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Top ReStore Risks ASO Training

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Learning Objectives:

- 1. Together we will identify ReStore risks associated with safety, cyber security, and purchased product.**
- 2. At the end of this session, you will understand where to find supporting resources and apply that knowledge to inform policy revisions and mitigation strategies.**

Safety Risks



When does an incident become a claim?

**Any incident that results in a loss
may result in an insurance claim.**

**Report incidents to your insurer
immediately – especially if you are
unsure.**

What are the Top 4 Insurance Claims for ReStore?

- Slips, trips, and falls
- Struck by
- Overexertion
- Auto accidents



Slips, trips, and falls

- Over 1,400 claims in the past 10 years
 - Accounted for +23% of all WC/GL claims in that period
 - Incurred losses over **\$27 million**
- Actual claim: In 2016, a volunteer fell from a ladder
 - Final damages: Over **\$1 million**



Slips, trips, and falls

- In 2014, a customer slipped and fell on a wet spot in a Habitat ReStore
 - Final damages: **\$1.14 million**
- ReStore hazards can include
 - Potholes
 - Extension cords
 - Spills of any type



Struck by...

- 1,380 claims in the past 10 years
 - **22%** of all WC/GL Claims reported in that period were struck by
 - Losses incurred were over **\$22 million**

Struck by...

Actual Habitat ReStore claims:

- In 2014 - a door fell on a customer in the drop off area
 - Final damages: **\$335 thousand**
- In 2019 - merchandise falls and strikes claimant's foot
 - Final damages: Over **\$1 million**



Overexertion

- Over 930 claims in the past 10 years
 - Accounted for **+15%** of all WC/GL claims during that period
 - Incurred losses totaled over **\$14 million**

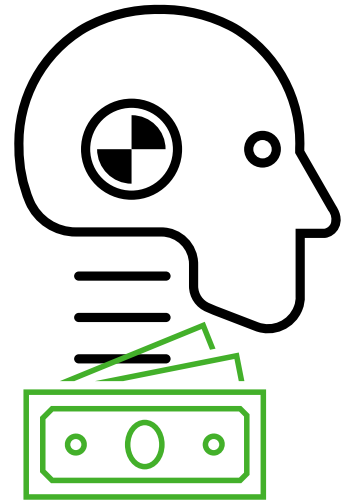


Overexertion

- A number of these claims are attributed to strains and sprains from lifting
 - Both volunteer injury and staff injury attribute to this number.
 - A recent claim paid out over **\$263 thousand** in damages

Auto Accidents

- Over **2,650** claims in the past 10 years
 - Accounted for **27%** of all claims reported during that period.
 - Incurred losses over **\$15 million**



Auto Accidents

- Recent claims
 - One was over **\$1 million** in damages
 - One was over **\$800 thousand** in damages
- Even minor accidents can result in large losses
 - Box truck was following too closely when merging onto the highway and was involved in a rear end collision.
 - Resulted in a **\$250 thousand** loss

Total Losses in 10 years from top 4 claims:

\$78M

**Turn to a partner near
you and quickly share
which risk is most
relevant to your
operation?**

How do we mitigate claims?



SAFETY

Shop SAFE

Key resources



Shop SAFE Field Guide



Lockton Affinity - Habitat for Humanity |
Affiliate Insurance Program



Safety huddles



Safety standards templates



SAFE - What is a Safety Culture?

By La-Fonda General

Published: Dec 4, 2023

20m

Intermediate



☆☆☆☆☆ (1)

[Report](#)

♥ Favorites



E-learning Course

Started on April 12, 2024.

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Safety

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Work SAFE ▾

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Shop SAFE ▾

Habitat Safety Viva Engage Community

 Immersive reader



Safety hazards in the ReStore



Shop SAFE eLearning

A list of Shop SAFE courses
available on HabitatLearns



Lockton Affinity Training and
Resources

Password: Lockton



 Immersive reader

- ▾ [Warehouse Safety and Good Housekeeping](#)
- ▾ [Identifying Hazards and Personal Protective Equipment](#)
- ▾ [Electrical Safety](#)
- ▾ [Emergency Preparedness, First Aid and Weather Safety](#)
- ▾ [Forklifts, Powered Automatic Trucks and Equipment Safety](#)

Shop SAFE

ReStore Safety



Shop SAFE
Staying Accident-Free Every Day

- ☒ 1. Empower everyone
- ☒ 2. Build trust
- ☒ 3. Acknowledge the risk
- ☒ 4. Repeat, review and improve
- ☒ 5. Celebrate success

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Shop SAFE Field Guide

- Section 1: Introduction
 - Safety culture
 - Incident prevention and injury management
 - Raising concerns and accountability
- Section 2: Hazard ID & Mitigation
- Section 3: Habitat ReStore Tasks and Hazards



Consumer Product Safety Commission



Questions?



