

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Marion County, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Marion County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and June 30, 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.

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 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 entity'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 entity'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 Habitat for Humanity of Marion County, Inc. as of June 30, 2021 and June 30, 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.

Day & Day PA

Day & Day, PA

May 16, 2022

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and June 30, 2020

	June 30,	
Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,178,101	\$ 741,804
Other receivables	2,714	2,900
Mortgages receivable, net	116,399	95,322
Inventory	336,557	371,921
Houses under construction	619,331	256,216
Prepaid expenses	15,239	15,098
Total Current Assets	2,268,341	1,483,261
Property and Equipment, Net	1,484,739	1,551,097
Noncurrent Assets		
Unamortized loan costs	3,771	4,659
Community Land Trust properties	38,096	23,094.00
Mortgages receivable, net	2,752,434	2,736,808
Total Noncurrent Assets	2,794,301	2,764,561
Total Assets	\$ 6,547,381	\$ 5,798,919

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and June 30, 2020

	June 30,	
<u>Liabilities and Net Assets</u>	2021	2020
Current Liabilities		
Accounts payable and accrued expenses	\$ 116,671	\$ 83,047
Homeowner escrow	262,862	261,742
Deferred revenue	6,522	6,776
Line of credit	60,000	-
Refundable advance	-	218,430
Current portion of long-term debt	103,235	127,199
Total Current Liabilities	549,290	697,194
Long-Term Liabilities		
Assets held for others, Marion County, Florida (NSP)	170,665	204,817
Long-term debt, net of current portion	1,006,655	1,104,204
Total Long-Term Liabilities	1,177,320	1,309,021
Total Liabilities	1,726,610	2,006,215
Net Assets		
Net assets without donor restrictions		
Net investment in property and equipment	1,484,739	1,551,097
Undesignated	2,797,870	1,703,445
Total net assets without donor restrictions	4,282,609	3,254,542
Temporarily restricted net assets	538,162	538,162
Total Net Assets	4,820,771	3,792,704
Total Liabilities and Net Assets	\$ 6,547,381	\$ 5,798,919

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF ACTIVITIES
For Years Ended June 30, 2021 and June 30, 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total	Total	Total	Total
Support and Revenues:				
Contributions and grants	\$ 2,055,933	\$ 145,500	\$ 1,437,834	\$ 57,685
Donations in-kind	21,256	-	71,158	-
Transfers to homeowners, net	600,180	-	1,257,033	-
Mortgage loan discount amortization	237,921	-	227,049	-
Fund raising (net of expenses of \$81,905 in 2021 & \$98,081 in 2020)	69,404	-	61,202	-
Gain (Loss) on sale of assets	18,739	-	-	-
Interest income and late charges	7,684	-	2,033	-
Loan Forgiveness	218,430	-	-	-
Other income	20,692	-	33,464	-
Net assets released from restriction	145,500	(145,500)	57,685	(57,685)
Total Support and Revenues	3,395,739	-	3,147,458	-
EXPENSES				
Program services	1,345,439	-	2,097,051	-
Fund raising	913,412	-	852,139	-
Management & general	108,821	-	71,301	-
Total Functional Expenses	2,367,672	-	3,020,491	-
Change in Net Assets	1,028,067	-	126,967	-
Net Assets, Beginning of Year	3,254,542	538,162	3,127,575	538,162
Net Assets, End of Year	\$ 4,282,609	\$ 538,162	\$ 3,254,542	\$ 538,162

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2021

FUNCTIONAL EXPENSES	SUPPORTING SERVICES			
	PROGRAM SERVICES	FUND RAISING		MANAGEMENT & GENERAL
		RETAIL STORES	OTHER	TOTAL
Auto and truck	\$ 11,282	\$ 26,696	-	-
Advertising	-	2,771	2,091	-
Committee expenses	6,644	-	-	-
House and construction costs	524,752	-	-	-
Insurance	98,922	-	-	10,991
Interest	40,465	38,840	-	-
Fundraising and development	-	-	11,869	-
Office expense	17,396	-	-	1,933
Other expenses	25,583	36,650	225	19,919
Payroll taxes	34,852	49,107	1,505	3,009
Printing and postage	3,238	-	-	-
Professional fees	4,695	-	-	26,400
Rent	17,407	3,665	-	234
Repairs and maintenance	-	9,043	-	5,791
Salaries, wages and benefits	451,697	636,449	19,500	39,000
Supplies	-	17,930	-	-
Taxes and licenses	17,079	-	-	-
Telephone	6,346	2,318	-	680
Tithe to Habitat International	25,000	-	-	-
Utilities	9,121	30,855	-	864
TOTAL FUNCTIONAL EXPENSES	1,294,479	854,324	35,190	108,821
BEFORE DEPRECIATION				2,292,814
Depreciation	50,960	23,898	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 1,345,439	\$ 878,222	\$ 35,190	\$ 108,821
				\$ 2,367,672

