

**Wichita Habitat for Humanity, Inc.**

**Independent Auditor's Report**

**and**

**Financial Report**

**December 31, 2021 and 2020**

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## Independent Auditor's Report

To the Board of Directors  
Wichita Habitat for Humanity, Inc.  
Wichita, Kansas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Wichita Habitat for Humanity, Inc. which comprise the statements of financial position as of December 31, 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 accompanying financial statements present fairly, in all material respects, the financial position of Wichita Habitat for Humanity, Inc. as of December 31, 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 (GAAS). 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 Wichita Habitat for Humanity, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Wichita Habitat for Humanity, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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 Wichita Habitat for Humanity, Inc.'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 Wichita Habitat for Humanity, Inc.'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of direct expense of Habitat's ReStore is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Regier Can E Mowal, CPA*

August 16, 2022  
Wichita, Kansas

**Wichita Habitat for Humanity, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,363,577	\$ 2,283,339
Certificates of deposit	275,072	273,393
Funds held for others	-	982
Accounts receivable	208,128	107,742
Inventory	90,889	120,606
Contributions receivable, net	36,152	46,795
Other assets	33,043	33,189
Construction assets		
Construction supplies	33,823	50,025
Construction in progress	127,934	203,835
Land held for development	198	10,606
Mortgages receivable, net	3,713,334	3,837,499
Property and equipment - net of accumulated depreciation of \$205,907 and \$190,338 at December 31, 2021 and 2020, respectively	157,688	188,550
Total assets	\$ 7,039,838	\$ 7,156,561
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 154,798	\$ 77,703
Funds held for others	-	982
Accrued salaries and vacation	71,379	56,475
Payroll and sales taxes payable	5,125	4,368
Deferred revenue	7,753	-
Note payable-bank	31,444	44,309
Capital lease payable	-	5,059
Total liabilities	270,499	188,896
<b>Net Assets</b>		
Without donor restrictions	6,700,332	6,925,562
With donor restrictions	69,007	42,103
Total net assets	6,769,339	6,967,665
Total liabilities and net assets	\$ 7,039,838	\$ 7,156,561

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

**Wichita Habitat for Humanity, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donors Restrictions	Total	Without Donor Restrictions	With Donors Restrictions	Total
<b>Support and Revenue</b>						
Contributions	\$ 339,496	\$ 814,552	\$ 1,154,048	\$ 279,194	\$ 551,478	\$ 830,672
Grants	383,317	-	383,317	226,320	-	226,320
Paycheck protection program	268,580	-	268,580	246,700	-	246,700
In kind contributions-for operations	374,584	-	374,584	195,234	-	195,234
Total contributions	<u>1,365,977</u>	<u>814,552</u>	<u>2,180,529</u>	<u>947,448</u>	<u>551,478</u>	<u>1,498,926</u>
Sale of homes						
Net proceeds from sale of homes	1,906,725	-	1,906,725	704,050	-	704,050
Less discount on non-interest bearing mortgages receivable	(767,771)	-	(767,771)	(106,449)	-	(106,449)
Adjusted net proceeds from sale of homes	<u>1,138,954</u>	<u>-</u>	<u>1,138,954</u>	<u>597,601</u>	<u>-</u>	<u>597,601</u>
Habitat's ReStore activity						
Sale of merchandise						
Purchased	544,324	-	544,324	476,988	-	476,988
Donated	715,454	-	715,454	799,386	-	799,386
Cost of goods sold	(313,470)	-	(313,470)	(271,953)	-	(271,953)
Direct expense	(787,219)	-	(787,219)	(786,852)	-	(786,852)
Net profit from Habitat's ReStore	<u>159,089</u>	<u>-</u>	<u>159,089</u>	<u>217,569</u>	<u>-</u>	<u>217,569</u>
Other revenue						
Amortization of discount on non-interest bearing mortgages receivable	362,917	-	362,917	311,509	-	311,509
Gain on 2nd mortgage proceeds	10,000	-	10,000	19,124	-	19,124
Other interest income	6,521	-	6,521	18,811	-	18,811
Miscellaneous revenue	34,171	-	34,171	17,250	-	17,250
Gain on disposal of assets	1,548	-	1,548	-	-	-
Gain on sale of mortgage receivables	96,892	-	96,892	239,473	-	239,473
Total other revenue	<u>512,049</u>	<u>-</u>	<u>512,049</u>	<u>606,167</u>	<u>-</u>	<u>606,167</u>
Total revenue	<u>\$ 3,176,069</u>	<u>\$ 814,552</u>	<u>\$ 3,990,621</u>	<u>\$ 2,368,785</u>	<u>\$ 551,478</u>	<u>\$ 2,920,263</u>