Cyber Security Risks



Why Cybersecurity is important



Avg cost of a cyber event is \$4.5M or about 45 homes.

- Professional criminals
- More profitable than illegal drugs



We are an attractive target.

- Small organizations are the new primary target
 - Attackers are opportunists
 - Easier to compromise than a Fortune 500

Question: What cybersecurity concerns do you have?

PCI DSS Compliance

- A global standard for handling credit card info securely.
- Compliance reduces risk of breaches and builds customer trust.
- But it requires regular audits, secure tech, and trained staff.

Three Key Vulnerability Areas

- **Point of Sale (POS) Systems**

- Easy targets if not regularly updated or monitored.

- **People (Social Engineering)**

- “People are easier to crack than technology.”
 - Hackers often exploit human error.

- **Vendors & Partners**

- Your security is only as strong as the companies you work with—especially payment processors and inventory systems.

Costs of Breaches

- Legal fees
- Notification costs
- Recovery efforts
- Lost reputation and trust
- Time and stress

What you can do (And where to go)

- Be suspicious of unexpected emails or requests for info.
- Never click unknown links.
- Use strong passwords and multi-factor authentication.
- Follow **Account Security Guidelines** and **Phishing Awareness Guidelines**.
- Use the **Cyber Security Policy Template** as a starting point for your team.

Key Takeaways

- Most cyber risks come down to **technology + human behavior**.
- **Awareness and action** are your best defense.
- Don't go it alone—**resources and people are here to support you**.

Contact HFHI Cyber Security Team

Contact us

- **Security Awareness/Policy:** CyberSafe@Habitat.org
- **Cyber Incident:** CIRT@Habitat.org
- **Check out the Viva Engage Cybersecurity Community**

**Turn to a partner near
you and quickly share if
your affiliate has a cyber
security policy?**

Questions?



Purchased Product Risks



UBIT

- UBI is income that is:
 - Derived from a trade or business;
 - Regularly carried on; and
 - Not substantially related to the charity's exempt purpose.
- UBIT is FEDERAL INCOME TAX payable on UBI.
- The “thrift store” exception

UBIT

“Thrift store” requirement to be exempt from UBIT:

“Substantially all” of the goods sold are donated or “substantially all” of the work is done by volunteers.

- Consequence for not meeting this requirement: **ALL** ReStore net revenue is taxable; affiliate must file the 990-T reporting the income and possibly paying taxes (normal deductions apply). ***ALL – not just purchased product amount.***
- ***HFHI recommends*** that all affiliates for which ***less than 85%*** of gross sales is of ***donated*** merchandise must file the 990-T and pay UBIT.

UBIT



We build strength, stability, self-reliance and shelter.

GUIDANCE MEMORANDUM

Subject: Tax Risks of ReStore Sales of Purchased and Consigned Products; Compliance with Unrelated Business Income Tax Rules

Date: November 2024¹

This memo is intended for any Habitat for Humanity Affiliate that operates a Habitat ReStore and sells or is considering purchasing product for resale or sale of consigned items (rather than selling 100% donated product). Any retail entity operated by a Habitat for Humanity Affiliate will be referred to as "ReStore" throughout this memo.

Specifically, this memo addresses the impact that selling purchased and consigned products may have on (1) the extent to which an Affiliate must pay unrelated business income tax under the federal tax code, and (2) an Affiliate's tax-exempt status.

Due to the brand, business, tax, and legal risks more fully discussed below, **Habitat for Humanity International strongly suggests that Affiliates ensure at least 85% of gross ReStore sales are attributable to donated product.**²

ReStore Revenue Not Tax-Exempt if Greater than 15% of Net Revenue is from Non-Donated Product Sales

A. What is UBIT?

A tax-exempt organization is not taxed on the income it generates from any activity that is substantially related to the charitable purpose for which the organization was granted its tax exemption by the IRS. Even if the activity is a trade or business, the income from the activity is exempt so long as the activity is substantially related to the exempt purpose.