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2020

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
		RETAIL STORES	FUND RAISING OTHER	MANAGEMENT & GENERAL	
FUNCTIONAL EXPENSES					
Auto and truck	\$ 8,230	\$ 13,778	\$ -	\$ -	\$ 22,008
Advertising	-	1,648	5,686	-	7,334
Committee expenses	5,061	-	-	-	5,061
House and construction costs	1,390,193	-	-	-	1,390,193
Insurance	79,586	-	-	8,843	88,429
Interest	27,594	42,713	-	-	70,307
Fundraising and development	-	-	16,829	-	16,829
Office expense	15,825	-	-	1,758	17,583
Other expenses	47,467	31,972	-	1,989	81,428
Payroll taxes	29,412	45,310	1,590	3,180	79,492
Printing and postage	-	-	-	-	0
Professional fees	5,666	-	-	8,800	14,466
Rent	15,000	7,020	-	-	22,020
Repairs and maintenance	11,619	10,712	-	-	22,331
Salaries, wages and benefits	372,245	580,377	19,500	39,000	1,011,122
Supplies	2,988	18,519	-	332	21,839
Taxes and licenses	11,121	-	-	-	11,121
Telephone	4,290	2,956	-	477	7,723
Tithe to Habitat International	17,500	-	-	-	17,500
Travel	-	-	-	-	0
Utilities	9,356	29,431	-	861	39,648
TOTAL FUNCTIONAL EXPENSES	2,053,153	784,436	43,605	65,240	2,946,434
Depreciation	43,898	24,098	-	6,061	74,057
TOTAL FUNCTIONAL EXPENSES	\$ 2,097,051	\$ 808,534	\$ 43,605	\$ 71,301	\$ 3,020,491

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2021 and June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase(Decrease) in net assets	\$ 1,028,067	\$ 126,967
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	74,858	74,057
Amortization	888	887
(Increase) decrease in operating assets		
Other receivables	186	(2,700)
Inventory	35,364	(88,374)
Homes under construction	(363,115)	465,121
Community Land Trust assets	(15,002)	(23,094)
Prepaid expenses	(141)	(2,969)
Mortgages receivable	(36,703)	(385,207)
Reserve account		
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	33,624	(18,882)
Assets held for others	(34,152)	(23,133)
PPP loan forgiveness	(218,430)	0
Deferred revenue	(254)	(14,598)
	505,190	108,075
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property and equipment	(8,500)	(11,374)
	(8,500)	(11,374)
NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Homeowner escrow	1,120	21,158
Cash received from new borrowings	81,713	218,430
Payments on long-term debt	(143,226)	(122,322)
	(60,393)	117,266
NET CASH PROVIDED(USED) BY FINANCING ACTIVITIES		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	436,297	213,967
BEGINNING CASH AND CASH EQUIVALENTS	741,804	527,837
ENDING CASH AND CASH EQUIVALENTS	\$ 1,178,101	\$ 741,804

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 1- Summary of Significant Accounting Policies

Organization and Purpose

Habitat for Humanity of Marion County, Inc. (Habitat) is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization whose goal is to eliminate poverty housing and homelessness worldwide, but is primarily and directly responsible for its own operations.

To help finance its operations, Habitat operates two retail stores, which sells donated items such as household items and building supplies to the general public. The retail stores are located in Marion County, Florida.

Revenue Recognition

The financial statements of Habitat have been prepared on the accrual basis of accounting.

Net Assets

In accordance with relevant standards Habitat's net assets and its revenues and gains and expenses are classified and reported as follows:

- 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 Habitat for Humanity of Marion County, Inc.'s 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 action of Habitat or by passage of time. Other restrictions are perpetual by nature, whereby 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 net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Recognition of Donor Restricted Contributions

Unconditional contributions are recognized as revenue when pledged and 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Revenue Recognition

Support received from governmental and private sources are recognized as support when performance occurs pursuant to the contract agreement.

Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as a donor-restricted contribution. When a restriction ends, or the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and are reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period are reported as contributions without donor restrictions in that period.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Habitat considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. There are no cash equivalents at June 30, 2021 or 2020.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flow and are discounted at 5%.