(Continued)

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

**Wichita Habitat for Humanity, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donors Restrictions	Total	Without Donor Restrictions	With Donors Restrictions	Total
<b>Net Assets Released from Restrictions</b>						
Home construction	\$ 782,458	\$ (782,458)	\$ -	\$ 511,178	\$ (511,178)	\$ -
Lot purchase	-	-	-	15,982	(15,982)	-
Equipment	5,000	(5,000)	-	-	-	-
Christmas party	190	(190)	-	110	(110)	-
Total net assets released from restrictions	<u>787,648</u>	<u>(787,648)</u>	<u>-</u>	<u>527,270</u>	<u>(527,270)</u>	<u>-</u>
<b>Expenses</b>						
Program services						
Cost of homes sold	2,621,408	-	2,621,408	849,666	-	849,666
Other program expenses	999,253	-	999,253	804,679	-	804,679
Total program expenses	<u>3,620,661</u>	<u>-</u>	<u>3,620,661</u>	<u>1,654,345</u>	<u>-</u>	<u>1,654,345</u>
Supporting services						
General and administration	289,424	-	289,424	229,386	-	229,386
Fund-raising	278,862	-	278,862	272,333	-	272,333
Total support expenses	<u>568,286</u>	<u>-</u>	<u>568,286</u>	<u>501,719</u>	<u>-</u>	<u>501,719</u>
Total expenses	<u>4,188,947</u>	<u>-</u>	<u>4,188,947</u>	<u>2,156,064</u>	<u>-</u>	<u>2,156,064</u>
<b>Change in Net Assets</b>	<u>(225,230)</u>	<u>26,904</u>	<u>(198,326)</u>	<u>739,991</u>	<u>24,208</u>	<u>764,199</u>
<b>Net Assets at Beginning of Year</b>	<u>6,925,562</u>	<u>42,103</u>	<u>6,967,665</u>	<u>6,185,571</u>	<u>17,895</u>	<u>6,203,466</u>
<b>Net Assets at End of Year</b>	<u>\$ 6,700,332</u>	<u>\$ 69,007</u>	<u>\$ 6,769,339</u>	<u>\$ 6,925,562</u>	<u>\$ 42,103</u>	<u>\$ 6,967,665</u>

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



**Wichita Habitat for Humanity, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>				<b>2020</b>			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		General & Administrative	Fund- Raising			General & Administrative	Fund- Raising	
Construction costs	\$ 2,246,824	\$ -	\$ -	\$ 2,246,824	\$ 654,432	\$ -	\$ -	\$ 654,432
In kind-materials/ supplies	374,584	-	-	374,584	195,234	-	-	195,234
Cost of homes sold	2,621,408	-	-	2,621,408	849,666	-	-	849,666
Salaries	705,739	187,546	207,228	1,100,513	543,816	152,704	196,837	893,357
Employee benefits	36,738	17,749	18,927	73,414	30,901	13,344	18,988	63,233
Payroll taxes	45,502	13,553	14,945	74,000	40,981	10,999	13,503	65,483
Professional fees	3,308	30,031	-	33,339	2,744	13,995	35	16,774
Supplies	31,311	5,332	11,281	47,924	37,046	4,957	10,142	52,145
Telephone	8,438	1,212	1,433	11,083	8,410	1,097	1,731	11,238
Postage and shipping	979	397	2,578	3,954	939	330	9,093	10,362
Occupancy	18,846	4,472	7,032	30,350	18,112	5,788	7,035	30,935
Tools and equipment	13,978	-	745	14,723	3,458	397	55	3,910
Printing	157	91	151	399	503	-	-	503
Travel	7,543	76	17	7,636	4,729	166	-	4,895
Repairs	18,992	13	-	19,005	12,990	-	-	12,990
Advertising	10,733	-	4,450	15,183	13,342	-	3,205	16,547
Training	3,203	99	687	3,989	2,010	17	2,151	4,178
Food	2,697	43	405	3,145	1,131	124	179	1,434
Tithe	16,430	-	-	16,430	21,757	-	-	21,757
Dues and subscriptions	645	15,073	1,449	17,167	1,449	15,040	959	17,448
Fees	600	5,168	-	5,768	-	4,670	-	4,670
Other	733	1,307	834	2,874	1,250	62	1,482	2,794
Volunteer recognition	37	-	-	37	3,469	-	38	3,507
Insurance	49,280	7,262	6,700	63,242	34,856	5,696	5,950	46,502
Vacant lot expense	1,949	-	-	1,949	3,099	-	-	3,099
Escrow losses/bad debts	-	-	-	-	-	-	950	950
Depreciation	21,415	-	-	21,415	17,687	-	-	17,687
Other expenses	999,253	289,424	278,862	1,567,539	804,679	229,386	272,333	1,306,398
<b>Total expenses</b>	<b>\$ 3,620,661</b>	<b>\$ 289,424</b>	<b>\$ 278,862</b>	<b>\$ 4,188,947</b>	<b>\$ 1,654,345</b>	<b>\$ 229,386</b>	<b>\$ 272,333</b>	<b>\$ 2,156,064</b>

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

**Wichita Habitat for Humanity, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (198,326)	\$ 764,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of assets	(1,548)	-
Gain on sale of mortgage receivables	(96,892)	(239,473)
Depreciation	24,351	22,814
Amortization of capital lease	5,059	6,071
Change in operating assets and liabilities:		
Certificates of deposit	(1,679)	343,790
Accounts receivable	(100,386)	(86,394)
Inventory	29,717	3,164
Contributions receivable	10,643	(25,216)
Other assets	146	18,756
Construction assets:		
Construction supplies	16,202	(19,684)
Construction in progress	75,901	(139,315)
Land held for development	10,408	52,259
Mortgages receivable	(452,001)	(184,345)
Accounts payable	77,095	68,001
Accrued salaries & vacation	14,904	12,144
Payroll and sales taxes payable	757	526
Deferred revenue	7,753	-
Net cash (used)/provided by operating activities	<u>(577,896)</u>	<u>597,297</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from mortgage receivable sale	673,058	923,450
Proceeds from sale of equipment	3,000	-
Purchase of property & equipment	-	(40,577)
Net cash provided by investing activities	<u>676,058</u>	<u>882,873</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of notes payable-bank	(12,865)	(12,225)
Payments on capital lease obligations	(5,059)	(6,071)
Net cash used by financing activities	<u>(17,924)</u>	<u>(18,296)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	80,238	1,461,874
<b>Cash and Cash Equivalents-Beginning of Year</b>	<u>2,283,339</u>	<u>821,465</u>
<b>Cash and Cash Equivalents-End of Year</b>	<u>\$ 2,363,577</u>	<u>\$ 2,283,339</u>
<b>Supplemental Information:</b>		
Proceeds from sales of real estate financed through non-interest bearing mortgages receivable, net of discount	<u>\$ 795,937</u>	<u>\$ 466,891</u>

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

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**1. Summary of Significant Accounting Policies**

***Nature of operations***

Wichita Habitat for Humanity, Inc. (the “Organization”) is a nonprofit corporation based in Wichita, Kansas organized for the purpose of constructing modest single family housing for low-income families. The Organization is an affiliate of Habitat for Humanity International, a Georgia nonprofit corporation. The Organization receives its funding primarily from individual and corporate donations. In addition to cash and in-kind contributions of materials and supplies, the Organization relies on volunteers for significant aspects of the housing construction. Additional construction costs are incurred for items which are not donated. Such costs may include real estate, direct materials, subcontractor costs and indirect costs related to construction such as supplies, insurance and building permits.

Homes are sold to eligible families who have been selected by the Organization. In addition to satisfying eligibility criteria, potential homeowners are required to invest 400 hours if dual head of household or 250 hours if single of donated service for the home’s construction. However, for both types of homeowners 100 hours can be donated. The homes are sold to the selected families at the average estimated cost paid to construct the home. Additionally, sales are financed by the Organization with zero percent interest mortgages to the families.

***Habitat’s ReStore***

Habitat’s ReStore is a store in which building materials, home appliances and supplies are sold to the public. Portions of the merchandise are donated to the Organization, or are surplus materials from construction activities. Other amounts of merchandise that are sold are purchased through traditional methods.

***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***

Cash and cash equivalents include all monies from checking and certificates of deposit which have original maturities of 90 days or less.

***Certificates of deposit***

Certificates of deposit are carried at cost, which is estimated to approximate fair value. All certificates of deposit which have not been included as a cash equivalent have original maturities greater than 90 days, but less than one year.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

***Inventory***

Inventory is stated at the lower of cost or net realizable value, computed on the first-in, first-out method. The original carrying value for items purchased for operations, or sale at Habitat's ReStore, is the actual cost to acquire the item. The carrying value of donated items for use in operations is the fair value of the item at the date of the contribution. Donated items for sale at Habitat's ReStore are not recognized until sold.

***Construction in progress and land held for development***

Construction in progress includes direct costs associated with the construction of a home. Direct costs include materials, supplies, sub-contractor costs and other construction related expenses. Land held for development represents the carrying value of lots owned by the Organization which may be the site of future home construction. The carrying value of construction in progress and land held for development is cost, or if donated, the fair value at the time of the donation. Upon the sale of the home to a homeowner, the construction in progress and land held for development are recognized as cost of homes sold.

***Mortgages receivable***

Mortgages receivable consist of non-interest bearing notes, which have been collateralized by single family residential property located in the Wichita, Kansas area. The mortgages receivable have been discounted to an estimated present value using discount rates ranging from 5% to 8.14%, over the remaining life of the mortgage. Discount rates are established at the origination of the mortgage and remain fixed over the term of the mortgage.

In 2020 and 2021, the Organization entered into an agreement whereby it sold packages of mortgage loans to local financial institutions. A gain was recognized based upon the difference of the proceeds received and the net discounted carrying value of the mortgage loans sold.

***Property assets***

Property and equipment are carried at cost or estimated fair value at date of donation. The Organization typically capitalizes items costing or valued at \$3,000 or more. Depreciation has been computed using the straight-line method over the following estimated useful lives:

Furniture and office equipment	3 to 15 years
Transportation equipment	3 to 5 years
Leasehold improvements	15 years
Warehouse	27.5 years

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

***Classification of Net Assets***

For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with core activities of the Organization.
- With Donor Restrictions - Net assets are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. The Organization has no donor-imposed restrictions which are perpetual in nature.

***Revenue and Revenue Recognition***

Contributions, including any unconditional promises to give, are recognized as revenues in the period received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 as net assets without donor restrictions and reported in the statement of activities as satisfaction of donor restrictions.

Revenue from certain grants and contracts from foundations and governmental entities contain stipulations within the agreements that contain right of return of funds and barriers that make these contributions conditional. These funds are recognized as revenue as eligible costs are incurred and barriers have been met. As of December 31, 2021 and 2020, such conditional grant income approximating \$600,327 and \$300,000, respectively, had been awarded but has not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. Both conditions require repairing housing units in which the homeowner meets certain area median income levels.

Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as net assets with donor restrictions at the time of receipt. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

***Revenue and revenue recognition (Continued)***

Donated assets are reflected as in-kind contributions at their estimated fair value. Donated assets include donations used for the construction of homes and operations of the Organization. Due to the uncertainty of the value of donations made to ReStore, such donations are not recognized as revenue until the donated items are sold.

