Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date. Accounting principles require the use of observable market data, when available, in making fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's financial instruments, none of which are held for trading purposes, consist primarily of cash, accounts payable and accrued expenses. The Organization estimates the carrying amount of these financial instruments approximate their fair value recorded in the accompanying financial statements due to their short-term nature.

The carrying amount of the Organization's mortgages receivable, line of credit, and long-term debt generally approximates fair value at June 30, 2021 and 2020, as the instruments' current interest rate approximates market rates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Expenses that can be identified with a specific program or supporting service are charged directly to programs and supporting services. Expenses related to more than one functional category, including personnel costs and occupancy, have been allocated to programs and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management.

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**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Change in Accounting Principles

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (*Topic 958*) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

On June 21, 2018 FASB issued ASU 2018-08 Not-for-Profit Entities (*Topic 958*) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update addresses the specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. The Organization has adjusted the presentation of these financial statements accordingly. ASU 2018-08 has been applied retrospectively to all periods presented.

**Note 3. CONCENTRATION OF CREDIT RISK**

Habitat for Humanity of Greater Lowell, Inc. maintains its cash balances in bank accounts at high quality credit financial institutions. The balances, at times may exceed federally insured limits (FDIC). Pursuant to Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the standard maximum insurance amount was permanently raised to \$250,000. At June 30, 2021 Habitat exceeded the FDIC insured limit by approximately \$5,150. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. The Organization monitors the credit-worthiness of the financial institutions in which it deposits money.

The Organization's concentration of credit risk with respect to mortgages receivable depends on its partner family's ability to repay, which may vary with economic conditions within this geographic area.

**Note 4. MORTGAGES RECEIVABLE**

Transfers to homeowners represent the sale of houses built by Habitat in exchange for interest free mortgages. As discussed in Note 2 these mortgages are payable over 20 – 40 years and discounted for the present time value of money. Mortgage payments received after 15 days are considered late and subject to the Organization's delinquency policy. The Organization has a liberal policy of working with homeowners to ensure that accounts are brought up to date and all remedies exhausted before any legal action will commence. As of June 30, 2021, Habitat had 30 loans outstanding with a gross value of \$2,872,311 and a discounted value of \$2,206,897. As of June 30, 2020, Habitat had 31 loans outstanding with a gross value of \$2,974,246 and a discounted value of \$2,240,604.

Mortgage receivables were as follows at June 30:

	<u>2021</u>	<u>2020</u>
Current portion	\$ 102,839	\$ 98,360
Long-term portion	<u>2,104,538</u>	<u>2,142,244</u>
	<u>\$ 2,206,897</u>	<u>\$ 2,240,604</u>

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**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 5. CONTINGENT MORTGAGES RECEIVABLE**

Homeowners who purchase housing through the Organization's program are subject to additional payments should the house be sold before the mortgage has been paid in full. The remaining payments on the original mortgage would be due at the closing and they would be subject to a second predetermined (contingent) mortgage. Contingent mortgage receivables are not reported in the accompanying financial statements, and their outstanding balances at June 30, 2021 and 2020 totaled \$1,420,975 and \$1,503,231, respectively. At present, management does not believe that any of the outstanding contingent mortgages will be realized.

**Note 6. CONTRIBUTIONS RECEIVABLE**

The Organization was awarded a \$300,000 grant from the Cummings Foundation in 2018 for the purpose of building and rehabbing homes for low-income individuals and families. The Organization will receive payments in the amount of \$30,000 per year over a 10-year period. The grant has been discounted at the rate of 7% per year to its net present value. The amortization of the annual discount amount is included in grant income in the accompanying financial statements. Contributions receivable at June 30, 2021 and 2020 consist of the following:

	2021	2020
Gross unconditional promises to give	\$ 180,000	\$ 210,000
Less: unamortized discount	70,914	78,027
Net unconditional promises to give	<u>\$ 109,086</u>	<u>\$ 131,973</u>
Amounts due in:		
Less than one year	\$ 21,390	\$ 22,887
One to five years	87,696	93,837
Five to ten years	-	15,249
	<u>\$ 109,086</u>	<u>\$ 131,973</u>

**Note 7. LINE OF CREDIT**

The Organization has an available line of credit of \$150,000 with Eastern bank. The funds from the line of credit were used to fund construction costs of the Lowell and Westford projects. The line of credit bears interest at 7% per annum. At June 30, 2021 and 2020, the outstanding balance was \$20,054 and \$0, respectively.

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**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 8. NOTES PAYABLE**

	<u>2021</u>	<u>2020</u>
Promissory note payable to Habitat for Humanity International, Inc. in quarterly installments of \$5,877 including interest at 3.80% per annum. The note's original maturity date was December 2020.	\$ -	\$ 17,302
Note payable for a vehicle in monthly installments of \$367 including interest at 4.75% per annum. The note's original maturity is January 2023.	6,710	10,720
Note payable for a vehicle in monthly installments of \$382 including interest at 5.5% per annum. The note's original maturity is December 2023.	10,677	14,581
Five federal SHOP grants provided by HUD at no interest to be used for the development and improvement of the home infrastructure. The notes' maturity dates range from 2021 through 2024. One note was paid off during the fiscal year.	1,930	10,174
Note payable under the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") for payroll, benefits, rent, and utilities. Loan and accrued interest are forgivable after a prescribed period as long as the loan proceeds are used for eligible expenses.	136,720	136,720
Total notes payable	156,037	189,497
Less current portion	(146,922)	(169,761)
Long-term debt, net of current portion	\$ 9,115	\$ 19,736

Aggregate maturities of long-term debt for the next three years  
and in the aggregate are as follows:

2022	\$ 146,922
2023	6,866
2024	2,249
	\$ 156,037

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**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 9. RESTORE PROGRAM**

The Organization established its first ReStore in 2012. The ReStore is set-up to receive donated goods such as building materials and household items that would otherwise be destined for landfills. The Organization then stores and sells these goods to the public at discount prices. This both raises money for the Organization's programs and makes discounted materials available for the public. For the year ended June 30, 2021 the ReStore Program generated \$755,098 of revenues with associated costs of \$780,339. This resulted in a net loss of \$25,241. For the year ended June 30, 2020 the ReStore Program generated \$617,123 of revenues with associated costs of \$745,018. This resulted in a net loss of \$127,895.

**Note 10. RECONCILIATION OF SALES OF HOMES AND TRANSFERS TO HOMEOWNERS**

In accordance with the accounting policy as established by Habitat International the local affiliate records the sales of homes at the net amount of the mortgage receivable. The affiliate has included the below schedule to properly disclose the sales price pursuant to the HUD Settlement statement with the net amount recorded in the accompanying financial statements at year end.

Sales Price per HUD Settlement Statements	\$ 253,000
Less: Contingent Mortgage (see Note 5)	<u>(68,000)</u>
Total Home Sales	<u>\$ 185,000</u>

**Note 11. CONTRIBUTION TO HABITAT FOR HUMANITY INTERNATIONAL, INC.**

Habitat for Humanity International, Inc. has a suggested 10% tithing based on internal calculations for unrestricted funds, however, there is no penalty for tithing less than this amount. This amount is used for Habitat for Humanity International's, worldwide housing programs. As a Board, the Organization has voted to tithe International based on a percentage of unrestricted giving each year and this amount varies as the Organization deems, they are able to tithe. For the years ended June 30, 2021 and 2020 actual contributions to Habitat for Humanity International, Inc. were \$8,000 and \$6,000, respectively.

**Note 12. OPERATING LEASES**

Effective October 1, 2019, the Organization entered a lease for office space located at 68 Tadmuck Road, Unit 1, Westford, Massachusetts. Current monthly payments are \$1,500 plus certain utilities.

Effective November 1, 2018, the Organization entered into a five (5) year lease agreement for its Restore space located at 100 Chelmsford Road, Billerica Massachusetts. Current monthly payments are \$6,797 plus certain utilities. Annual lease payments for the next three years through October 31, 2023 are \$81,564 per year.

**Note 13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations.

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**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)**

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 768,294	\$ 535,077
Grants receivable, current portion	29,608	40,000
Contribution receivable, current portion	30,000	30,000
Mortgage notes receivable, current portion	<u>102,839</u>	<u>98,360</u>
Total financial assets and liquidity resources available within one year	<u>\$ 930,741</u>	<u>\$ 703,437</u>

In addition to the financial assets available to meet general expenditures within the year, the Organization has an available line of credit with maximum borrowing of \$150,000 which it could draw upon in the event of an anticipated liquidity need. At June 30, 2021, \$130,000 was available on the line of credit to fund expenses without limitations. The Organization also anticipates covering its general expenditures by collecting donations and grants in its normal revenue cycle and from planned fundraising campaigns and events.

**Note 14. RELATED PARTY TRANSACTIONS**

The Organization uses a law firm for legal services related to house closings and foreclosures that employs a member of the Board of Directors. For the years ended June 30, 2021 and 2020 legal fees paid to this firm totaled \$329 and \$0, respectively. Management believes these transactions are not substantially different than if conducted with unrelated parties.

**Note 15. OTHER SIGNIFICANT MATTERS**

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared the outbreak a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the operational and financial impact that COVID-19 may have on the Organization depends on certain developments, as well as the impact on employees, donors and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's future financial condition or results of operations is uncertain.

**Note 16. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

Purpose restrictions accomplished – program services	<u>\$1,078,963</u>
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See independent auditors' report.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**Note 17. NET ASSETS**

Net assets consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Undesignated	\$ 3,462,638	\$ 2,867,300
Total net assets without donor restrictions	<u>\$ 3,462,638</u>	<u>\$ 2,867,300</u>
Net assets with donor restrictions:		
For program services	\$ 404,290	\$ 883,684
Total net assets with donor restrictions	<u>\$ 404,290</u>	<u>\$ 883,684</u>
Total net assets	<u>\$ 3,866,928</u>	<u>\$ 3,750,984</u>

**Note 18. PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2021, the Organization identified a donation of property from 2018 that had not been recorded at the assessed valuation. The total assessed value of the property was \$154,000 at the date of the donation. Therefore, a prior period adjustment of \$154,000 was recorded.

**Note 19. SUBSEQUENT EVENTS**

Management has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2021 through January 14, 2021, the date the financial statements were first available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements; however, the following event was deemed to be significant as to require disclosure.

On September 24, 2021, the Organization was notified by the Small Business Administration that its entire loan proceeds in the amount of \$136,720 received under the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), was considered forgiven.

See independent auditors' report.