

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Southeast Volusia Habitat for Humanity, Inc.
Edgewater, Florida

We have audited the accompanying financial statements of Southeast Volusia Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses 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 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 Southeast Volusia Habitat for Humanity, Inc., as of June 30, 2020, 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.

W Clark & Associates

Daytona Beach, Florida
November 17, 2020

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$	2,070,179
Cash - Escrow Funds Held		101,963
Contributions Receivable		178,500
Other Receivables		66,257
Merchandise Inventory		72,000
Construction In Progress		802,261
Current Portion of Mortgages Receivable		328,500
Land Held for Development, Net		669,347
Prepaid Expenses		15,877
Total Current Assets		4,304,884

Non-Current Assets

Property and Equipment, Net		868,942
Long-Term Portion of Mortgages Receivable, Net		2,415,938
Total Non-Current Assets		3,284,880

Total Assets

\$ 7,589,764

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	\$	47,635
Homeowner Escrow Funds Held		101,963
Deferred Contribution Support		33,237
Current Maturities of Long-Term Debt		62,506
Total Current Liabilities		245,341

Long-Term Debt, Less Current Portion

75,633

320,974

Net Assets

Without Donor Restrictions		7,090,290
With Donor Restrictions		178,500
Total Net Assets		7,268,790

Total Liabilities and Net Assets

\$ 7,589,764

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Government Grants & Contributions	\$ 59,135	\$ -	\$ 59,135
Contributions - Business	97,560	178,500	276,060
Contributions - Individuals & Churches	21,769	-	21,769
Sales to Homeowners	668,970	-	668,970
Thrift Store Revenue - Donated Goods	961,223	-	961,223
Thrift Store Revenue - Sale of Merchandise	961,223	-	961,223
Mortgage Discount Amortization	205,415	-	205,415
Rental, Interest and Miscellaneous Revenue, Net	38,853	-	38,853
Special Event Revenues - Net	29,941	-	29,941
Total Revenue and Support	<u>3,044,089</u>	<u>178,500</u>	<u>3,222,589</u>
Net Assets Released From Restrictions			
Satisfaction of Purpose Restrictions	264,000	(264,000)	-
Total Revenue, Support and Net Assets Released from Restrictions	<u>3,308,089</u>	<u>(85,500)</u>	<u>3,222,589</u>
Expenses			
Program Services			
Home Ownership	1,290,821	-	1,290,821
Thrift Store	1,497,522	-	1,497,522
Supporting Services			
Management and General	140,130	-	140,130
Total Expenses	<u>2,928,473</u>	<u>-</u>	<u>2,928,473</u>
Change in Net Assets	<u>379,616</u>	<u>(85,500)</u>	<u>294,116</u>
Net Assets - Beginning of Year	6,710,674	264,000	6,974,674
Net Assets - End of Year	<u>\$ 7,090,290</u>	<u>\$ 178,500</u>	<u>\$ 7,268,790</u>

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities

Reconciliation of Increase in Net Assets to Net Cash

Provided by Operating Activities

Increase in Net Assets \$ 294,116

Adjustments to Reconcile Increase in Net Assets to

Net Cash Provided By Operating Activities:

Depreciation 39,951

New Mortgages Receivable Issued (593,216)

Discounts on Mortgages Receivable Issued 329,078

Mortgage Receivable Discount Amortization (205,415)

Collections on Mortgages Receivable 385,216

(Increase) Decrease in Certain Assets:

Pledges Receivable 85,500

Other Receivables (1,965)

Inventory - Merchandise -

Construction in Progress (41,709)

Inventory – Land (119,309)

Prepaid Expenses (329)

Increase (Decrease) in Certain Liabilities:

Accounts Payable and Accrued Expenses 7,146

Deferred Contribution Support (15,763)

Total Adjustments (130,815)

Net Cash Provided by Operating Activities 163,301

Cash Flows From Investing Activities

Acquisition of Property and Equipment (89,109)

Employee Receivable 659

Net Cash Used In Investing Activities (88,450)

Cash Flows From Financing Activities

Proceeds from Long-Term Debt 121,300

Payments on Long-Term Debt (5,688)

Net Cash Used In Financing Activities 115,612

Net Increase In Cash and Cash Equivalents 190,463

Cash and Cash Equivalents – Beginning of Year 1,879,716

Cash and Cash Equivalents – End of Year \$ 2,070,179

Supplemental Disclosure of Cash Flow Information

Cash Paid During the Year For:

Interest \$ -

Income taxes \$ -

Non-cash Investing and Financing Activities:

Land Transferred to Construction in Process \$ 239,910

Non-cash Receivable Balance Transferred to Construction in Process \$ 101,642

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>		<u>Management & General</u>	<u>Total</u>
	<u>Home Ownership</u>	<u>Thrift Store</u>		
Salaries and Related Expenses	\$ 222,780	\$ 408,980	\$ 114,772	\$ 746,532
Advertising	271	987	-	1,253
Cost of Homes Sold	600,014	-	-	600,014
Cost of Product Sold	-	961,223	-	961,223
Assistance to Individuals -				
Mortgage Discount	329,078	-	-	329,078
Tithe Expense	55,000	-	-	55,000
Postage & Printing	3,936	70	-	4,006
Maintenance & Repairs	5,529	18,480	-	24,009
Security	-	3,680	-	3,680
Office Rent	12,681	-	-	12,681
Utilities/Telephone	15,041	30,817	-	45,858
Vehicle Expense	9,128	10,666	-	19,794
Supplies	2,742	13,309	-	16,051
Other Expenses	15,821	-	2,325	18,146
Legal-Professional	3,645	-	13,260	16,905
Travel	1,720	-	-	1,720
Volunteer Expenses	12,535	-	-	12,535
Depreciation	-	39,951	-	39,951
Insurance	900	9,359	9,773	20,032
Total Expenses	<u>\$ 1,290,821</u>	<u>\$ 1,497,522</u>	<u>\$ 140,130</u>	<u>\$ 2,928,473</u>

