**BUCKS COUNTY HOUSING GROUP, INC. FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**BUCKS COUNTY HOUSING GROUP, INC. JUNE 30, 2021**

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## INDEPENDENT AUDITOR’S REPORT

To the Board of Directors

Bucks County Housing Group, Inc. Warminster, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of Bucks County Housing Group, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statement of activities 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the 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 Organization’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 Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bucks County Housing Group, Inc. as of June 30, 2021, 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.

*O****’Hara, Ward & Associates Yardley, PA***

May 10, 2022

**STATEMENT OF FINANCIAL POSITION JUNE 30, 2021**

**ASSETS**

**Current Assets**

Cash $

1,051,295

Restricted Cash for Tenant and Client Deposits........................... 62,363 Contracts Receivable................................................................... 224,027

Accounts Receivable, Tenant Rent, Net....................................... 40,227

Accounts Receivable, Other......................................................... 52,141

Promises to Give.......................................................................... 25,000

Prepaid Expenses........................................................................ 173,587

Mortgage Escrow Deposits. 50,506

**Total Current Assets....................................................** 1,679,146

**Noncurrent Assets**

|  |  |
| --- | --- |
| Reserve for Replacements........................................................... | 200,445 |
| Other Deposits............................................................................. | 6,000 |
| Due from Affiliate......................................................................... | 31,704 |
| Property and Equipment, Net. 1,352,072 | |
| **Total Noncurrent Assets..............................................** | 1,590,221 |
| **TOTAL ASSETS............................................................** | $ 3,269,367 |
| **LIABILITIES AND NET ASSETS** |  |

**Current Liabilities**

Current Portion of Long-Term Debt. $

25,624

Accounts Payable........................................................................ 30,581

Accrued Expenses....................................................................... 130,856

Tenant and Client Deposits. 62,364

**Total Current Liabilities...............................................** 249,425

**Long-Term Liabilities**

Long-Term Debt, Net of Current Portion...................................... 2,113,185 Accrued Interest Payable 305,437

**Total Long-Term Liabilities.........................................** 2,418,622

**Total Liabilities.............................................................** 2,668,047

**Net Assets**

Net Assets Without Donor Restrictions........................................ 359,103

Net Assets With Donor Restrictions............................................. 242,217

601,320

**TOTAL LIABILITIES AND NET ASSETS.......................** $ 3,269,367

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2021**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| **Support and Revenues** |  |  |  |
| Government Grants and Contracts..................... | $ 1,624,530 | $ - | $ 1,624,530 |
| Grants and Contributions.................................... | 1,066,360 | 204,740 | 1,271,100 |
| Rent................................................................... | 713,139 | - | 713,139 |
| Interest and Dividends........................................ | 1,259 | - | 1,259 |
| Management Fees............................................. | 13,308 | - | 13,308 |
| Other.................................................................. | 54,476 | - | 54,476 |
| Net Assets Released from Restrictions.............. | 126,189 | (126,189) | - |
| **Total Support and Revenues......................** | 3,599,261 | 78,551 | 3,677,812 |
| **Expenses** |  |  |  |
| Program Services.................................................. | 2,898,737 | - | 2,898,737 |
| General and Administrative................................... | 310,338 | - | 310,338 |
| Fundraising........................................................... | 119,067 | - | 119,067 |
| **Total Expenses............................................** | 3,328,142 | - | 3,328,142 |
| **Change in Net Assets from Operations................** | 271,119 | 78,551 | 349,670 |
| **Other Changes in Net Assets** |  |  |  |
| CARES PPP Loan Forgiveness............................. | 205,865 | - | 205,865 |
| **Total Change in Net Assets...................................** | 476,984 | 78,551 | 555,535 |
| **Net Assets (Deficit), Beginning of Year................** | (117,881) | 163,666 | 45,785 |
| **Net Assets (Deficit), End of Year...........................** | $ 359,103 | $ 242,217 | $ 601,320 |

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

**STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021**

**Personnel**

**Management**

**Program and**

**Services General Fundraising Total**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Salaries...................................................... | $ 911,256 | $ 144,181 | $ 65,810 | $ 1,121,247 |
| Payroll Taxes............................................. | 58,554 | 11,363 | 4,811 | 74,728 |
| Employee Benefits..................................... | 70,799 | 12,752 | 4,397 | 87,948 |
| **Total Personnel...................................** | 1,040,609 | 168,296 | 75,018 | 1,283,923 |

