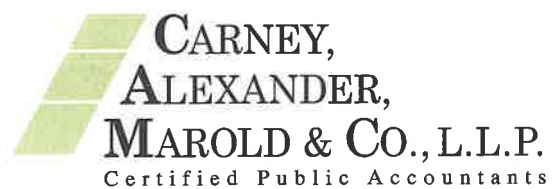


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IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

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## Independent Auditors' Report

To the Board of Directors  
Iowa Heartland Habitat for Humanity  
Waterloo, Iowa

### Opinion

We have audited the accompanying financial statements of Iowa Heartland Habitat for Humanity (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Iowa Heartland Habitat for Humanity's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Heartland Habitat for Humanity's ability to continue as a going concern for a reasonable period of time.

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

*Carmy, Alexander, Marold + Co, LLP.*

Waterloo, Iowa  
January 22, 2022

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Statements of Financial Position  
As of June 30, 2021 and 2020

	- ASSETS -			- LIABILITIES AND NET ASSETS -	
	2021	2020		2021	2020
Current Assets:			Current Liabilities:		
Cash and cash equivalents - unrestricted	\$ 1,534,980	\$ 816,004	Accounts payable	\$ 279,094	\$ 137,039
Grants and accounts receivable	123,412	94,353	Accrued expenses	18,067	5,182
Pledges receivable	57,498	45,271	Escrow and HOA deposit liability	(8,416)	(1,601)
Work in process	1,367,247	888,316	Current portion of long-term notes and mortgages	<u>64,158</u>	<u>61,398</u>
Inventory	86,557	83,587			
Current portion of real estate contracts receivable	242,530	247,188	Total Current Liabilities	<u>352,903</u>	<u>202,018</u>
Prepaid expenses	<u>22,898</u>	<u>16,346</u>			
Total Current Assets	<u>3,435,122</u>	<u>2,191,065</u>	Long-term Liabilities:		
Non-Current Assets:			Notes and mortgages payable less current portion	<u>1,237,755</u>	<u>1,304,401</u>
Non-interest bearing real estate contracts receivable	5,451,092	5,669,184			
Less discount on non-interest bearing contracts	<u>(1,646,865)</u>	<u>(1,765,397)</u>	Total Long-term Liabilities	<u>1,237,755</u>	<u>1,304,401</u>
	3,804,227	3,903,787			
Less current portion above	<u>(242,530)</u>	<u>(247,188)</u>			
	3,561,697	3,656,599	Net Assets:		
Reserve deposits on IFA loans	1,743	1,743	Without donor restrictions	6,958,730	6,056,760
Beneficial interest in assets held by Community Foundation	595,677	374,208	With donor restrictions	<u>613,001</u>	<u>130,350</u>
Pledges receivable, over one year	<u>106,461</u>	<u>135,658</u>			
			Total Net Assets	<u>7,571,731</u>	<u>6,187,110</u>
Total Non-Current Assets	<u>4,265,578</u>	<u>4,168,208</u>			
Fixed Assets:					
Furnishings and equipment	258,197	178,121			
Construction equipment	118,213	116,471			
Vehicles	85,925	85,925			
Buildings	1,427,743	1,296,058			
Less accumulated depreciation	<u>(428,389)</u>	<u>(342,319)</u>			
Net Fixed Assets	<u>1,461,689</u>	<u>1,334,256</u>			
Total Assets	<u>\$ 9,162,389</u>	<u>\$ 7,693,529</u>	Total Liabilities and Net Assets	<u>\$ 9,162,389</u>	<u>\$ 7,693,529</u>

The accompanying notes are an integral part of this statement.

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Statements of Activities  
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support:						
Grants and gifts:						
Churches	\$ 25,687	\$ -	\$ 25,687	\$ 28,133	\$ -	\$ 28,133
Individuals	195,531	1,000	196,531	201,567	1,000	202,567
Bequests	-	-	-	10,000	-	10,000
Corporations	50,040	-	50,040	105,451	-	105,451
Grants	1,007,437	488,901	1,496,338	966,005	10,000	976,005
In kind contributions	916,942	-	916,942	749,452	-	749,452
Total Grants and Gifts	2,195,637	489,901	2,685,538	2,060,608	11,000	2,071,608
ReStore sales	799,533	-	799,533	560,686	-	560,686
Fundraising	144,131	-	144,131	94,538	-	94,538
Sales of homes	985,520	-	985,520	532,510	-	532,510
Neighborhood Services	87,413	-	87,413	14,242	-	14,242
Real estate contract discount amortization	417,380	-	417,380	370,850	-	370,850
Investment income	7,734	-	7,734	15,009	-	15,009
Realized/unrealized gain on investments	110,602	-	110,602	3,423	-	3,423
Gain/(Loss) on asset disposal	600	-	600	(46,148)	-	(46,148)
Other income	1,298	-	1,298	29,543	-	29,543
	4,749,848	489,901	5,239,749	3,635,261	11,000	3,646,261
Net assets released from restrictions	7,250	(7,250)	-	196,395	(196,395)	-
	4,757,098	482,651	5,239,749	3,831,656	(185,395)	3,646,261
Expenses:						
Program services:						
Construction costs and family selection and nurture	2,166,864	-	2,166,864	1,606,210	-	1,606,210
ReStore	1,267,266	-	1,267,266	1,030,557	-	1,030,557
Neighborhood Services	178,908	-	178,908	122,903	-	122,903
Supporting services:						
Management and general	243,614	-	243,614	268,899	-	268,899
Fundraising and public relations	179,176	-	179,176	209,042	-	209,042
	4,035,828	-	4,035,828	3,237,611	-	3,237,611
Change in Net Assets from Operations	721,270	482,651	1,203,921	594,045	(185,395)	408,650
Other Changes:						
Cancellation of debt	180,700	-	180,700	379,471	-	379,471
Total Other Changes	180,700	-	180,700	379,471	-	379,471
Change in Net Assets	901,970	482,651	1,384,621	973,516	(185,395)	788,121
Net Assets at Beginning of Year	6,056,760	130,350	6,187,110	5,083,244	315,745	5,398,989
Net Assets at End of Year	\$ 6,958,730	\$ 613,001	\$ 7,571,731	\$ 6,056,760	\$ 130,350	\$ 6,187,110

The accompanying notes are an integral part of this statement.

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Statements of Functional Expenses  
For the Year Ended June 30, 2021

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Construction & Family Selection	ReStore	Neighborhood Services		Management and General	Fundraising		
Building materials and supplies	\$ 1,306,967	\$ -	\$ 51,456	\$ 1,358,423	\$ -	\$ -	\$ -	\$ 1,358,423
Real estate contract discount	298,848	-	-	298,848	-	-	-	298,848
Cost of goods sold - ReStore	-	799,916	-	799,916	-	-	-	799,916
Salary	401,965	239,068	112,105	753,138	68,298	89,019	157,317	910,455
Payroll taxes	34,166	19,924	9,573	63,663	5,740	7,596	13,336	76,999
Retirement	15,656	9,309	4,330	29,295	2,533	3,781	6,314	35,609
Benefits	45,185	33,657	13,030	91,872	6,587	10,126	16,713	108,585
Insurance	24,916	22,807	-	47,723	11,931	-	11,931	59,654
Depreciation	33,666	38,151	3,481	75,298	10,771	-	10,771	86,069
Utilities	-	7,774	209	7,983	7,250	-	7,250	15,233
Printing	-	1,923	28	1,951	6,201	-	6,201	8,152
Postage	1,222	41	-	1,263	1,221	-	1,221	2,484
Office supplies	3,836	6,794	172	10,802	2,701	-	2,701	13,503
Staff expense	-	1,147	934	2,081	8,046	-	8,046	10,127
Volunteer expense	11,164	1,603	489	13,256	-	-	-	13,256
Family selection expense	449	-	-	449	-	-	-	449
Computer and software	-	1,343	-	1,343	72,096	-	72,096	73,439
Small equipment	9,422	797	914	11,133	-	-	-	11,133
Vehicle costs	10,900	7,868	3,650	22,418	-	-	-	22,418
Tithe to Habitat International	50,840	-	-	50,840	-	-	-	50,840
Construction expense	6,121	-	417	6,538	-	-	-	6,538
Legal and accounting	14,425	1,760	-	16,185	4,046	-	4,046	20,231
Bank charges	-	16,007	38	16,045	6,202	-	6,202	22,247
Event expense	-	-	-	-	-	61,413	61,413	61,413
Grant expense	19,349	-	-	19,349	-	-	-	19,349
Advertising	-	6,131	503	6,634	-	7,241	7,241	13,875
Rent expense	-	2,580	-	2,580	165	-	165	2,745
Interest expense	425	29,346	-	29,771	17,071	-	17,071	46,842
Repairs & maintenance	-	19,320	-	19,320	12,755	-	12,755	32,075
Real estate holding expense	32,577	-	545	33,122	-	-	-	33,122
Less overhead charged to construction	(155,235)	-	(22,966)	(178,201)	-	-	-	(178,201)
	<u>\$ 2,166,864</u>	<u>\$ 1,267,266</u>	<u>\$ 178,908</u>	<u>\$ 3,613,038</u>	<u>\$ 243,614</u>	<u>\$ 179,176</u>	<u>\$ 422,790</u>	<u>\$ 4,035,828</u>