However, if a tax-exempt organization is involved in an unrelated business activity, it will be subject to unrelated business income tax ("UBIT") on the unrelated trade or business income generated from that activity even where such revenue funds the organization's mission. The basic idea behind UBIT is that if the tax exemption granted to a nonprofit organization also applied to the nonprofit's activities that were

Need to Know:

- UBIT due and 990-T must be filed if non-donated product sales exceed 15% of revenue for an affiliate's ReStore location(s)
- UBIT calculated on revenue from ReStore location(s), not the affiliate's overall budget
- Affiliates strongly encouraged to consult tax counsel if >15% of sales are non-donated products
- Affiliates are urged to obtain a **formal written opinion letter** from CPA or tax counsel before acting contrary to HFHI's guidance in this memo
- Where UBIT due, affiliate's tax-exempt status may be in jeopardy if >10% of time/resources go to ReStore operations
- Read "[Considerations and Suggested Practices for Purchased Product in a Habitat ReStore](#)"

1 of 5

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- Read "[Considerations and Suggested Practices for Purchased Product in a Habitat ReStore](#)"

Considerations and suggested practices for purchased product in a Habitat ReStore

1. Develop a plan
2. Assess operational capacity
3. Accounting practices
4. Product selection
5. Vendor vetting
6. Shipping
7. Receiving
8. Loss prevention
9. Reordering product and monitoring sales
10. Sales policies
11. Ordering w multi affiliates
12. Risks

Considerations and suggested practices for purchased product in a Habitat ReStore

Considerations and suggested practices
for purchased product in a Habitat ReStore

A HABITAT FOR HUMANITY KNOWLEDGE CENTER DOCUMENT



What is this document?

The integration of purchased product into a Habitat ReStore product line is an opportunity to develop the revenue stream and satisfy customer needs with products that are difficult to regularly obtain through traditional donation procurement. The decision to subsidize a Habitat ReStore's product line with purchased product should be considered carefully and strategically. The following guidance was established through the cooperation of Habitat ReStore leaders and participating Habitat for Humanity International departments.

What qualifies as purchased product?

For the purposes of this document, anything other than donated goods will be considered purchased product. Whether you pay beforehand — which is not advised, especially with new vendors — or after the product has sold, revenue generated from any product that has not been donated will qualify as proceeds from purchased product. Shipping and transportation fees do *not* automatically qualify items as purchased product. For example, if you pay for shipping or transportation fees on *donated* product, the revenue generated will *not* count toward Unrelated Business Tax for ReStores. For more information, review the [Guidance Memorandum-Tax Risks of ReStore Sales of Purchased and Consigned Products: Compliance with Unrelated Business Income Tax Rules](#) available on the Knowledge Center of MyHabitat.

1. Develop a plan

Identify the percentage of gross sales to be generated by purchased product. HFHI recommends that at least 85% of annual revenue is generated through sales of donated product. For affiliates that choose to exceed 15% of gross revenue from purchased product, federal income tax may apply. See the [Guidance Memorandum-Tax Risks of ReStore Sales of Purchased and Consigned Products: Compliance with Unrelated Business Income Tax Rules](#) and consult with your tax and legal advisers for more information. Continually assess the year-to-date percentage of gross revenue from purchased product sales to ensure compliance with tax regulations, affiliate policies and goals.

- Purchased product acquisition should focus on high-demand items, impulse purchases and products not readily available through the store's donation stream.
- Achieving 100% markup should be a consistent goal, even if that's not always possible. Be cautious not to exceed staffing or facility capacity.
- A specific budgeted amount should be dedicated to purchased goods. This could be tied to a pre-determined number of dollars dedicated to currently owned goods.

2. Assess operational capacity

The product type and volume of purchased product should be determined by market demand and internal capacity including available staff, space, time and budget.

- Consider necessary equipment and staff. Affiliates that choose limited purchased products or product lines can often accomplish inventory and sales needs with a simple cash register as any checkout system should be able to record purchased goods separately from donated goods. For more sophisticated operations

**Turn to a partner near
you and quickly share a
top risk you've identified
after our session and
how you plan to help
mitigate?**

Questions?



**Please scan and
complete the
short survey on
your table to
provide your
feedback on this
session!**



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