**Operating Expenses**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Occupancy................................................. | 1,065,561 | 46,305 | 11,227 | 1,123,093 |
| Cleaning and Maintenance........................ | 201,395 | 48 | - | 201,443 |
| Depreciation.............................................. | 131,092 | - | - | 131,092 |
| Insurance................................................... | 91,090 | 3,257 | 1,356 | 95,703 |
| Food Pantry............................................... | 89,893 | - | - | 89,893 |
| Office Supplies.......................................... | 41,955 | 21,225 | 11,494 | 74,674 |
| Professional Fees...................................... | - | 60,330 | 13,000 | 73,330 |
| Bridge Housing.......................................... | 63,402 | - | - | 63,402 |
| Client Assistance....................................... | 53,142 | - | - | 53,142 |
| Trash/Snow Removal................................ | 31,525 | 7,405 | - | 38,930 |
| Interest Expense....................................... | 33,879 | 167 | - | 34,046 |
| Loss on Disposal of Property..................... | 20,773 | - | - | 20,773 |
| Computer Software and Supplies.............. | 9,543 | 2,677 | 2,610 | 14,830 |
| Bad Debts.................................................. | 14,542 | - | - | 14,542 |
| Travel......................................................... | 10,336 | 628 | 26 | 10,990 |
| Fundraising................................................ | - | - | 4,336 | 4,336 |
| **Total Operating Expenses..................** | 1,858,128 | 142,042 | 44,049 | 2,044,219 |
| **Total Expenses....................................** | $ 2,898,737 | $ 310,338 | $ 119,067 | $ 3,328,142 |

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021**

|  |  |
| --- | --- |
| **Cash Flows From Operating Activities:** |  |
| Change in Net Assets.................................................................  Adjustments to Reconcile Decrease in Net Assets to Net Cash From Operating Activities:  Depreciation and Amortization................................................. | $ 555,535  131,764 |
| (Gain)/Loss on Disposal of Property and Equipment............... | 20,773 |
| (Increase) Decrease in Operating Assets:  Contracts Receivables.......................................................... | (1,484) |
| Accounts Receivables, Tenant Rent..................................... | (32,119) |
| Accounts Receivables, Other................................................ | (28,519) |
| Promises to Give................................................................... | (25,000) |
| Prepaid Expenses................................................................. | (24,207) |
| Due from Affiliate.................................................................. | 3,655 |
| Increase (Decrease) in Operating Liabilities:  Accounts Payable................................................................. | (8,985) |
| Accrued Expenses................................................................ | (10,925) |
| Tenant and Client Deposits................................................... | 5,604 |
| Deferred Revenue................................................................. | (6,836) |
| Accrued Interest Payable...................................................... | 16,770 |
| **Net Cash From Operating Activities.......................................** | 596,026 |
| **Cash Flows From Investing Activities:**  Purchases of Property and Equipment.................................... | (191,924) |
| **Net Cash From Investing Activities.........................................** | (191,924) |
| **Cash Flows From Financing Activities:** |  |
| Proceeds from CARES PPP Loan........................................... | (205,865) |
| Principal Repayments of Long Term Debt............................... | (24,729) |
| **Net Cash From Financing Activities.......................................** | (230,594) |
| **Change in Cash and Cash Equivalents..................................** | 173,508 |
| **Cash and Cash Equivalents, Beginning of Year....................** | 1,191,101 |
| **Cash and Cash Equivalents, End of Year...............................** | $ 1,364,609 |
| **Supplemental Disclosures:** |  |
| Cash Paid During the Year for Interest.................................... | $ 16,605 |

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Operations

**Nature of activities**: Bucks County Housing Group, Inc. (the Agency) is a non-profit organization formed to provide emergency shelter and other social services, as well as housing and mortgage counseling, to people with low to moderate income and people in crisis in Bucks County, Pennsylvania (PA). The Agency owns and operates the Robert Morris Apartments (the Project), a 39-unit apartment project located in Morrisville, PA, and the Bristol Apartments, a 24-unit apartment project in Bristol, PA. The Project is subject to certain restrictions and reporting requirements under terms of an agreement with the Pennsylvania Housing Finance Agency (PHFA). The Agency 's activities are funded primarily by government grants and contracts, foundation grants, and tenant rent.