The accompanying notes are an integral part of this statement.

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Statements of Functional Expenses  
For the Year Ended June 30, 2020

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Construction & Family Selection	ReStore	Neighborhood Services		Management and General	Fundraising		
Building materials and supplies	\$ 853,732	\$ -	\$ 60,679	\$ 914,411	\$ -	\$ -	\$ -	\$ 914,411
Real estate contract discount	196,426	-	-	196,426	-	-	-	196,426
Cost of goods sold - ReStore	-	562,765	-	562,765	-	-	-	562,765
Salary	351,478	215,166	51,178	617,822	59,228	85,197	144,425	762,247
Payroll taxes	29,735	18,798	4,319	52,852	5,005	7,206	12,211	65,063
Retirement	9,830	8,143	1,864	19,837	3,510	4,986	8,496	28,333
Benefits	37,317	30,553	5,280	73,150	6,202	9,003	15,205	88,355
Insurance	15,965	23,887	-	39,852	9,963	-	9,963	49,815
Depreciation	34,619	36,048	-	70,667	10,632	-	10,632	81,299
Amortization	20,289	-	-	20,289	-	-	-	20,289
Utilities	-	6,464	189	6,653	7,084	-	7,084	13,737
Printing	-	680	-	680	5,810	-	5,810	6,490
Postage	-	55	-	55	1,401	1,456	2,857	2,912
Office supplies	3,465	4,577	-	8,042	2,010	-	2,010	10,052
Staff expense	-	7,217	1,862	9,079	27,889	-	27,889	36,968
Volunteer expense	33,062	3,669	256	36,987	-	-	-	36,987
Family selection expense	1,456	-	-	1,456	-	-	-	1,456
Computer and software	-	1,607	-	1,607	73,078	-	73,078	74,685
Small equipment	9,993	289	7,088	17,370	-	-	-	17,370
Vehicle costs	13,019	7,712	3,500	24,231	-	-	-	24,231
Tithe to Habitat International	41,675	-	-	41,675	-	-	-	41,675
Construction expense	5,046	-	1,144	6,190	-	-	-	6,190
Legal and accounting	16,107	7,877	-	23,984	5,996	-	5,996	29,980
Bank charges	-	11,200	3	11,203	13,854	-	13,854	25,057
Event expense	-	-	-	-	-	90,345	90,345	90,345
Grant expense	11,999	-	-	11,999	-	-	-	11,999
Advertising	-	3,388	200	3,588	-	10,849	10,849	14,437
Rent expense	-	(3,515)	-	(3,515)	-	-	-	(3,515)
Interest expense	821	30,829	-	31,650	25,053	-	25,053	56,703
Repairs & maintenance	-	17,899	-	17,899	12,184	-	12,184	30,083
Real estate holding expense	13,813	35,249	(74)	48,988	-	-	-	48,988
Miscellaneous	2,053	-	(63)	1,990	-	-	-	1,990
Less overhead charged to construction	(95,690)	-	(14,522)	(110,212)	-	-	-	(110,212)
	<u>\$ 1,606,210</u>	<u>\$ 1,030,557</u>	<u>\$ 122,903</u>	<u>\$ 2,759,670</u>	<u>\$ 268,899</u>	<u>\$ 209,042</u>	<u>\$ 477,941</u>	<u>\$ 3,237,611</u>



IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Statements of Cash Flows  
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,384,621	\$ 788,121
Adjustments to reconcile change in net assets to net cash used by operations:		
Origination of non-interest bearing mortgages	(788,321)	(532,510)
Real estate contract discount	298,848	196,426
Current year amortization of discount on contracts	(417,380)	(370,850)
Depreciation of buildings and equipment	86,069	81,299
Amortization of intangible assets	-	20,289
Deferred revenue	-	(116,235)
Realized/unrealized (gain)/loss on investments	(110,602)	(3,423)
Cancellation of debt	(180,700)	(379,471)
Change in grants and accounts receivable	(29,059)	9,082
Change in pledges receivable	16,970	(34,634)
Change in work in process	(478,931)	(256,167)
Change in inventory	(2,970)	(746)
Change in prepaid expenses	(6,552)	153
Change in accounts payable	142,055	62,287
Change in accrued expenses	12,885	(18,400)
Change in escrow deposit liability	(6,815)	(3,185)
Net Cash Used by Operating Activities	<u>(79,882)</u>	<u>(557,964)</u>
Cash Flows From Investing Activities:		
Payments received on real estate contracts	1,006,413	872,772
Purchases of land, buildings, and equipment	(213,502)	(1,101,524)
Distribution from investment in ICD Habitat Leverage, LLC	-	32,248
Increase in assets held at Community Foundation	(110,867)	(7,656)
Net Cash (Used)/Provided by Investing Activities	<u>682,044</u>	<u>(204,160)</u>
Cash Flows From Financing Activities:		
New borrowings	180,700	966,255
Payments reducing long-term notes	(63,886)	(57,648)
Net Cash Provided by Financing Activities	<u>116,814</u>	<u>908,607</u>
Change in Cash and Cash Equivalents	718,976	146,483
Beginning Cash and Cash Equivalents	<u>816,004</u>	<u>669,521</u>
Ending Cash and Cash Equivalents	<u>\$ 1,534,980</u>	<u>\$ 816,004</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 47,291	\$ 56,660

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies:

Nature of Activities

Iowa Heartland Habitat for Humanity (Habitat) is a charitable organization incorporated in the State of Iowa, and is an affiliate of Habitat for Humanity International (Habitat International) located in Americus, Georgia. Habitat's purpose is to provide to low income individuals an opportunity for ownership of simple, decent housing in a safe neighborhood in Black Hawk, Bremer, Buchanan, and Butler Counties. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

Basis of Presentation

The financial statements, which include the assets, liabilities, net assets and financial activities of Habitat, have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not for profit organizations. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

Home Construction

Habitat builds homes and carries the cost of purchased materials as work in process inventory until completion of the home project. The estimated fair market value of contributed land and material is also carried as work in process and recognized as contributed support and revenue when received. Upon completion of the home project, work in process is then charged to program expense. Construction labor is provided by Habitat volunteers, by future home buyers and by paid construction staff. No value is recognized in the accounts for labor contributed by Habitat volunteers.

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

ReStore Operations

Habitat operates ReStore, a retail business that accepts donations of new and used building materials, furniture, appliances and housewares and resells them to the general public through a retail store front warehouse. The ReStore provides the community with a low-cost outlet for home improvement materials making home renovations and improvements more affordable.

Neighborhood Services

Habitat partners with low to moderate income homeowners to perform critical repairs and modifications on their homes. Habitat carries the cost of purchased materials as work in process inventory until completion of the home project. Upon completion of the home repairs or modifications, work in process is then charged to program expense. Construction labor is provided by Habitat volunteers and by paid construction staff. No value is recognized in the accounts for labor contributed by Habitat volunteers.

Real Estate Contracts Receivable

Upon completion of homes, Habitat enters into contracts of sale with home buyers. Contracts provide for the payment of costs of construction (including contributed land and materials, if any) over periods of 15 to 30 years. These contracts bear no interest, and contain clauses restricting speculation and the earning of windfall profits by home buyers.

Sales of homes are recorded at the gross amount of payments to be received over the lives of the contracts. Non-interest bearing contracts are discounted at 3.60 - 7%. Discounts are amortized using the effective interest method over the lives of the contracts. Monthly payments are remitted to Farmers State Bank, who then makes deposits twice monthly to Habitat for collections on accounts. These contracts receivable are recorded on the statement of financial position as non-current assets except for the principal portion due within one year. In addition, home buyers make escrow payments to Farmers State Bank for insurance and property taxes. Homeowners in the Heartland Hills area are also required to pay Habitat homeowners association dues. Amounts are classified as HOA deposits.

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The FASB standard for Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for assets, either directly or indirectly. Level 3 uses significant unobservable inputs. Level 3 has the lowest priority. Habitat uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When applicable, Habitat measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs would only be used when Level 1 inputs are not available.

Buildings, Equipment, and Depreciation

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis, as follows:

Buildings	10 - 39 years
Furnishings and equipment	5 - 7 years
Vehicles	5 years
Construction equipment	5 years

Depreciation expense for the years ended June 30, 2021 and 2020 was \$86,069 and \$81,299, respectively.

Contributed Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and would otherwise be purchased by the organization. However, a substantial number of volunteers have donated significant amounts of their time to the organization's program and other services. Contributed goods are valued at fair market value at the date of the contribution. These goods are then included in the value of the respective homes when sold. Donated services of \$828 and \$35,175 for year ended June 30, 2021 and 2020, respectively, are recorded as contributions at their fair values at the date of donation.

IOWA HEARTLAND HABITAT FOR HUMANITY  
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising

Advertising costs for promotion purposes are expensed when incurred. Advertising costs charged against operations was \$13,875 and \$14,437 for June 30, 2021 and 2020, respectively.

Income Taxes

Habitat is a nonprofit organization exempt from paying income taxes under Internal Revenue Code Section 501(c)(3), and is not classified as a private foundation.

Habitat has adopted the accounting standards regarding uncertain tax positions which requires evaluation of the impact of uncertain tax positions taken or expected to be taken on a tax return. In some instances, the organization may be required to recognize a liability related to those tax positions. In evaluating Habitat's tax provisions and accruals, interpretations and tax planning strategies are considered. At June 30, 2021 and 2020, Habitat had no uncertain tax positions requiring recognition in the financial statements. Habitat's income tax filings prior to 2018 are no longer subject to audit by the federal and state taxing authorities. Interest and penalties incurred, if any, when filing income tax returns are recognized in the Statements of Functional Expenses.

Related Entities

Habitat contributed \$50,840 and \$41,675 to Habitat International for the years ended June 30, 2021 and 2020, respectively. Such amounts are classified as program services expense because such funds are expended by Habitat International for low-income housing under terms of the contribution.

IOWA HEARTLAND HABITAT FOR HUMANITY  
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Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

Inventory

Inventory consists of building materials used in the construction of homes and donated items to be sold in the ReStore. Purchased inventory is valued at cost. Donated inventory is valued at its estimated fair value based on its expected selling price.

Allowance for Doubtful Accounts

Real estate contracts receivable consists of amounts due from homeowners for home purchases. No allowance for doubtful accounts has been established because management feels the receivables are fully secured by a mortgage on the property.

Functional Allocation of Expenses

The costs of providing program services, supporting management and general expenses, and fundraising have been summarized in the statement of functional expenses. Certain costs have been allocated among program and supporting services in relation to the manner and purpose for which they were incurred. Joint costs for fundraising expenses have been allocated for cost of goods sold, salary, payroll taxes, employee benefits, and advertising.

Note 2: Real Estate Contracts Receivable

Real estate contracts arising from sales of homes to low-income families provide for monthly payments of principal (aggregate \$242,530 expected to be received during the year ended June 30, 2022) plus amounts for discounted interest and homeowners association dues (if applicable). At June 30, 2021, there were ten homeowners that were behind on their payments with a total principal balance of \$411,183. At June 30, 2020, there were eleven homeowners that were behind on their payments with a total principal balance of \$320,015.

Real estate contracts receivable are non-interest bearing and for financial statement purposes, they are discounted at a 3.60 - 7% rate of interest. The discount is then realized over the respective lives of the loans. The fair value of the asset is measured on a recurring basis using significant unobservable inputs (Level 3 inputs).

Real estate contracts arising since 1999 have included a second promissory note that recaptures the difference between the amount of the total price of the house expected to be repaid by the homebuyer through the first/primary mortgage and the house's value based on the market appraisal. The term of the second promissory note is determined on a case by case basis based on the unique factors of each home purchase. The rationale of the second mortgage is to protect donors' and volunteers' charitable gift of funds and labor, protect the homeowner from predatory or sub-prime lenders, to help preserve the availability of affordable housing in the community, allow Habitat to recapture the full value of the home, and to allow Habitat to share in the equity of the home. Since the probability of the home buyer selling the home in the future cannot be determined, no accrual of the notes has been reflected in the financial statements.

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Notes to Financial Statements

Note 2: Real Estate Contracts Receivable: (continued)

In the current year, additional funding was received on some home sales. Down payment assistance and additional subsidy programs were used to reduce the amount of the primary mortgage to the new homeowner. These programs required additional deed restrictions or mortgages to be placed on the home and these take priority over the second mortgage issued by Habitat.

Habitat retains the first right of refusal to repurchase the Habitat home if a home buyer wishes to sell their home during the term of the second promissory note.

	2021		2020	
	Cost	Fair Value (level 3 inputs)	Cost	Fair Value (level 3 inputs)
Balance at beginning of year	\$ 3,903,787	\$ 3,903,787	\$ 4,069,625	\$ 4,069,625
New contracts receivable	788,321	788,321	532,510	532,510
Discount on new contracts	(298,848)	(298,848)	(196,426)	(196,426)
Collections	(406,144)	(406,144)	(523,456)	(523,456)
Contracts receivable sold	(600,269)	(600,269)	(349,316)	(349,316)
Imputed interest	417,380	417,380	370,850	370,850
Balance at end of year	\$ 3,804,227	\$ 3,804,227	\$ 3,903,787	\$ 3,903,787

Habitat was party to an arrangement with Community Bank & Trust and Veridian Credit Union in which it sold, with recourse, eight non-interest bearing mortgage notes receivable for \$600,269 as of June 30, 2021 and four non-interest bearing mortgage notes receivable for \$349,316 as of June 30, 2020. Habitat services these mortgages by collecting the monthly payments through Farmers State Bank, and remitting the principal portion of these payments to MidWestOne Bank or Community Bank & Trust. If a mortgage were to be delinquent by more than ninety days, Habitat shall use its best efforts to replace the nonperforming loan with a substitute loan. As of June 30, 2021 and 2020, the balance of the unrecorded recourse obligation is \$1,595,834 and \$1,082,284, respectively.

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Notes to Financial Statements

Note 3: Pledges Receivable

The Builders Circle is a multi-year leadership giving society for individuals who invest a minimum of \$1,000 or more for a minimum of 5 years. The Nonbuilders Circle was created for individuals who invest less than \$1,000 a year or less than 5 years. The Builders Circle and Nonbuilders Circle were created to recognize the important role donors play in continuing the mission of providing homes, communities and hope for families into the future. The promises to give as of June 30, 2021 are unrestricted, unconditional and due over the next five years. Promises to give to be received after June 30, 2021 are discounted at 0.38%. The unamortized discount on promises to give is \$508 and \$2,823 as of June 30, 2021 and 2020, respectively.

Unconditional promises to give are expected to be realized in the following periods:

	2021	2020
In one year or less	\$ 57,498	\$ 48,094
Between one year and five years	106,969	135,658
	<u>164,467</u>	<u>183,752</u>
Less: discounts to present value	(508)	(2,823)
	<u>\$ 163,959</u>	<u>\$ 180,929</u>
Reported under current assets	\$ 57,498	\$ 45,271
Reported under other assets	106,461	135,658
Total assets	<u>\$ 163,959</u>	<u>\$ 180,929</u>



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Notes to Financial Statements

Note 4: Work In Process

Following is a summary of home building activity for the years ended June 30:

	2021		2020	
	Homes	Costs	Homes	Costs
Homes under construction, beginning of year	51	\$ 888,316	32	\$ 632,149
Additional costs incurred on beginning inventory		1,529,131		1,024,017
New homes started during year	5	317,410	25	82,630
New neighborhood services started during year	15	32,552	19	29,236
Neighborhood services completed	(12)	(527,399)	(20)	(60,582)
Homes transferred to homeowners	(11)	(872,763)	(5)	(819,134)
Total work in process	48	<u>\$ 1,367,247</u>	51	<u>\$ 888,316</u>

The balance of homes under construction consists of ending construction inventory - homes and ending work in process at June 30 as follows:

	2021		2020	
	Homes	Costs	Homes	Costs
Homes and critical repair under construction, end of year	20	\$ 695,411	20	\$ 649,160
Home sites, no construction by year end	28	671,836	31	239,156
		<u>\$ 1,367,247</u>		<u>\$ 888,316</u>

Note 5: Beneficial Interest Held by Community Foundation

As of June 30, 2021, Habitat has a beneficial interest in assets held by the Community Foundation of Waterloo/Cedar Falls and Northeast Iowa (the Foundation). The money was transferred by Habitat to the Foundation to establish an endowment fund. Variance power was granted to the Foundation allowing its Board of Directors to redirect the fund to the support of another charitable agency, in the event Habitat terminates or ceases to exist as a legal entity. Habitat is entitled to receive the earnings on its beneficial interest.

