PONCA CITY AREA HABITAT FOR HUMANITY, INC.

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

PONCA CITY AREA HABITAT FOR HUMANITY, INC.
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YEAR ENDED JUNE 30, 2019

Kimberlye R. Mayer, CPA, P.C.

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Independent Auditor's Report

Board of Directors
Ponca City Area Habitat for Humanity, Inc.

We have audited the accompanying financial statements of Ponca City Area Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ponca City Area Habitat for Humanity, Inc.'s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ponca City Area Habitat for Humanity, Inc.'s internal control. Accordingly, we express no such an opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Ponca City Area Habitat for Humanity, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
December 10, 2019

FINANCIAL STATEMENTS

AND

NOTES

PONCA CITY AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets:		
Cash and cash equivalents	$	82,753
Escrow accounts:		
Escrow deposits held in trust		7,300
Repair and damages receivable		5,024
Investments		210,823
Total Current Assets		305,900
Mortgage notes receivable, (Note 1)		639,984
Stan Bivins project		4,000
Construction in progress (Note 1)		20,032
Property, furniture and equipment (Note 3)		
(Net of accumulated depreciation)		49,384
Total Assets	$	1,019,300

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	1,081
Accrued payroll and taxes		1,157
Sales tax payable		499
Escrow deposits held in trust		12,324
Total Current Liabilities		15,061
Net Assets:		
Without donor restrictions		1,000,239
With donor restrictions		4,000
Total Net Assets		1,004,239
Total Liabilities and Net Assets	$	1,019,300

The accompanying report and notes are an integral part of these financial statements.

PONCA CITY AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Change in net assets without donor restrictions:	
Revenues and other support:	
Contributions	$ 18,317
Sales from ReStores	66,578
Sales of homes	77,167
Repairs and damage income	5,024
Investment returns	7,687
Interest income	86
Total revenues and other support without donor restrictions	174,859
Net assets released from restriction	
Total revenues and other support without donor restrictions	174,859
Expenses:	
Program services	
Home Construction	105,857
ReStores	36,868
Total program services	142,725
Management and general	7,659
Fundraising	141
Total Expenses	150,525
Increase (decrease) in net assets without donor restriction	24,334
Changes in net assets with donor restrictions:	
Net assets released from restrictions	
Increase (decrease) in net assets with donor restrictions	
Increase (decrease) in net assets	24,334
Net assets at beginning of year	979,905
Net assets at end of year	$ 1,004,239

The accompanying report and notes are an integral part of these financial statements.

PONCA CITY AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

Expenses:	Program Services	Management and General	Fundraising	Totals
ReStore:	$	$	$	$
Store expenses	19,355			19,355
Personnel costs	17,513			17,513
Total Restore	36,868			36,868
Cost of homes sold	78,402			78,402
Warehouse expenses	3,210			3,210
Repairs and maintenance	356			356
Volunteer Expenses	5,377			5,377
Habitat for Humanity International Tithe	3,670			3,670
Office and postage		373		373
Professional fees	2,340	4,152		6,492
Printing and publications			141	141
Insurance	4,080	1,361		5,441
Donations to others	3,700	260		3,960
Conferences, meetings, and travel		1,313		1,313
Depreciation	3,079			3,079
Other expenses	1,643	200		1,843
Total Expenses	$ 142,725	$ 7,659	$ 141	$ 150,525

The accompanying report and notes are an integral part of these financial statements.

PONCA CITY AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

Cash Flows Provided (Used) By Operating Activities:	
Increase (decrease) in net assets	$ 24,334
Adjustments to reconcile net cash provided (used) by operating activities:	
Depreciation	3,079
Net (increase) decrease in receivables	1,671
Net (increase) decrease in escrow	4,364
Net increase (decrease) in escrow liability	(13,761)
Net increase (decrease) in payables	256
Net Cash Provided (Used) By Operating Activities	19,943
Cash Flows Provided (Used) By Investing Activities:	
Purchase of fixed assets	(13,505)
(Increase) decrease in construction in progress	(9,229)
(Increase) decrease in investments	(7,683)
(Increase) decrease in designated funds	(4,000)
Net Cash Provided (Used) By Investing Activities	(34,417)
Cash Flows Provided (Used) By Financing Activities:	
Net Increase (Decrease) In Cash And Cash Equivalents	(14,474)
Beginning Cash And Cash Equivalent Balance	97,227
Ending Cash And Cash Equivalent Balance	$ 82,753