The Agency 's major programs are as follows:

### Supportive Housing Program

Our Supportive Housing Program (SHP) is a transitional shelter program where we seek to empower individuals through comprehensive services such as education, job development, life skills, money management and appropriate referrals. The program serves families consisting of at least one adult and one child less than eighteen years of age. The family must also be able to document that they are homeless or imminently at risk of homelessness (according to the HUD definitions) and Bucks County residents. Families can stay up to one year in SHP. Referrals to the program are received through the Bucks County Housing Link.

The Supportive Housing Program consists of 22 fully furnished units scattered throughout the Bucks County area. The units are located in Quakertown (6 units), Doylestown (6 units), Morrisville (6 units) and Penndel (4 units) and are staffed with a full time, on-site case manager. Case managers work with each family from the time of move-in to establish a permanent housing plan. Case managers and clients then meet once a week (at minimum) to develop short-term goals to help achieve that plan. Goals usually include increasing income (through obtaining disability benefits, enrolling in a certificate program, etc.), saving money and creating and maintaining a budget. Clients are connected to resources such as mental health services or substance abuse treatment as needed.

### Bridge Housing & Home Transitional Programs

Both Bridge Housing and HOME Transitional Housing programs provide subsidized rental assistance and social services to homeless families who include at least one child under the age of

18. Both programs provide housing in scattered site rental properties. The Bridge Housing Program can accommodate approximately 12 families at a time. The HOME Transition Housing Program can accommodate approximately 12 families at a time. Rental subsidy and social services are provided for up to one year in the Bridge Program and up to two years in the HOME Program. Families may choose to maintain those apartments independently when they complete the program.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Bucks County Children and Youth Social Services Agency administer the Bridge Housing Program. Bucks County Children and Youth Social Services Agency administer the HOME Transitional Housing Program in cooperation with the Bucks County Office of Business & Community Development. Direct services for both programs are provided by Children and Youth and by the Bucks County Housing Group.

Application to both programs is made through the Bucks County Children and Youth Social Services Agency. To qualify for application a family (at least one adult and one minor child) must be homeless and lack the resources and support networks through which they might obtain housing. The family must have a clear and definite plan for self-sufficiency and must participate in educational vocational training to obtain that goal. Within the past fiscal year, Children and Youth have used Bridge and/or HOME as a housing option for families facing placement of their children due to housing instability. Families are referred internally from Children and Youth staff, and by shelters and other social services agencies. The referent should know the family well enough to write a recommendation and be able to present their case to the Selection Committee. A Bucks County Children and Youth Social Services Agency worker will interview the applicant/applicants and may follow up with verification of information. The Bridge & Transitional Review Committee then reviews assessments on a monthly basis. Referrals are accepted at any time. Applicants are reviewed as the assessments are completed and presented to the committee.

Families who are accepted into either program will be assigned both a Bucks County Children and Youth Social Services Agency worker and a Bucks County Housing Group worker. Participants in these programs are expected to meet with both workers on a regular basis and to cooperate with services, including budgeting with weekly reviews, counseling and referrals regarding parenting. Participants are expected to remain in educational/vocational training programs while in the Housing Program. Although Bridge Housing is a one-year program and HOME Transitional Housing is a two- year program, these lengths of time represent the maximum time for these programs. Once training has been completed and employment obtained, the family is considered to have obtained self- sufficiency and to have completed the program.

### Housing First Program

The Housing First Program is a scattered site housing program funded through St. Mary’s. Bucks County Housing Group is the subcontracted agency that operates the program. Our goal is to provide short-term rental assistance and case management services to move people quickly out of homelessness/housing instability and into a position for them to be self-sufficient and remain housed. Case management services include, but are not limited to, budgeting/money management, connection to mental health or substance abuse services and basic life skills training. Each family is provided individualized services to enhance their strengths and support them to meet their goals.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Family Permanent Supportive Housing Program

The Family Permanent Supportive Housing Program is a housing program funded through St. Mary’s. Bucks County Housing Group is the subcontracted agency that operates the program. The FPSH is a scattered site model supportive several families with case management and rental assistance. The program provides intensive case management for a period of up to 4 years, helping families move into a position for them to be self-sufficient and remain housed. Case management services include, but are not limited to, budgeting/money management, connection to mental health or substance abuse services and basic life skills training. Each family is provided individualized services to enhance their strengths and support them to meet their goals.