Mortgages Receivable

Consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have original maturities of 20 to 30 years and arose in connection with Habitat's homebuilding initiatives in Marion County, Florida. These receivables have been discounted at rates from 6% to 9%. Interest income is recorded in accordance with generally accepted accounting principles. These mortgages are secured by the underlying real estate that is located primarily in Marion County, Florida.

Inventory

Inventory consists of donated building materials and residential lots for use in building Habitat houses. Donated building materials are recorded at estimated fair market value and expensed when used. Residential lots are recorded at cost; or in the case of donated lots at estimated fair market value by using available market information which includes the assessed value for county tax purposes. Because of the inherent uncertainties of real estate valuation, market value may differ significantly.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

The following is a breakdown of inventory at June 30, 2021 and 2020:

	2021	2020
Building materials	\$ 7,194	\$ 6,872
Residential dwellings	102,234	102,234
Residential lots and land	227,129	262,815
	<u>\$ 336,557</u>	<u>\$ 371,921</u>

Houses under Construction

Houses under construction consist of lot, building materials and construction costs. Purchased items are recorded at cost; donated items are recorded at fair market value. Indirect construction costs are allocated to houses under construction based on current year direct cost, excluding any lot basis.

Property and Equipment

Property and equipment is recorded at cost, or in the case of donated items, at fair value on the date received. Depreciation expense is calculated on a straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 40 years. Depreciation expenses were \$74,858 and \$74,057 for the years ended June 30, 2021 and 2020, respectively.

Loan Costs

Habitat refinanced a loan and incurred loan costs and is amortizing them. Amortization expense is \$887 for the fiscal year ended June 30, 2021 and \$887 for the fiscal year ended June 30, 2020.

Homeowner Escrow

Homeowner escrow consists of amounts collected from homeowners on a monthly basis for property taxes, hazard insurance premiums, and termite bonds. These funds are collected to protect Habitat's interest in the underlying property, and are disbursed in a manner that ensures the maximum tax discount available is obtained for property taxes and that insurance coverage and termite protection does not lapse.

Deferred Revenue

Deferred revenue consists of down payments made by future homeowners. The deposits are held until the date of closing, at which time they are applied to the purchase price of the house. Deposits are refunded if the Habitat program is not successfully completed. Also included are event sponsorships paid in advance.

Contributed Goods and Services

Habitat records the fair value of donated goods and space when there is an objective basis available to measure their value. These are reflected as donations in-kind in the accompanying statement of activities. Due to uncertainties in valuing donated items that are sold in the retail stores, Habitat records a donation at the time the items are sold.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require specialized skills. However, certain other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donations, are recognized as revenue and expense.

Transfers to Homeowners

Transfers to Homeowners represented the sale of houses built by or donated to Habitat. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount used for mortgages closed during the year ended June 30, 2021 was 7.23% and for June 30, 2020 it was 7.38%. The net mortgages presented in the statement of activities are net of this discount. The discounts associated with fiscal year homeowner transfers were \$150,720 and \$385,695 for the years ended June 30, 2021 and 2020, respectively.

Expense Allocation

Expenses are reported as direct program services and support services. Support services include fund raising and management and general. Each group is reported by functional expense category for their incurred or allocated expenses. Any expenditure not directly chargeable is allocated based on management's decision on a basis consistent with prior years. The expenses that are allocated include the following: office expenses, certain other expenses, certain salaries and wages, telephone and utilities.

Use of Estimates in the Preparation of Financial Statements

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 disclosures 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.

Advertising Costs

Habitat's policy is to expense the cost of advertising to operations as incurred.

Income Taxes

Habitat is a Florida non-for-profit corporation exempt from federal income taxation under Section 501 (a) as an organization described in Section 501 (c)(3) of the Internal Revenue Code of 1986, as amended, pursuant to a group exemption letter received from the Internal Revenue Service.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management believes that no such required disclosures exist. The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2018. The Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 2- Mortgages Receivable

Mortgages receivable at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Mortgages receivable at face value	\$ 4,573,993	\$ 4,624,491
Less: unamortized discount	<u>(1,705,160)</u>	<u>(1,792,361)</u>
Mortgages receivable, net	<u>\$ 2,868,833</u>	<u>\$ 2,832,130</u>