The accompanying report and notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Ponca City Area Habitat for Humanity, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Corporation has not recognized any unrelated business taxable income. The Corporation was established to raise funds to build, rehabilitate, and repair affordable housing for low income individuals who presently live in inadequate housing or cannot purchase housing through conventional sources. To qualify for housing, applicants must demonstrate a need for housing, an ability to pay for the services, and willingness to partner with the Corporation. The Corporation operates a Habitat ReStore to provide the community with a source of low-cost materials for home improvement, to reduce the volume of materials going to landfills, and to generate funds for the Corporation.

Basis of Accounting

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles of the U.S. The Corporation utilizes the accrual basis of accounting; their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The Corporation reports information regarding its financial position and activities according to the following net asset classifications:

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 Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by 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 the net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

New Accounting Pronouncement

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Accounting for Contributions:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Volunteers have donated significant amounts of their time to the Corporation's program services. The value of those donated services is not recorded in the accompanying financial statements. Businesses in the community have donated labor and materials. These in kind donations have not been recorded in the financial statements.

Construction in Progress

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. The carrying value of construction in progress is cost. Upon the completion and sale of a home to a homeowner, construction in progress is 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 Ponca City area. The note agreements require monthly payments, including amounts for insurance and taxes. Amounts received for insurance and taxes are held in escrow by the Corporation until the due date for the payment.

Inventory

Inventory of materials and supplies for the construction of the homes is not recorded in the financial statements. The items for sale at the ReStore are all donated, so no inventory is maintained.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Habitat's Restore

Habitat's ReStore is a store in which building materials, home appliances and supplies are sold to the public. The merchandise sold has either been donated to the Corporation or is surplus materials from construction activities.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Corporation considers all checking, money market, and savings accounts and certificates of deposits with an original maturity date of three months or less to be cash equivalents.

Functional Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program services, supporting services and fund raising activities that were benefited. The Corporation's program efforts include substantial volunteer effort which is not recognized in the financial statement, therefore, program expenses do not reflect these donated services.

The expenses that are allocated include the following:

Expense	Method of Allocation
Personnel costs	Time and effort
Travel and meetings	Time and effort
Volunteer expense	Time and effort
Utilities	Square footage/usage
Telephone/internet	Usage
Professional fees	Usage
Insurance	Usage
Depreciation	Usage
Rent	Usage
Advertising and promotion	Usage
Repairs and maintenance	Usage
Office supplies and postage	Usage

NOTE 2 – INCOME TAXES:

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3 – PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased. Assets donated are recorded at fair market value when received. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ending June 30, 2019 was $3,079. The balances for depreciable assets, by major category, are as follows:

Buildings and improvements	$ 51,137
Machinery and equipment	22,982
Tools and project equipment	1,019
Accumulated depreciation	(25,754)
Net	$ 49,384

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

The Corporation's programs are supported by receivables from existing mortgages, revenues from the ReStore, contributions and donated services and materials. The Corporation structures projects to coincide with receipts. In the event earnings, support and receivables are not sufficient, investments will be sold to meet immediate funding needs. At June 30, 2019, the Corporation had operating funds of $82,753 and mutual funds of $210,823 available to be used for expenses within one year.

NOTE 5 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the Corporation's own assumptions in determining the fair value of investments).

The Corporation's financial instruments include cash and cash equivalents, investments, mortgage receivables, and accounts payable. The Corporation's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 6 – MORTGAGE RECEIVABLES:

Mortgage receivable balances represent the amount charged to the homeowners for Habitat houses built and secured with real estate that are to be paid back over a period of time. At June 30, 2019, the Corporation had twenty-two outstanding homeowner loans totaling $639,984. Of this amount, $11,045 were in arrears.

NOTE 7 – COMMITMENTS:

The Corporation has commitments to sell homes currently under construction at estimated costs and to finance these sales 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 sales.

NOTE 8 – 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 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. Accordingly, actual results could differ from those estimates.

NOTE 9 – RISK MANAGEMENT:

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Corporation purchases commercial insurance for these and other risks of loss.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Corporation has evaluated subsequent events through December 10, 2019, the date which the financial statements were available to be issued.