### Community Food Pantries

BCHG operates two community food pantries which are overseen by a full-time Food Pantry Coordinator. Grant funds and individual donations help pay for the operating expenses of the two pantries. The two pantries are located in Penndel and Doylestown. The Community Food Pantries served over 48,000 individuals over the past year. the Food Pantry Coordinator oversees all of the ordering, stocking, patron services and works to ensure that there are enough (trained) volunteers at each site during hours that the pantries are open. Volunteers are also needed when the pantry is not open to the public in order to restock shelves, check expiration dates on food and weigh donated food items.

Low/moderate income community members from throughout Bucks County benefit by patronizing one of the pantries on a weekly basis to supplement their food supplies. We request that patrons limit their visits to once per week so that we can serve the maximum number of unduplicated households. Most of our pantry clients are on fixed incomes (as in the case of seniors/disabled individuals – 10% of our patrons are seniors) or are members of the “working poor” who find that in spite of full-time work, they do not make enough money to make ends meet.

### Housing Counseling Services Pre-purchase/Pre-Closing

All clients are directed to attend a free orientation webinar where they learn about the agency, our funding sources, what to expect from housing counseling, what to bring to their housing counseling appointment, the steps in the purchase process, the importance of a home inspection, 10 questions to ask a home inspector whom they are considering hiring, and the criteria for participation in the Bucks County First Time Homebuyer Program. Clients who do not have access to a computer and/or printer are provided with a telephone call in number and copies of the slide presentation and all other materials are mailed to their home. Participants who choose to continue, are directed to complete an application, including a budget form, which is submitted to the agency and reviewed prior to scheduling an appointment with a counselor.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the appointment (which can take up to 4 hours), the counselor verifies budget information and discusses ways to improve budgeting and saving skills while creating an affordable budget with the client, collects financial documents and transaction documents if the client is under contract to purchase, provides referrals as needed, develops a financial analysis for the client including credit scores, current and proposed debt ratios, and eligibility for various types of loans (including FHA) and home-buyer assistance programs, creates an action plan including steps both the client and counselor will take, and estimated timeframes to complete action plan items.

Follow-up communication is completed to ensure that the client is making progress toward his or her housing goal, to modify or terminate housing counseling, and to learn and report outcomes. Client follow-up is conducted by a qualified housing counselor who makes reasonable efforts to contact a verbal follow-up within the first 60 days of no client contact. If unsuccessful, after two attempts to conduct a verbal follow-up session, a letter or email is sent to inform the client that their file will be closed. Client file will be terminated when the issue is resolved, the goal is met, or the client is unresponsive.

### Veterans’ Housing Assistance Program

County Housing Group's (BCHG) Bucks County Veterans Housing Assistance Program provides one-time grants of up to $500 to any active duty or honorably discharged serviceperson who is a resident of Bucks County and who is experiencing a housing crisis. Recipients are referred by social service agencies, houses of worship, veterans’ organizations, etc. and may receive one grant, one time. Funds go directly to the recipients, each of whom is referred and each of whom needs assistance with individualized issues. This program has previously paid for bunk beds for a veteran's children, partial rent for an active-duty serviceperson during the federal sequester and work clothing for a veteran seeking employment as a floor refinisher just to name a few.

Accounting Standards Codification (ASC)

The Agency’s accounting policies, which are detailed below are in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statement Presentation

The financial statements of the Agency have been prepared on the accrual basis of accounting. The Agency reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue Recognition

Rental income is accrued at gross potential rental income. Vacancies are shown as a reduction from gross rental income. Rental revenue is recognized ratably over the terms of the leases.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are recorded at the un-discounted amounts of earned rental income. The Agency performs a periodic review of accounts receivable to verify collectability. When receivables are deemed to be potentially uncollectible, they are charged off as bad debt expense and an allowance for the doubtful accounts is established. When management determines that collection will not be pursued further, both the receivable and the corresponding allowance for doubtful accounts are removed from the books. The allowance for doubtful accounts was $29,926 for the year ended June 30, 2021.

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 restrictions.

Contributions are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Agency has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promises, are only recorded when the conditions on which they depend are substantially met.

Promises to Give

Unconditional promises to give are reported at the amounts management expects to collect on balances at year end. Management closely monitors outstanding balances and records an allowance for all balances that are not considered collectible. No allowance was required at June 30, 2021.