Habitat has a security interest in each house as collateral for the related mortgage. In addition, Habitat holds a 'silent second' mortgage on each house, except NSP-acquired houses (Marion County holds a 'silent second' mortgage on NSP-acquired houses). Collection of these 'silent' notes is contingent upon the debtor selling or transferring the property during a specified period, defaulting on the mortgage terms of the first mortgage note, or the debtor ceasing to occupy the premises subject to the mortgage for a period of more than three months. The notes are self-amortizing, and depending on the inception of the note, begin amortizing with the sixth or tenth anniversary of the note, and are completely forgiven upon the tenth or sixteenth anniversary, respectively. No value has been recorded in these financial statements for these notes. At June 30, 2020 the unamortized balance of the silent second mortgages was \$1,044,255, net of accumulated forgiveness. At June 30, 2021 the unamortized balance of the silent second mortgages was \$878,205, net of accumulated forgiveness. Mortgages receivable are pledged as security for a note payable to Habitat International (see Note 5). The note is collateralized by forty outstanding mortgages.

Note 3- Property and Equipment

Property and equipment consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 1,427,908	\$ 1,422,908
Vehicles	174,058	170,558
Warehouse and construction equipment	41,692	41,692
Building tools	5,137	5,137
Furniture and fixtures	17,300	17,300
Computers and related equipment	<u>88,072</u>	<u>88,072</u>
	1,754,167	1,745,667
Less: Accumulated depreciation	<u>(594,403)</u>	<u>(519,545)</u>
	1,159,764	1,226,122
Land	<u>324,975</u>	<u>324,975</u>
Net Property and Equipment	<u>\$ 1,484,739</u>	<u>\$ 1,551,097</u>

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 4 - Long-Term Debt

Long-term debt consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note payable to Habitat International, secured by security interest in forty mortgages receivable (see Note 2), bearing interest at 4% per annum, payable in quarterly installments of \$27,026 through August 2025.	\$ 465,740	\$ 509,820
Mortgage payable to individual, secured by real estate, bearing interest at 6% per annum, payable in monthly installments of \$4,047, with a balloon payment due November 2022.	642,021	651,744
Note payable to bank, secured by a vehicle, bearing interest at 5.75% per annum, payable in monthly installments of \$1,077 through August 2021.	2,129	14,531
Note payable to Mercedes-Benz Financial Services, secured by vehicle, bearing interest at 5.25% per annum, payable monthly installments of \$1,546 through September 2023.	<u>-</u>	<u>55,308</u>
	1,109,890	1,231,403
Less: Current portion	<u>(103,235)</u>	<u>(127,199)</u>
Long-term debt, net of current portion	<u>\$ 1,006,655</u>	<u>\$ 1,104,204</u>

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 4 – Long-Term Debt (continued)

Current maturities of long-term debt for each of the next five years are as follows:

<u>June 30,:</u>	
2022	\$ 103,235
2023	726,271
2024	98,360
2025	102,354
2026	79,670
	<u>\$ 1,109,890</u>

Note 5- Neighborhood Stabilization Program

During the fiscal year 2010, Habitat contracted with Marion County for the use of Neighborhood Stabilization Program (NSP) funds for the acquisition, rehabilitation and resale of up to twelve abandoned/ foreclosed houses. Households with very low income (below 50% median family income) may qualify for acquisition of the rehabilitated houses, giving low-income families an opportunity to purchase a house at an affordable monthly cost. NSP-assisted houses are conveyed to a qualified family using a non-interest bearing first mortgage (twenty to thirty year term) payable to Habitat and a non- interest bearing second mortgage payable to Marion County. The NSP agreement specifies the first mortgage can be up to \$50,000, and the second mortgage is equal to the sales price of the house less the first mortgage. Habitat has agreed to reimburse Marion County for payments received on the first mortgage. Due to the restrictions included in the agreement specifying terms of the sale and reimbursement to Marion County, Habitat records foreclosed houses which are on hand at year-end at a value which represents the discounted value of the first mortgage for each house and a corresponding liability to Marion County. Funding from Marion County and costs that have been spent by Habitat that exceed this value are recorded as grant revenues and NSP houses, costs in excess of resale value, respectively in the financial statements. The sale of the NSP-acquired foreclosed houses is included in transfers to homeowners.

Discount/interest expense of \$14,851 and \$21,826 has been recorded for the fiscal years ended June 30, 2021 and June 30, 2020, respectively.

Note 6- Net Assets Released From Restrictions

For the years ended June 30, 2021 and 2020, net assets of \$145,500 and \$57,685 were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 7- Down Payment Assistance Grants

Homeowners have qualified for funding offered through the City of Ocala and Marion County State Housing Initiative Partnership (SHIP) programs, HOME Investment Partnership Program (HOME) and Home Ownership Pool (HOP); Habitat receives the funds at each house closing. In 2021, Habitat received \$100,000 from the HOP Program. In fiscal year 2020, Habitat received \$150,000 from the HOP program and \$51,000 in SHIP funding. In addition, homeowners have qualified for funding offered through the Federal Home Loan Bank Program (FHLB). Funds from SHIP, HOME, HOP and FHLB are included in transfers to homeowners, net in the accompanying financial statements.