Fair value of asset measured on a recurring basis using significant unobservable inputs (Level 3 inputs):

	2021	2020
Balance at beginning of year	\$ 374,208	\$ 363,129
Contributions	114,220	11,000
Interest income	6,542	5,753
Investment fees	(4,896)	(4,097)
Realized/Unrealized gain/(loss)	110,603	3,423
Distribution received	(5,000)	(5,000)
Balance at end of year	<u>\$ 595,677</u>	<u>\$ 374,208</u>

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Notes to Financial Statements

Note 6: Long-Term Debt:

Following is a summary of long-term debt at June 30:

Notes payable:	2021	2020
Notes payable to Habitat for Humanity Iowa, repayable in monthly installments of \$250, 4% interest, secured by promissory notes for 1213 Lantz Ave, Cedar Falls with balances of \$16,534, due February 1, 2024	\$ 13,575	\$ 15,979
Notes payable to Habitat for Humanity Iowa, repayable in monthly installments of \$331, 2% interest, secured by promissory notes for 5419 Norse Dr, Cedar Falls with balances of \$27,372, due December 1, 2033	43,912	46,975
Notes payable to US Cellular, repayable in monthly installments of \$86.40, 0% interest, secured by 4 Ipads, due August 31, 2020	-	173
Note payable to Habitat for Humanity International, repayable in monthly payments of \$4,522.20, 5% interest, secured by promissory notes on 10 properties, due June 25, 2028	319,001	356,042
Note payable to Farmers State Bank, repayable in monthly payments of \$4,275.44, 4.29% interest, secured by promissory notes on the ReStore building, due July 10, 2044	746,145	769,324
Note payable to Farmers State Bank for the Paycheck Protection Program, repayable in 17 payments of \$10,161.69, 1.0% interest, due March 6, 2022.	182,249	180,700
	1,304,882	1,369,193
Less unamortized debt issuance cost	(2,969)	(3,394)
Less current maturities	(64,158)	(61,398)
Long-term notes and mortgages payable	\$ 1,237,755	\$ 1,304,401

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Notes to Financial Statements

Note 7: Long-Term Debt: (continued)

Estimated maturities of long-term notes payable for the next five years are as follows:

<u>Year Ended June 30,</u>	
2022	\$ 64,158
2023	67,165
2024	70,233
2025	73,614
2026	77,018

Habitat obtained a \$500,000 line of credit at Farmers State Bank dated October 21, 2020 secured by a general business security agreement. At June 30, 2021 no amounts were borrowed against the line of credit.

Note 8: Restricted Net Assets

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by third parties as follows:

	2021	2020
Purpose Restriction Accomplished:		
Home construction costs	\$ 7,250	\$ 196,395
	<u>\$ 7,250</u>	<u>\$ 196,395</u>

Net assets with donor restrictions consist of the following as of June 30, 2021 and 2020:

Beneficial interest in assets held at Community Foundation	\$ 119,100	\$ 118,100
Home construction costs	493,901	12,250
	<u>\$ 613,001</u>	<u>\$ 130,350</u>

Note 9: Pension Plan

Habitat contributes 4% during the year ending June 30, 2021 and 2020, respectively, toward a 401k plan for all eligible employees. Total pension expense for the period ended June 30, 2021 and 2020 was \$35,609 and \$28,333, respectively.

Note 10: ReStore Program

Habitat established its ReStore in fall of 2015. The ReStore is a retail store set up to receive donated goods and sell to the general public at discounted prices. Donated goods include such items as building materials and household items that would not generally be sold at other retail outlets. The sales from the store are used to help support Habitat's programs. Retail store revenues are recognized when the related goods are sold. The donated materials and goods are valued at the time the goods are sold at the sale value. The costs of sales are recorded at sale value.

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Notes to Financial Statements

Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Total financial assets		
Cash and cash equivalents	\$ 1,534,980	\$ 816,004
Accounts and pledges receivable	180,910	139,624
	<u>1,715,890</u>	<u>955,628</u>
Less donor restrictions	<u>613,001</u>	<u>130,350</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,102,889</u>	<u>\$ 825,278</u>

Note 12: Subsequent Events

Management has evaluated subsequent events through January 22, 2022, the date on which the financial statements were available to be issued.