Volunteers have donated significant amounts of their time to the Organization's program services. The value of those donated services are not recorded in the accompanying financial statements, unless the donated services create or enhance non-financial assets and required specialized skills, if the services are provided by individual possessing those skills and if the services would typically need to be purchased if not provided by donation. During the years ended December 31, 2021 and 2020 there were approximately 20,021 and 13,286 hours of volunteer time donated towards the Organization's construction activities that have not been reflected in the accompanying financial statements.

Other revenue items, including home sales and ReStore sales, are considered exchange transactions with revenue recognized as the respective event or exchange occurs within the year. Revenue on the sale of the homes is recognized at the estimated net present value of the proceeds to be received.

***Income taxes***

The Organization is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Organization is qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

***Advertising***

Advertising costs are expensed as incurred. Advertising charged to expense on the Statement of Functional Expenses was \$15,183 and \$16,547 for the years ended December 31, 2021 and 2020, respectively. Additional advertising included in direct expense of Habitat's ReStore was \$70,964 and \$73,013 for the years ended December 31, 2021 and 2020, respectively.

***Functional allocation of expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, general and administrative, and fund raising activities that were benefited. Program expenses not only include the construction of homes, but also the servicing of non-interest bearing mortgage loans and home buyer education. As noted above, the Organization's program efforts include substantial volunteer effort which is not recognized in the financial statements, therefore, program expenses do not reflect these donated services.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fund raising activities in conjunction with its other activities.

***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position.

Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**2. Contributions receivable**

Contributions receivable were \$36,152 and \$46,795 as of December 31, 2021 and 2020, respectively. The contributions receivable have been discounted to an estimated present value using a 7.23% and 7.38% rate, respectively, over the remaining life of the receivable.

Contributions receivable are summarized as follows at December 31:

	<u>2021</u>	<u>2020</u>
Less than 1 year	\$ 31,000	\$ 44,300
1 to 5 years	<u>7,000</u>	<u>4,000</u>
	38,000	48,300
Less discount	<u>(1,848)</u>	<u>(1,505)</u>
Net contributions receivable	<u>\$ 36,152</u>	<u>\$ 46,795</u>

**3. Mortgages receivable**

Mortgages receivable consist of non-interest bearing notes, which have been collateralized by single family residential property located in the Wichita, Kansas area. The mortgages receivable have been discounted to an estimated present value using discount rates ranging from 5% to 8.14% over the remaining life of the mortgage. During the year 2018, the Organization transitioned to having their mortgages receivable serviced by a local bank. The notes require monthly payments, including amounts for insurance and taxes. Amounts received for insurance and taxes are held in escrow by the local bank until the due date for the payment. As a result of the loan to value ratio for mortgaged collateral, a provision for loan losses is not considered necessary at December 31, 2021 and 2020. The ultimate collectability of the mortgage receivables and the value of mortgaged collateral are susceptible to changes in the local economy.

Mortgages receivable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Mortgages receivable	6,105,021	\$ 6,040,059
Less discount	<u>(2,391,687)</u>	<u>(2,202,560)</u>
Net mortgages receivable	<u>\$ 3,713,334</u>	<u>\$ 3,837,499</u>

In 2021 and 2020, the Organization entered into an agreement whereby it sold packages of mortgage loans to local financial institutions. The mortgage loans were sold at 85% of the undiscounted carrying value and the Organization received \$673,058 and \$923,450 in proceeds during the years ended December 31, 2021 and 2020, respectively. The Organization has guaranteed the performance of these loans to the financial institutions. Should a homeowner default on their payment, the Organization has the option of repurchasing the loan, or replacing the non-performing loan with one that is performing, subject to the financial institutions acceptance of the replacement loan.



**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**4. Property and equipment**

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 103,402	\$ 103,402
Transportation equipment	78,664	93,957
Leasehold improvements	31,545	31,545
Warehouse	149,984	149,984
	<u>363,595</u>	<u>378,888</u>
Less accumulated depreciation	<u>(205,907)</u>	<u>(190,338)</u>
	<u>\$ 157,688</u>	<u>\$ 188,550</u>

Depreciation charged to expense on the Statement of Functional Expenses was \$21,387 and \$17,687 for the years ended December 31, 2021 and 2020, respectively. Additional depreciation included in direct expense of Habitat's ReStore was \$2,964 and \$5,127 for the years ended December 31, 2021 and 2020, respectively.