Note 8- Operating Leases

Habitat leases additional warehouse space. The lease requires annual rents of \$15,000.

Note 9- Concentration of Credit Risk

Habitat maintains bank accounts in which funds are insured by the Federal Deposit Insurance Corporation up to \$250,000 for all accounts. Uninsured balances are \$180,530 as of June 30, 2020 and \$677,027 as of June 30, 2021.

Note 10- Subsequent Events

Habitat evaluated events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were available to be issued, or May 16, 2022.

Note 11 – Restricted Net assets

Habitat received funds from the Marion County Board of County Commissioners in the form of a Community Development Block Grant to purchase an office building. The building must be used for the intended purposes for fifteen (15) years.

Temporarily restricted net assets are as follows:

		<u>2021</u>		<u>2020</u>
Office Building	\$	490,000	\$	490,000
Buildings Lots with revision clause		48,162		48,162
	\$	<u>538,162</u>	\$	<u>538,162</u>

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 12 – Liquidity and Availability of Resources

Habitat's financial assets that are available within one year of the statement of financial position date to meet cash needs for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,178,101	\$ 741,804
Receivables	2,714	2,900
Mortgage receivable, current portion	116,399	95,322
Inventory	336,557	371,921
Prepaid expenses	<u>15,239</u>	<u>15,098</u>
Total assets available within one year	<u>\$ 1,649,010</u>	<u>1,227,045</u>

As part of Habitat's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 13 – Community Housing Development Grant

The Organization signed an agreement with Marion County, Florida to receive funds as a designated Community Housing Development Organization. This agreement provides funds to construct housing on a cost reimbursement basis. The income is shown as contributions and as construction in progress as the build progresses. Upon completion the income from the sale is included in transfers to homeowners and the related cost of construction and mortgage receivable is recognized. The funds do not have to be repaid if the home continues to be occupied by a qualified low-income family for the affordability period ranging from 5-15 years. Income from the CHDO grant amounted to \$295,039 for the year ended June 30, 2021 and \$317,238 for the year ended June 30, 2020.

Note 14 – Supplemental Cash Flow Information

Habitat paid the following amounts for interest and income taxes for the years ended June 30,:

	<u>2021</u>	<u>2020</u>
Interest	\$ <u>79,305</u>	\$ <u>70,307</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 15 – Community Land Trust

During the fiscal year ending June 30, 2020, Habitat formed a Community Land Trust (CLT) to ensure long-term housing availability and affordability. The CLT will own the land permanently. New homeowners will purchase their property with an affordable long-term lease on the land. The CLT land lease is for a period of 99 years and requires rental payments of \$35 per month. The home can only be sold back to the CLT or to an income-qualified person. An “income-qualified person” is defined as a person or group of persons whose household income does not exceed eighty percent (80%) of the median income for the applicable Standard Metropolitan Statistical Area.

As of June 30, 2020, the CLT contained seven (7) properties with a combined value of \$23,094. During the 2021 fiscal year, Habitat added four (4) properties for a total of eleven (11) in the CLT. The properties have a combined value of \$38,096 as of June 30, 2021.

Habitat received rental income for these properties of \$1,365 and \$3,395 for the years ended June 30, 2020 and June 30, 2021 respectively.

Note 16 – Line of Credit

Habitat has a \$60,000 line of credit which matures May 29, 2023. The line of credit is secured by assets of the Organizations. The line of credit calls for interest payable monthly at the U.S. Prime Rate plus 1.25 percent. As of June 30, 2021 the balance owed is \$60,000.

Note 17 – Contingent Liabilities and Commitments

Payroll Protection Program (PPP)

During the year, Habitat was granted a loan in the amount of \$218,430, pursuant to the PPP under Division A, Title I of the *Coronavirus Aid, Relief and Economic Securities Act (CARES Act)*, which was enacted March 27, 2020. PPP provided for loans to businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight to twenty-four weeks as long as Habitat uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities and maintains its payroll levels. As of June 30, 2020, \$218,430 is reported as a refundable advance. The loan was formally forgiven on April 28, 2021 and is recognized on the statement of activities as a contribution for the year ended June 30, 2021.

COVID-19

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to Habitat’s financial position, results of activities and cash flows. Habitat is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves.