

**HANCOCK COUNTY HABITAT FOR HUMANITY**  
**(A nonprofit corporation)**

**Financial Statements**

**Years Ended June 30, 2020 and 2019**

**HANCOCK COUNTY HABITAT FOR HUMANITY**  
**(A nonprofit corporation)**

**Financial Statements**

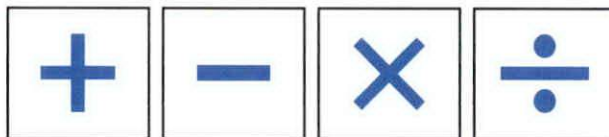
**Years Ended June 30, 2020 and 2019**

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PAUL COSTON, JR.,  
CPA/ABV, MST, CFP  
Shareholder

M.J. MCISAAC, Retired



**COSTON AND McISAAC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Independent Accountant's Review Report

JONATHAN BOUCHER, E.A.  
Shareholder  
MELINDA WORKMAN, CPA, MBA  
Shareholder  
TRICIA POTTLE, CPA  
Shareholder  
RON WROBEL, CPA, M. Acc.  
Shareholder  
STACEY DURRELL  
Accountant  
BRYAN MAURIS  
Accountant  
TRISH HOWARD, Admin. Asst.

To the Board of Directors  
Hancock County Habitat for Humanity  
Ellsworth, Maine

We have reviewed the accompanying financial statements of Hancock County Habitat for Humanity (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activity and changes in net assets, functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Coston & McIsaac, CPAs*

Coston & McIsaac, CPAs

July 2, 2021

Bar Harbor, ME

Hancock County Habitat for Humanity (a nonprofit corporation)  
 Statements of Financial Position  
 As of June 30, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Current assets		
Cash		
Cash - non-interest bearing	\$ 12,803	\$ 23,512
Savings & temporary cash investments	366,868	279,556
Total cash	<u>379,671</u>	<u>303,068</u>
Accounts receivable	87	110
Prepaid expenses	1,332	5,106
Mortgages receivable, current portion, net	14,555	19,143
Total current assets	<u>395,645</u>	<u>327,427</u>
Fixed assets		
Equipment	10,761	7,361
Less: accumulated depreciation	<u>(7,093)</u>	<u>(6,357)</u>
Total fixed assets net of accumulated depreciation	<u>3,668</u>	<u>1,004</u>
Other assets		
Land held for development	99,700	99,700
Construction in progress	136,815	99,577
Security deposits	510	2,510
Mortgages receivable, net	298,009	312,564
Total other assets	<u>535,034</u>	<u>514,351</u>
Total assets	<u>\$ 934,347</u>	<u>\$ 842,782</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,579	\$ 534
Other liabilities	1,093	2,710
Total current liabilities	<u>11,672</u>	<u>3,244</u>
Net assets		
Without donor restrictions	863,815	838,342
With donor restrictions	<u>58,860</u>	<u>1,196</u>
Total net assets	<u>922,675</u>	<u>839,538</u>
Total liabilities and net assets	<u>\$ 934,347</u>	<u>\$ 842,782</u>

See independent accountants' review report and accompanying notes.

Hancock County Habitat for Humanity (a nonprofit corporation)  
Statement of Activity and Changes in Net Assets  
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	\$ 122,098	\$ 57,664	\$ 179,762
Fundraising	16,355	-	16,355
ReStore sales	8,241	-	8,241
Program service and late fees	350	-	350
Interest	3,250	-	3,250
Imputed interest	14,554	-	14,554
Net assets released from restriction	-	-	-
Total revenues, gains, and other support	<u>164,848</u>	<u>57,664</u>	<u>222,512</u>
Expenses			
Program	36,249	-	36,249
Management and general	57,566	-	57,566
Fundraising	12,354	-	12,354
Fundraising events	8,349	-	8,349
ReStore expenses	24,857	-	24,857
Total expenses	<u>139,375</u>	<u>-</u>	<u>139,375</u>
Change in net assets	25,473	57,664	83,137
Net assets, beginning of year	838,342	1,196	839,538
Net assets, end of year	<u>\$ 863,815</u>	<u>\$ 58,860</u>	<u>\$ 922,675</u>

See independent accountants' review report and accompanying notes.