**5. Note payable - bank**

The note payable to a bank consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note payable to a bank payable in monthly installments of \$1,235 beginning April 13, 2014 and maturing March 13, 2024, bearing an interest rate of 5%, adjusting annually based upon a U.S. Treasury index, plus 3.5%, secured by warehouse	<u>\$ 31,444</u>	<u>\$ 44,309</u>

Future principal payments on the note payable to a bank as of December 31, 2021 are as follows:

2022	\$ 13,581
2023	14,276
2024	3,587
	<u>\$ 31,444</u>

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**6. Capital lease payable**

In October 2016, Wichita Habitat for Humanity, Inc. leased a truck for Habitat's ReStore under a capital lease for a term of 60 months, expiring October 2, 2021. When the lease expired in October 2021, the Organization rented the truck for 2 months and purchased the truck subsequent to year end.

At December 31, 2021 and 2020, the carrying value of the truck being leased, net of accumulated depreciation, was \$0 and \$5,060, respectively. Depreciation expense included within Auto expense in the Supplemental Information-Direct Expense Related to Habitat's ReStore related to the truck was \$5,060 and \$6,071 for the years ended December 31, 2021 and 2020, respectively.

**7. Net assets without donor restrictions**

Net assets without donor restrictions are for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 6,450,332	\$ 6,675,562
Board designated - operating reserve	250,000	250,000
	<u>\$ 6,700,332</u>	<u>\$ 6,925,562</u>

**8. Net assets with donor restrictions**

Net assets with donor restrictions are for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Home construction	\$ 1,913	\$ 1,913
Equipment	-	5,000
Christmas party	-	190
Home repair	67,094	35,000
	<u>\$ 69,007</u>	<u>\$ 42,103</u>

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**9. Financial assets and liquidity resources**

The following schedule reflects the Organization's financial assets available for general expenditure as of December 31, 2021 and 2020, reduced by amounts that are not available for general use due to donor-imposed and/or board designated restrictions within one year of the statement of financial position date:

	<b>2021</b>	<b>2020</b>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 2,363,577	\$ 2,283,339
Certificates of deposit	275,072	273,393
Accounts receivable	208,128	107,742
Contributions receivable	36,152	46,795
	2,882,929	2,711,269
<b>Less those unavailable for general expenditures within one year, due to:</b>		
Restricted by donor with purpose restrictions:		
Home construction	1,913	1,913
Equipment	-	5,000
Christmas party	-	190
Home repair	67,094	35,000
	69,007	42,103
Board designated:		
Operating reserve	250,000	250,000
	319,007	292,103
<b>Total financial assets available to meet cash need for general purpose expenditures within one year</b>	<b>\$ 2,563,922</b>	<b>\$ 2,419,166</b>

The Organization's objective is to maintain financial assets to meet operating expenses as due. The Organization maintains excess cash in liquid money market accounts and certificates of deposit.

**10. Other related party**

Ten percent of Habitat's ReStore's net income is contributed to Habitat for Humanity International to support housing construction in third world countries. Contributions to Habitat for Humanity International were as follows for the years ended December 31:

	<b>2021</b>	<b>2020</b>
Statement of functional expense - Tithe	\$ 16,430	\$ 21,757

Wichita Habitat for Humanity had accounts payable of \$0 and \$747 to Habitat for Humanity International as of December 31, 2021 and 2020, respectively.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**11. Leases**

Wichita Habitat for Humanity, Inc. leases its office space under an operating lease agreement. The operating lease agreement originally required monthly payments of \$2,285 and was to expire on June 30, 2021. The lease has been renegotiated several times in recent years due to the COVID pandemic. Effective January 4, 2021, the rent decreased to \$2,175 through December 31, 2021. However, in July 2021, additional space was also added which increased monthly rent payments to \$2,410 through December 2023.

