HABITAT FOR HUMANITY RIVERSIDE, INC.

AUDIT REPORT

JUNE 30, 2021

HABITAT FOR HUMANITY RIVERSIDE, INC.

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JUNE 30, 2021

WERNER & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity Riverside, Inc.
Riverside, CA

We have audited the accompanying financial statements of Habitat for Humanity Riverside, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 Riverside, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Werner + Company Inc.
Werner & Company, Inc.
October 15, 2021

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 2,598,224
Impound trust account	21,863
Accounts receivable	208,879
Inventory-Restore	186,000
Mortgage receivables, current portion	215,688
Land held for development	810,000
Construction in progress	2,516,248
Prepaid expenses	15,016
Total Current Assets	6,571,918
PROPERTY AND EQUIPMENT	
Equipment	84,614
Vehicles	47,776
Leasehold improvements	106,623
Accumulated depreciation	(232,214)
Total Property and Equipment	6,799
OTHER ASSETS	
Mortgage receivables, net of current portion	5,459,415
Unamortized mortgage discount	(3,807,144)
Total Other Assets	1,652,271
TOTAL ASSETS	$ 8,230,988

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 48,221
Accrued payroll	7,169
Accrued vacation	22,968
Payroll taxes payable	8,364
Homeowner escrow funds	32,221
Total Current Liabilities	118,943
LONG TERM DEBT	
Small Business Administration loan	150,000
Paycheck Protection Program loan	310,230
Total Long Term Debt	460,230
TOTAL LIABILITIES	579,173
NET ASSETS	
Without Donor Restrictions	4,601,071
With Donor Restrictions	3,050,744
Total Net Assets	7,651,815
TOTAL LIABILITIES AND NET ASSETS	$ 8,230,988

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	TOTAL
SUPPORT AND REVENUES			
Contributions	$ 108,309	$ 736,622	$ 844,931
Restore sales	1,087,456		1,087,456
Mortgage discount amortization	177,726		177,726
Grants	444,754	185,640	630,394
Interest income	198	100	298
Other income	8,289		8,289
Net assets released from restriction by payment	66,548	(66,548)	-
Total support and revenues	1,893,280	855,814	2,749,094
EXPENSES			
Program services	2,003,145		2,003,145
Management and general	68,008		68,008
Fundraising	73,345		73,345
Total expenses	2,144,498		2,144,498
CHANGE IN NET ASSETS	(251,218)	855,814	604,596
NET ASSETS-BEGINNING OF YEAR	4,852,289	2,194,930	7,047,219
NET ASSETS- END OF YEAR	$ 4,601,071	$ 3,050,744	$ 7,651,815

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program	Restore	Total Program Services	Management and General	Fund Raising	Total Expenses
Construction and related cost	$ 271,100		$ 271,100	$	$	$ 271,100
Salaries and wages	415,258	282,540	697,798	44,601	52,233	794,632
Payroll taxes	35,062	21,696	56,758	3,620	4,266	64,644
Advertising	350	3,150	3,500			3,500
Auto	4,147	5,236	9,383			9,383
Bank charges	530	633	1,163			1,163
Dues	10,556	1,569	12,125			12,125
Equipment expense		36,961	36,961			36,961
Insurance	89,058	39,390	128,448			128,448
Office supplies	1,550	1,377	2,927			2,927
Outside services	54,770	19,008	73,778			73,778
Postage	727	758	1,485			1,485
Professional services		11,061	11,061	1,588		12,649
Repairs	560	36,973	37,533			37,533
Supplies	694	9,945	10,639			10,639
Telephone	750	7,686	8,436			8,436
Rent	58,283	203,990	262,273	14,570	14,570	291,413
Utilities	9,104	31,862	40,966	2,276	2,276	45,518
Tithes to Habitat International	1,373		1,373			1,373
Fees to Habitat International	25,000		25,000			25,000
Mortgage debt forgiven	80,350		80,350			80,350
Freight		21,021	21,021			21,021
Depreciation	2,105		2,105			2,105
Interest		128	128	1,353		1,481
Alarm service		1,296	1,296			1,296
Tax, License and permits	11,469	100	11,569			11,569
Theft loss		3,906	3,906			3,906
Training	801		801			801
Home repairs	193,627		193,627			193,627
Inventory adjustment		(4,842)	(4,842)			(4,842)
Miscellaneous	477		477			477
Total	$ 1,267,701	$735,444	$ 2,003,145	$ 68,008	$73,345	$2,144,498

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 604,596
Adjustments to reconcile change in net assts	
to net cash provided (used) by operating activities:	
Depreciation	2,105
Mortgage discount amortization	(177,726)
Mortgage debt forgiven	80,350
(Increase) decrease in operating assets:	
Impound trust account	(2,401)
Inventory	(13,000)
Accounts receivable	168,010
Construction in progress	(749,522)
Prepaid expenses	(572)
Increase (decrease) in operating liabilities:	
Accounts payable	(29,158)
Accrued payroll	(2,160)
Accrued vacation	831
Homeowner escrow funds	5,498
Homeowner deposits	(615)
Payroll taxes payable	8,364
Net cash provided (used) by operating activities	(105,400)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(6,069)
Payments received on mortgages	227,185
Cash provided by investing activities	221,116
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Small Business Administration loan	150,000
Proceeds from Paycheck Protection Program loan	150,000
Payments on note payable	(31,723)
Cash provided by financing activities	268,277
NET INCREASE IN CASH	383,993
CASH AND CASH EQUIVALENTS,BEGINNING OF YEAR	2,214,231
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,598,224

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General
Habitat for Humanity Riverside, Inc. (the Organization) is a not-for-profit Organization organized in California in 1988 and governed by a volunteer board of directors. Its purpose is to construct, with donated labor and materials, low-income housing for families who live in substandard dwellings and cannot afford to improve their living standards by conventional means. The Organization is primarily funded by public contributions and government grants.

Habitat provides interest-free financing. If the original family retains ownership of the home, Habitat will forgive a substantial portion of the mortgage principal in the final years of the loan. Habitat uses the proceeds from mortgage collections to finance the building of additional housing.

Habitat also operates a thrift store (Restore) as another means of raising funds for its building programs, which sells surplus donated building materials not used for its own housing projects. Sources of these donations included major home improvements chains, building contractors as well as the general public.

Financial Statement Presentation
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-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. When a donor restriction expires, that is. when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Income taxes
The Organization is exempt from income taxes under the Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701 (d). Habitat is not classified as a private foundation. Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the organization in its federal and state tax returns are more likely than not to be sustained upon examination. The Organization's tax returns are subject to examination by federal taxing authorities for a period of three years from the date they are filed and for a period of four years for California taxing authorities.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment over $500 are valued at cost if purchased or at fair market value at the date of receipt if donated. Depreciation has been computed on a straight-line basis over the useful lives of the assets, as follows:

Vehicles, furniture and equipment	5 to 7 years
Leasehold improvements	10 years

Donated services

Amounts are reported in the accompanying statements for voluntary donation of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation.

Donated material and supplies

Donated material and supplies are recorded as contributions at their estimated fair market value at the date of donation if a value can be reasonably determined. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Inventory- Restore

Restore inventory consists of donated building materials available for sale to the general public. The recorded value is estimated based on total yearly sales to approximate the fair value.

Use of estimates

Accounting principles generally accepted in the United States of America require management to make assumptions in estimates that affect the amount reported in the financial statements for assets, liabilities, revenues, and expenses. In addition, assumptions and estimates are used to determine disclosure for contingencies, and other matters discussed in the notes to the financial statements. Actual results could differ from those estimates

Cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Advertising costs

Advertising costs are expensed as incurred.

Subsequent events

Habitat has evaluated subsequent events through October 15, 2021, which is the date the financial statements were issued.

NOTE 2-HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its monetary contributions to Habitat for Humanity International. These contributions are used to construct homes in economically depressed areas around the world. During this reporting period, the Organization contributed $26,373 to Habitat for Humanity International. This amount is included in program services in the statement of functional expenses.

NOTE 3-LAND HELD FOR DEVELOPMENT AND CONSTRUCTION IN PROGRESS

Land held for development consists of land acquired for the purpose of future building sites for suitable housing project and is reported at acquisition cost, or at fair market value if donated. Construction in progress consists of costs accumulated during the construction process. Upon completion of the home and sale to a homeowner the construction costs are reported as construction costs in the statement of functional expenses.

NOTE 4-PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at June 30, 2021.

Fixed assets:	
Leasehold improvements	$ 106,623
Office equipment	84,614
Vehicles	47,776
Subtotal	239,013
Less accumulated depreciation	(232,214)
Total property and equipment	$ 6,799

Depreciation expense for the year ended June 30, 2021 was $2,105.