Hancock County Habitat for Humanity (a nonprofit corporation)  
Statement of Activity and Changes in Net Assets  
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	\$ 167,742	\$ -	\$ 167,742
Fundraising	18,566	-	18,566
ReStore sales	118,415	-	118,415
Program service and late fees	130	-	130
Interest	1,767	-	1,767
Imputed interest	14,595	-	14,595
Net assets released from restriction	-	-	-
Total revenues, gains, and other support	<u>321,215</u>	<u>-</u>	<u>321,215</u>
Expenses			
Program	23,138	-	23,138
Management and general	41,014	-	41,014
Fundraising	10,922	-	10,922
Fundraising events	8,589	-	8,589
ReStore expenses	102,599	-	102,599
Total expenses	<u>186,262</u>	<u>-</u>	<u>186,262</u>
Change in net assets	134,953	-	134,953
Net assets, beginning of year	703,389	1,196	704,585
Net assets, end of year	<u>\$ 838,342</u>	<u>\$ 1,196</u>	<u>\$ 839,538</u>

See independent accountants' review report and accompanying notes.

Hancock County Habitat for Humanity (a nonprofit corporation)  
Statement of Functional Expenses  
For the Year Ended June 30, 2020

	Total Program	Management and General	Fundraising	Total
Functional expenses				
Salaries & wages	12,621	24,579	7,721	44,921
Employee benefits	2,383	4,624	1,458	8,465
Occupancy	2,256	5,100	-	7,356
Office build out	-	6,171	-	6,171
Office expenses	851	4,262	338	5,451
Small tools and safety	5,231	-	-	5,231
HFH Int'l tithe & annual fee	10,420	5,000	-	15,420
Payroll taxes	1,148	2,087	702	3,937
Professional fees	-	1,873	13	1,886
Information technology	-	1,753	-	1,753
Insurance	345	1,144	-	1,489
Newsletter and appeal	-	-	1,356	1,356
Travel	71	538	420	1,029
Advertising	260	170	346	776
Depreciation	471	265	-	736
Miscellaneous	192	-	-	192
Total functional expenses	<u>\$ 36,249</u>	<u>\$ 57,566</u>	<u>\$ 12,354</u>	<u>\$ 106,169</u>

See independent accountants' review report and accompanying notes.

Hancock County Habitat for Humanity (a nonprofit corporation)  
Statement of Functional Expenses  
For the Year Ended June 30, 2019

	Total Program	Management and General	Fundraising	Total
Functional expenses				
Salaries & wages	8,888	21,538	5,438	35,864
HFH Int'l tithe & annual fee	8,122	5,000	-	13,122
Employee benefits	2,380	1,893	1,953	6,226
Insurance	1,068	3,288	-	4,356
Professional fees	-	3,275	239	3,514
Payroll taxes	322	1,786	867	2,975
Miscellaneous	2,282	511	1,189	3,982
Supplies	-	1,469	58	1,527
Advertising	-	300	668	968
Travel	-	466	251	717
Office expenses	14	433	205	652
Occupancy	-	510	-	510
Information technology	-	280	54	334
Depreciation	62	265	-	327
Total functional expenses	<u>\$ 23,138</u>	<u>\$ 41,014</u>	<u>\$ 10,922</u>	<u>\$ 75,074</u>

See independent accountants' review report and accompanying notes.





Hancock County Habitat for Humanity  
Notes to the Financial Statements  
June 30, 2020 and 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Hancock County Habitat for Humanity (the Organization), a nonprofit, was incorporated in the State of Maine in 1989. The Organization is an affiliate of Habitat for Humanity International (Habitat International or Habitat), an ecumenical, Christian nonprofit which is open to working with people of all backgrounds and without regard to religious preference. With affiliates worldwide, Habitat brings people together to build homes, communities, and hope, and seeks a world where everyone has a decent place to live. Although Habitat International assists with informational and fiscal resources, the Organization is primarily responsible for its own operations.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization's operations. The Organization partners with economically disadvantaged individuals and families who qualify for the program based on the criteria of: (1) need [including falling between 30-80% of the AMI], (2) willingness to partner, and, (3) the ability to pay a monthly mortgage [including escrow for taxes and insurance]. Through monetary and in-kind donations, volunteer labor, and each homeowner's "sweat equity", the Organization builds [and occasionally renovates] market-quality homes which are then financed through affordable mortgage loan(s).