Government Grants and Contracts

The Agency records advances under grants and contracts with state and local government agencies as refundable advances until the related costs are incurred or services performed, at which time they are recognized as revenue.

Donated Services

The Agency pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Agency with specific programs and office administration. The value of these donated services is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under ASC 958.

Cash Equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. The Agency has no cash equivalents at June 30, 2021.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total in the statement of cash flows as of June 30, 2021:

|  |  |
| --- | --- |
| Cash in Bank | $ 1,051,295 |
| Tenant Security Deposits | 62,363 |
| Escrow Deposits | 50,506 |
| Replacement Reserves | 200,445 |
| Total Cash and Restricted Cash | $ 1,364,609 |

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Loan Fees

Deferred loan fees are amortized over the lives of the related loans. Contributed Property and Equipment

Contributed property and equipment is recorded at fair value at the date of the donation. If the donor stipulates how long the asset must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Property, Equipment and Depreciation

Property and equipment are initially recorded at cost for purchased items, or if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets, as follows:

|  |  |
| --- | --- |
|  | Years |
| Buildings | 25-30 |
| Building Improvements | 5-30 |
| Land Improvements | 5-10 |
| Leasehold Improvements | 3-10 |
| Office Equipment | 5-10 |
| Furnishings | 5 |

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

The Agency is generally exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). In addition, the Agency qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation by the Internal Revenue Service. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Agency had no unrelated business income for the year ended June 30, 2021.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing the accompanying financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through May 10, 2022, the date the financial statements were available to be issued.

## NOTE 2. CONCENTRATION OF CREDIT RISK AND CONTRACTOR CONCENTRATIONS

The Agency maintains cash balances at two financial institutions which, at various times during the year, exceeded the threshold for insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Agency mitigates their risk relative to cash by maintaining relationships with what management believes to be high credit quality financial institutions.

During 2021, the Agency received approximately 45% of its total unrestricted revenues and support from government grants and contracts. Any significant reduction in the level of support could have an effect on the Agency’s programs.

## NOTE 3. RESTRICTED DEPOSITS AND RESERVE FOR REPLACEMENTS

Pursuant to the mortgage agreement with PHFA, certain sums of monies are required to be placed on restricted deposit. Withdrawal and use of the replacement reserve for the purposes such as Project maintenance or betterments is subject to PHFA approval. Restricted deposits and reserve for replacements are comprised of the following as of June 30, 2021:

Mortgage Escrow Deposits:

|  |  |
| --- | --- |
| Property Insurance Escrow…………….. | $ 11,685 |
| Real Estate Tax Escrow………………... | 38,821 |
|  | 50,506 |
| Reserve for Replacements…………………… | 200,445 |
|  | $ 250,951 |

The Project is also required by PHFA to make monthly deposits to certain of the above reserves. As of June 30, 2021, such monthly deposits were $3,895, $4,691, and $4,341 to the insurance escrow, tax escrow, and the replacement reserve, respectively. The amounts are subject to revision.

## NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of June 30, 2021:

|  |  |
| --- | --- |
| Land and Land Improvements………………… | $ 470,418 |
| Buildings………………………………………… | 1,540,438 |
| Building Improvements………………………… | 3,119,592 |
| Furnishings……………………………………… | 151,795 |
| Office Equipment……………………………….. | 152,096 |
| Leasehold Improvements……………………… | 325,116 |
|  | 5,759,455 |
| Less: Accumulated Depreciation……………… | 4,407,383 |
|  | $ 1,352,072 |

Depreciation expense for the year ended June 30, 2021 was $131,092. Certain property and equipment have been acquired with funds provided by Bucks County. Such property and equipment are considered owned by the Agency and are used for general operations in support of its programs.

Most of the Agency’s property and equipment is rented to others, as detailed in Note 10.

## NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2021 consist of the following:

Purpose Restricted:

Shelter and Food………………………………. $ 130,344 Housing Counseling………………………….... 102,348 Veterans……………………………………….... 9,525

$ 242,217

Net assets were released from restrictions by satisfying purpose restrictions during the year ended June 30, 2021 as follows:

|  |  |
| --- | --- |
| Shelter and Food………………………………. | $ 78,720 |
| Housing Counseling…………………………… | 43,969 |
| Veterans………………………………………… | 3,500 |
|  | $ 126,189 |

## NOTE 6. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2021:

Note payable, bank, payable in monthly installments of

$1,736, including interest at 4.75%, due May 2034;

collateralized by Bristol Apartments…………………………..… $ 200,729

Note payable, Pennsylvania Housing Finance Agency, due on December 1, 2044. Commencing January 1, 2005, interest accrues at 1% per year. Payments of principal and interest are deferred until 2044 unless there is a surplus of revenue over expenses defined, generated by the Project.

Collateralized by real estate; subject to compliance with

certain conditions as defined…………………………………….. 1,676,924

Note payable, Bucks County Office of Community Development; 0% interest, principal shall become payable upon the transfer of ownership of the property; collateralized by real estate. Subordinated to PHFA note payable

above………………………………………………..……………… 130,000

Note payable, bank, payable in monthly installments of $587, including interest at 4.75%, due July 2032; collateralized by

Bristol Apartments………………………………………………… 60,568

Note payable, bank, payable in monthly installments of

$1,098, including interest at 4.875%, maturing November

2027; collateralized by property in Doylestown, PA………….... 71,672

2,139,893

Less: Unamortized Debt Issuance Costs….……………………. 1,084 Long-Term Debt, Less Unamortized Debt Issuance Costs…... 2,138,809 Less: Current Portion of Long-Term Debt………………. 25,624

Total Long-Term Debt……………………………………… $ 2,113,185

The Agency presents debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as a component of interest expense in the statement of activities and amounted to $672 for the year ended June 30, 2021. Total interest expense was $34,046 for the year ended June 30, 2021.

**NOTE 6. LONG-TERM DEBT (Cont’d)**

The aggregate scheduled maturities of long-term debt for the five years, subsequent to June 30, 2021 and thereafter, are as follows:

|  |  |
| --- | --- |
| 2022………………………………… | $ 25,624 |
| 2023………………………………… | 26,532 |
| 2024………………………………… | 27,960 |
| 2025………………………………… | 29,466 |
| 2026………………………………… | 31,053 |
| Thereafter………………………….. | 1,999,258 |
| Total Long-Term Debt……………. | $ 2,139,893 |

Accrued interest expense on notes payable totaled $305,437 as of June 30, 2021.

## NOTE 7. GOVERNMENT GRANTS AND CONTRACTS

Revenue from government grants and contracts for the year ended June 30, 2021 consist of the following:

County of Bucks:

Children and Youth: Shelter…………………………………………………. $ 661,701

Bridge Housing……………………………………….. 176,948

Transitional Housing…………………………………. 64,296

Office of Human Services:

Housing Counseling/Case Management…………… 50,000 Housing Counseling……………………...…………… 35,273

Office of Community and Business Development:

Emergency Shelter Programs………………………. 378,867 Pre-Mortgage and Rental Counseling……………… 219,587

Pennsylvania Housing Finance Agency:

Comprehensive Housing Counseling Initiative……. 37,858

$ 1,624,530

## NOTE 8. PROGRAM SERVICES

Program services for the year ended June 30, 2021 consist of the following: Housing Assistance and Support Services:

|  |  |
| --- | --- |
| Shelter and Food………………………………………. | $ 1,706,912 |
| Bridge Housing………………………………………… | 173,983 |
| Home Stabilization…………………………………..… | 67,192 |
| Permanent Supportive Housing Services………..…. | 90,302 |
| Veterans Assistance..……………………………….... | 4,000 |

Rental Housing:

Apartments and Duplexes………………..…………... 683,909

Comprehensive Housing Counseling:

Pre-Mortgage and Rental Counseling 172,439

$ 2,898,737

## NOTE 9. LEASING ARRANGEMENTS

The Agency owns the Bristol Apartments and the Robert Morris Apartments. The Agency leases these units generally to people with low to moderate incomes and the apartments are available to people with HUD Section 8 rent subsidies. Leasing arrangements are made under noncancelable operating leases of one year or less. Rental income earned during the year ended June 30, 2021 was $713,139 .

An analysis of the Agency’s property and equipment held for these operating leases at June 30, 2021 is as follows:

|  |  |
| --- | --- |
| Land and Land Improvements…………………... | $ 433,876 |
| Buildings…………………………………………… | 1,359,833 |
| Building Improvements…………………………… | 2,760,032 |
| Furniture and Fixtures……………………………. | 160,794 |
| Office Equipment…………………………………. | 11,651 |
|  | 4,726,186 |
| Less Accumulated Depreciation………………… | 3,696,093 |
|  | $ 1,030,093 |

## NOTE 10. UNEMPLOYMENT CLAIMS

The Agency is self-insured for unemployment claims through a trust. The Agency's payments to the trust are reflected as expenses in the Statement of Activities. The trust has policies detailing minimum and maximum levels for member reserves. Amounts in excess of reserves are transferred to an excess surplus account. Once transferred, these amounts can be requested as a payout. At June 30, 2021, the Agency has a receivable from the trust of

$52,141, which represents the balance in its excess surplus account.

## NOTE 11. RELATED PARTY TRANSACTIONS

Fountainville Project, Inc. (FPI) and the Agency have mutual Board members. However, the Boards are not required to have the same members.

During 2003, FPI entered into a management agreement with the Agency. During fiscal 2015, the agreement requires FPI to pay the Agency 10% of its rental revenue for the performance of various management services. During the year ended June 30, 2021, FPI incurred management fees to the Agency of $13,308 .

The amounts due from FPI of $31,704 are included in due from affiliate on the statements of financial position at June 30, 2021, respectively, are non-interest bearing, unsecured and due on demand.

## NOTE 12. LIQUIDITY

The Agency monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Agency has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

|  |  |
| --- | --- |
| Cash…………………………………………………………. | $ 1,051,295 |
| Contracts Receivable………………………………………. | 224,027 |
| Accounts Receivable, Tenant Rent, Net…………………. | 40,227 |
| Accounts Receivable, Other………………………………. | 52,141 |
| Promises to Give……………………………………………. | 25,000 |
|  | $ 1,392,690 |

In addition to financial assets available to meet general expenditures over the year, the Agency operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient program fees and other revenues as needed.

## BUCKS COUNTY HOUSING GROUP, INC. NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

**NOTE 13. TAX-DEFERRED ANNUITY PLAN**

The Agency has a discretionary non-contributory, tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The Plan covers full time employees of the Agency who have completed one year of service. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Agency made no plan contributions for the year ended June 30, 2021.

## NOTE 14. COMMITMENTS

The Agency leases certain office equipment and facilities under noncancelable operating leases. The minimum future lease payments under noncancelable operating leases having a remaining term in excess of one year as of June 30, 2021 are:

|  |  |
| --- | --- |
| Years ending June 30: |  |
| 2022……………………………… | $ 80,645 |
| 2023……………………………… | 71,510 |
| 2024……………………………… | 72,800 |
| 2025……………………………… | 75,008 |
|  | $ 299,963 |

The total rental expense for the year ending June 30, 2021 was $57,165.

## NOTE 15. ADOPTION OF ACCOUNTING PRONOUNCEMENT

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC provides a principles- based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Agency adopted ASC 606 and all related amendments using the modified retrospective transition method. The Agency concluded that the adoption of the new standard did not require an adjustment to the opening net asset balances. In November 2016, the Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) No. 2016-18, which changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted equivalents (Cash) in the statement of cash flows. The standard requires that change in all cash when reconciling the beginning and ending cash balances shown on the statement of cash flows. The standard does not change the definitions of restricted cash or restricted cash equivalents.

## BUCKS COUNTY HOUSING GROUP, INC. NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

**NOTE 16. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, Leases (*Topic 840*) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. A lessee is also required to record a right-of- use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. Lessor accounting is mostly unchanged from the current model but updated to align with certain changes to the lessee accounting model and the new revenue recognition standard. The ASU is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The impact of adopting this ASU on the Agency's financial statements for subsequent periods has not yet been determined.

## NOTE 17. FORGIVABLE LOANS UNDER THE SBA PAYCHECK PROTECTION PROGRAM

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES) that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In May 2020, the Agency obtained a PPP loan in the amount of $205,865. Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Organization qualified for full forgiveness of the loan in the amount of $205,865 from the Small Business Administration (SBA) on May 6, 2021. The loan forgiveness is presented as a component of other changes in net assets on the statement of activities at June 30, 2021.

## NOTE 18. SUBSEQUENT EVENT – CORONAVIRUS PANDEMIC

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine, and social distancing requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused disruption to the Organization beginning in March 2020, resulting in the temporary closure of the administrative office and programs. While the Organization expects this matter to negatively impact its results, the extent of the impact of the COVID-19 on the Organization’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak, government-imposed restrictions, and other factors, all of which are highly uncertain and cannot be predicted.