Wichita Habitat for Humanity, Inc. also leased retail space for Habitat's ReStore under the terms of an operating lease. The lease has an initial term of five years, expiring on May 31, 2023. The lease requires monthly payments of \$8,395 for the first three years and increases to \$9,042 for the fourth and fifth years of the initial term. The Organization exercised one of the lease extension options during 2021 and locked in the monthly payment of \$9,042 through March 2028. The lease has an option to extend the lease for one additional period of five years. Lease expense related to retail space for the years ended December 31, 2021 and 2020 was \$105,271 and \$100,750, respectively.

Future minimum lease payments required under these leases at December 31, 2021 are as follows:

	Administrative Office	Habitat's ReStore	Total
2022	\$ 28,920	\$ 108,500	\$ 137,420
2023	28,920	108,500	137,420
2024	-	108,500	108,500
2025	-	108,500	108,500
2026	-	108,500	108,500
Thereafter	-	135,625	135,625
	<u>\$ 57,840</u>	<u>\$ 678,125</u>	<u>\$ 735,965</u>

**12. Pension plan**

During 2009, Wichita Habitat for Humanity, Inc. implemented a 403(b) thrift plan for its employees. The employees become eligible to make contributions to the plan beginning on the first day of employment when working more than 20 hours per week. Employees are eligible for employer contributions when they have attained 21 years of age, have been employed for more than six months and when working more than 20 hours per week. The participants can defer up to \$19,500 of their compensation for 2021 and 2020. The Organization matches 50% of contributions made up to 7% of their compensation. Total expense for the plan was \$24,794 and \$22,396 for the years ended December 31, 2021 and 2020, respectively.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

**13. Cash balance in excess of FDIC limit**

At various times during the fiscal year, the Organization's cash in bank balances exceeded the federally insured limits. At December 31, 2021, the Organization's uninsured cash balances totaled approximately \$1,804,652. Management does not believe it is exposed to significant credit risk.

**14. Commitments**

The Organization has commitments to sell homes currently under construction at estimated cost and to finance the sale with non-interest bearing mortgage receivables to potential homeowners, based upon the satisfaction of certain requirements by the potential homeowner. Substantially all properties included in construction in progress are identified for such sale.

**15. Paycheck protection program**

On April 20, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$246,700 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of eighteen months, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protections Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization applied for forgiveness of the PPP Loan with respect to the covered expenses and was approved for full forgiveness in October 2020. Accordingly, the Organization considered the PPP funds a conditional contribution in accordance to FASB ASC 958-605. Revenue is recognized as conditions are met by incurring the covered costs.

The Organization obtained a second PPP loan of \$268,580. Similar to the original PPP Loan above, the second PPP Loan is subject to forgiveness under the Paycheck Protection Program.

The Organization applied for forgiveness of the PPP Loan with respect to the covered expenses and was approved for full forgiveness in October 2021. Accordingly, the Organization considered the PPP funds a conditional contribution in accordance to FASB ASC 958-605. Revenue is recognized as conditions are met by incurring the covered costs.

**16. Subsequent events**

*Management review*

Subsequent events were evaluated through August 16, 2022, which is the date the financial statements were available to be issued.

## **Supplemental Information**

**Wichita Habitat for Humanity, Inc.**  
**Supplemental Information-Direct Expense of Habitat's ReStore**  
**For the Year Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Salaries	\$ 360,140	\$ 359,088
Employee benefits	25,887	25,600
Payroll taxes	30,729	30,743
Professional fees	2,119	1,536
Supplies	17,550	18,361
Telephone	4,960	5,237
Postage and shipping	-	11
Occupancy	206,966	202,481
Repairs	413	2,070
Advertising	70,964	73,013
Auto	20,034	18,854
Food	-	43
Dues and subscriptions	-	320
Fees	21,857	22,559
Other	2,203	1,722
Volunteer Recognition	-	47
Insurance	20,461	20,040
Depreciation	2,936	5,127
Total direct expenses of Habitat's ReStore	<u>\$ 787,219</u>	<u>\$ 786,852</u>