NOTE 5-MORTAGES RECEIVABLE AND DISCOUNT AMORTIZATION

Mortgages receivable consists of several interest-free loans made to families who have become owners of Habitat homes. These homeowners pay between $200 and $800 monthly, not including insurance and property taxes, and the loans have varying terms 18.5 to 45 years. Habitat's policy is to forgive a portion of the original loan amount during the final 10 to 15 years of the loan amortization under the condition that the borrower retains ownership for the entire loan period per the mortgage contract.

Accounting principles generally accepted in the United States of America require that interest-free loans, which involve the purchase of real estate, be discounted to their present value using a fair market rate of interest. Accordingly, the carrying amounts of mortgages receivable have been reduced by the amount of these discounts, which will be amortized over the life of the loans.

NOTE 5-MORTGAGES RECEIVABLE (continued)

Mortgages receivable present value at June 30, 2021

Mortgages receivable at face value	$ 5,675,103
Less unamortized present value discount	(3,807,144)
Total mortgages receivable, net of discount	$ 1,867,959
Mortgage receivable-current portion	$ 215,688
Mortgage receivable-long term, net of discount	$ 1,652,271

Amortization of the mortgage discount was $ 179,998 for year ended June 30, 2021.

NOTE 6-OPERATING LEASES

On May 26, 2010 the Organization entered into a lease agreement and moved the business office and Restore to a new location in Riverside. In 2017 the lease agreement was extended to September 30, 2022. Lease expense for the year was $ 291,413. Minimum lease payments for the new lease are as follows:

Years ending June 30,

2022	$ 297,677
2023	74,965

NOTE 7-SMALL BUSINESS ADMINISTRATION LOAN

In 2020 the Organization received a loan from the U.S. Small Business Administration for $150,000. The loan is dated June 8, 2020 and matures on June 8, 2050. Monthly payment of interest and principal of $641 begin June 8, 2022. The annual interest rate on the loan is 2.75%. The Organization is required to use the proceeds of the loan solely as working capital to alleviate economic injury caused by disaster which began in 2020. Maturities of the loan are as follows:

Year ending June 30,

2022	$ 0
2023	0
2024	1,491
2025	3,648
2026-2030	19,564
2031-2035	27,264
2036-2040	20,804
Thereafter	77,229
Total	$150,000

NOTE 8-PAYCHECK PROTECTION PROGRAM LOAN

In 2020 and 2021 the Organization received loans in the amount of $310,230 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses and organizations for amounts up to 2.5 times the average monthly payroll expense. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. If the loan is forgiven the Organization will reduce the loan balance and recognize revenue for the loan balance. Management anticipates that the loans will be forgiven in the subsequent year.

NOTE 9-FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and employee benefits have been allocated on the basis of analysis of personnel time and other operating expenses have been allocated based on space utilized for the related activities,

NOTE 10-FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments are cash, accounts receivable, mortgage receivable and accounts payable. The recorded values of cash, accounts receivable and accounts payable approximate their fair values based on their short-term nature. The fair value of mortgage receivables has been discounted to present values as explained in note 5.

NOTE 11-NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of temporarily restricted net assets that are restricted for the construction costs of homes. Upon the completion of the homes the net assets with donor restrictions will be released to net assets without donor restrictions.

NOTE 12-CONTINGENCIES

The Organization receives government grants as well as certain other grant funds, for specific purposes that are subject to review and audit by grantor agencies. Such audits could generate expenses disallowed under the terms of the grant. As of June 30, 2021, in the opinion of the Organization's management, there are no outstanding matters which would have a material affect on the Organization's financial position.

NOTE 13-CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents and receivables. The Organization maintains its cash and cash equivalents in various bank accounts that, at times may exceed the federally insured limits of $250,000. At June 30, 2021, the Organization had an uninsured cash balance of $ 193,634. The Organization has not experienced , nor does it anticipate , any losses with respect to such accounts. In the normal course of business, the Organization performs ongoing credit evaluations of its receivables and maintains allowances for possible losses.

NOTE 14-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2021 and the amounts of those financial assets that are available for use within one year to meet general expenditures:

Cash and cash equivalents	$ 2,598,224
Impound trust account	21,863
Accounts receivable	208,879
Total Financial Assets	$ 2,828,966

The financial assets as of June 30, 2021 meets the needs of the Organization for normal operating expenses which historically average $178,000 per month.

NOTE 15- RETIREMENT PLAN

The Organization has a 403(b) salary deferral plan whereby employees can contribute up to the amount allowed under the Internal Revenue Plan. There were no matching contributions by the Organization for the year.