Homes are also subject to a second mortgage, representing the difference between the market value of the home [as determined by an independent appraisal performed just prior to closing] and the first mortgage charged to the homeowner [what has been deemed "affordable" to the borrower based on standard banking income calculations]. In the event the property is sold or transferred, refinanced or otherwise encumbered by the borrower, or if the borrower is in default under the conditions of the mortgage prior to the expiration of its term, the balance of the second mortgage becomes due to Habitat, as the lender. If the homeowner's circumstances change and they choose to sell the home, Habitat has the "first right of refusal" [the option to buy it back before anyone else] less any outstanding mortgage amounts still owed and less any increase in equity shared between the Partner and the affiliate ["shared appreciation"]. Along with the forgivable 2nd mortgage, the first right of refusal and shared appreciation help to protect the investment in the home by volunteers and donors and allows Habitat to potentially retain the home as an affordable unit of housing for another qualified individual or family.

Subject to Americans with Disabilities Act (ADA) reasonable accommodations, future homeowners are required to contribute 250 hours per adult of their own labor ("sweat equity") into the building of their house and/or the homes of others while working alongside volunteers.

The Organization has an open-door policy and is pledged to the letter and spirit of the *U.S. Policy for the Achievement of Equal Housing Opportunity* throughout the nation. The Organization encourages and supports an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, nation origin, age, marital status, sexual orientation, gender identity, or sources of income. The Organization is in compliance with the *Fair Housing Act* and the *Equal Credit Opportunity Act*.

The Organization's program is funded through contributions, grants, and in-kind donations from individuals, foundations, corporations, public agencies, community groups, and religious organizations.

Hancock County Habitat for Humanity  
Notes to the Financial Statements  
June 30, 2020 and 2019

**Basis of Accounting**

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligations are incurred.

**Financial Statement Presentation**

The financial statements have been prepared in accordance with FASB Accounting Standards Update (“FASB ASU”) No. 2016-14 (Topic 958), “*Not-for-Profit Entities – Presentation of Financial Statements.*” Under FASB ASU No. 2016-14 (Topic 958), the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Income Taxes**

The Organization is an exempt organization for federal and state income tax purposes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation. The Organization regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements

Generally, the informational tax returns for the past three years remain open to examination by taxing authorities. Currently there is no exam in process. In the event of an examination the Organization does not believe that the results would have a material financial effect.

Hancock County Habitat for Humanity  
Notes to the Financial Statements  
June 30, 2020 and 2019

**Cash and Cash Equivalents**

The Organization considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Advertising**

Advertising is expensed in the period incurred. Advertising amounted to \$776 and \$968 for the years ended June 30, 2020 and 2019, respectively.

**Subsequent Events**

Management has evaluated subsequent events through July 2, 2021, the date the financial statements were available to be issued. See Note 11 for a discussion of the only subsequent event.

**ReStore Donated Inventories**

The Restore inventory consists primarily of items that have been donated. The value of the items donated is not readily determinable until the merchandise is sold. Whereas offsetting entries at the time of sale to noncash donations and cost of goods would net to zero the organization has chosen not to record these entries in the financial statements.

**ReStore expenses**

ReStore expenses consist of the direct and indirect costs, excluding inventory (see ReStore donated inventories above), associated with operating the ReStore store including wages & benefits, rent, utilities, equipment rental, and bank fees.

**Property and Equipment**

Equipment purchased or contributed in excess of \$500 is capitalized. Equipment is recorded at cost, if purchased and fair market value, if contributed. Depreciation is computed on a straight-line basis over the following useful lives:

Equipment	5 to 7 years
Vehicles	5 to 7 years

**Land Held for Development**

Land held for development is available for future use for construction of homes and is recorded at cost paid or appraised value of properties donated.

**Construction in Progress**

Homes under construction or repair include the direct and indirect costs of construction, land, and the donated value of materials and professional services used in the construction of homes. When the home is occupied and title transferred, the transfer value of the home is reported as income and the construction costs are expensed.

Hancock County Habitat for Humanity  
Notes to the Financial Statements  
June 30, 2020 and 2019

**Mortgages Receivable**

Mortgages receivable consist of primary non-interest bearing mortgages, secured by real estate and payable in monthly installments over 20 to 30 year terms. The mortgages are discounted based upon the prevailing market rates for low income housing at the inception of the mortgage. The discount is amortized on the effective interest basis over the term of the mortgage.

In addition to the primary mortgage on each property, homeowners agree to an additional mortgage for the difference between the primary mortgage and the fair value of the real estate as determined by an appraiser. This mortgage is non-interest bearing, requires no monthly payments and is forgiven at a specified percentage each year on the anniversary of the note until its balance reaches zero. The second mortgage represents the excess of the market value over the original loan amount of each home sold. The second mortgage only becomes due in the event the property is sold or otherwise transferred, refinanced or otherwise encumbered by the borrower, or if the borrower is in default under the conditions of the mortgage prior to the expiration of its term. Amounts associated with these additional mortgages are not included in the accompanying financial statements.

Mortgages receivable are fully secured by real estate therefore an allowance for uncollectible accounts is not considered necessary.

**Contributions**

Unrestricted contributions are recognized when received or pledged. Contributions are reported as donor restricted if they are received with donor stipulations that limit the use of such assets. When a restriction expires, donor restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

**Grants**

The Organization receives funding from assistance programs that supplement its traditional funding sources.

**In-Kind Support**

The Organization records various types of in-kind support including discounts on services of professionals, building materials, and land donated by volunteers and local citizens in carrying out its mission. The amounts reported as in-kind support are reported at its fair value on the date of donation. Certain amounts may not meet the requirements necessary to be recognized under accounting principles generally accepted in the United States of America. Generally accepted accounting principles allow contributed services to be recognized only if the services received create or enhance nonfinancial assets or require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Hancock County Habitat for Humanity  
Notes to the Financial Statements  
June 30, 2020 and 2019

**Functional Allocation of Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes & benefits	Time and effort

**New Accounting Standards**

The organization adopted Accounting Standards Codification (ASC) No. 2014--9, *Revenue from Contracts with Customers* (ASU 606) with an effective date of July 1, 2019. The organization's revenues consist mainly of grant income and contributions, which do not fall within the scope of ASC 606. Revenues within the scope of ASC 606 include program income from homeownership education workshops, home sales and ReStore sales, which primarily consist of performance obligations that are satisfied within one year or less.

The adoption of this ASU did not have a significant impact on the Organizations's financial statements. The majority of the Organization's revenues consist of a single performance obligation to transfer services or goods. Based on the evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

The organization adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The adoption of this ASU did not have a significant impact on the Organizations's financial statements.

**2. CASH**

At June 30, 2020 the Organization had no deposits in excess of the FDIC insurance limit of \$250,000.







Hancock County Habitat for Humanity  
Notes to the Financial Statements  
June 30, 2020 and 2019

**9. CLOSURE OF RESTORE**

The organization permanently closed the ReStore operations in August of 2019 to allow the Organization to better focus on its core mission of home building. This is consistent with Habitat International's recommendations.

**10. IMPACT OF THE COVID-19 PANDEMIC**

The organization was not significantly impacted by the Covid-19 pandemic. The organizations sole employee, the executive director, worked remotely as much as possible. There was no lost employee worktime. The progress of the last build has been slowed as volunteer and partner worksite time was eliminated for several months and the number of individuals working has been reduced to allow for social distancing.

**11. SUBSEQUENT EVENT**

Subsequent to year end, on September 15, 2020, the organization exercised its right of first refusal and repurchased a property with a resulting book value of \$128,131 consisting of (a) the payoff of a net mortgage receivable of \$59,224, (b) additional cash payment of \$68,907 made by Habitat. At the time, the market value of the property plus closing costs was estimated at \$167,302. The book value reflects the market value net of the unrecorded 2<sup>nd</sup> mortgage amounting to \$26,035 and shared appreciation amounting to \$13,136, both further discussed in Note 1.