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities:

Southeast Volusia Habitat for Humanity, Inc. (the Organization) is a not-for-profit organization located in Edgewater, Florida, incorporated in January, 1989, under the laws of the State of Florida. The Organization is an affiliate of Habitat for Humanity International, Inc. and sponsors specific projects in habitat development, consisting of the construction of affordable housing for qualified families in the Southeast Volusia County area. The Organization provides non-interest bearing mortgages to qualified homeowners. Support and revenue is derived primarily from the operation of the Organization's Thrift Store, where donated items are sold to the public, other cash contributions from businesses, individuals and government agencies, and sales of homes to homeowners.

Basis of Accounting:

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting.

Net Assets:

Net assets, support, revenues and gains and losses are classified on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Support Recognition:

Revenue is recognized when earned. Revenue from home sales is recorded when the homeowner is entitled to take possession of the property and title is transferred. Revenue from the sale of thrift store merchandise is recognized at the time of sale. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Volunteers contribute significant amounts of time to the building of homes; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Contributed goods of thrift store inventory or materials for homes are recorded at estimated fair value at the date of donation. Donated professional services are recorded at estimated fair value of the services received on the date of the service. Contributions of services and materials used in the construction of homes are recorded at fair value at the date of the gift, and are included in construction in progress. Upon the sale of a home, the construction in progress balance is reclassified to the cost of construction.

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies (Con't)

Cash and Cash Equivalents:

The Organization considers all checking and money market accounts to be cash equivalents.

Cash – Escrow Funds Held:

Cash held in escrow represents funds received from homeowners for the payment of property taxes and insurance. Such funds are recorded with a related liability account until payments become due.

Contributions Receivable:

Contributions receivable are recorded at net realizable value and are estimated to be collected within one year. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization does not believe an allowance for uncollectible promises to give is necessary at June 30, 2020. Contributions receivable at June 30, 2020, consists of amounts due from two local area companies participating in the Community Contribution Tax Credit Program (CCTP) with the State of Florida Department of Economic Opportunity.

Other Receivables:

Other receivables consist of amounts loaned to and due from existing homeowners for repairs and improvements needed to maintain their properties. Amounts are unsecured and are recorded net of an estimated allowance for uncollectible amounts. The allowance for uncollectible amounts receivable at June 30, 2020 was \$4,752.

Merchandise Inventory:

Merchandise inventory consists of donated thrift store items held for re-sale in the Organization's thrift store. The donated items are recorded at their estimated fair market value (resale value) on the date of donation. Such inventory is typically sold or otherwise disposed of shortly after being donated, therefore, no write-down to net realizable value is necessary.

Construction in Progress:

The Organization records the costs of construction of homes in construction in progress until the sale of the home closes. Costs of construction include all direct material and labor costs and those indirect costs related to home construction, and any in-kind contributions of materials and labor for home construction.

Mortgages Receivable:

The Organization provides mortgage notes to homeowners upon the sale of a home. The notes are approved to the homeowners at zero percent interest, and the face value of the mortgage receivable is discounted by the Organization at the time the loan is made. The discount rate used is provided by Habitat for Humanity International, Inc., and is commensurate with market interest rates of similar mortgages. Mortgages receivable are considered by the Organization to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary.

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies (Con't)

Land Held for Development:

The inventory of land held for development consists of approximately 36 buildable lots. The land inventory is stated at net realizable value which includes the purchase price of the land or value at date of donation (if donated) plus any related costs to acquire the property less any unrealized decline in value (See Note 5).

Property and Equipment:

Property and equipment are stated at cost or at estimated fair value at the date of the gift. Certain donated services are capitalized as improvements when those services enhance the value of assets. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets, which range from 5 to 39 years.

Income Taxes

The Organization is included in a roster of exempt subordinates that qualify as tax-exempt organizations under Habitat for Humanity International, Inc.'s exemption under Section 501(c)(3) of the Internal Revenue Code. The Organization does not believe it has taken any uncertain tax positions which could subject it to penalties, interest or loss of not-for-profit status with any taxing authorities. Therefore, no taxes, penalties or interest have been accrued in the accompanying financial statements.

Estimates:

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Components of Program and Supporting Services:

Home ownership program services consist of cost of construction of homes for qualified individuals and families, the direct costs associated with planning and building those homes and the related mortgage discounts.

Thrift store program services include revenues generated from sales of donated goods and the expenses associated with maintaining the facilities. The net income generated is used in the acquisition properties and construction of homes.

Management and general services include accounting, executive management and certain administrative and general support services.

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies (Con't)

Advertising:

The Organization expenses advertising costs as they are incurred. Advertising costs incurred for the year ended June 30, 2020 were \$1,258.

Concentrations:

The Organization relies on donations of cash and goods for re-sale from individuals, churches and organizations from the Edgewater/New Smyrna Beach area. Two local businesses accounted for contribution income totaling \$178,500 during the year. Another national business also donated \$80,000 during the year.

The Organization maintains checking and money market accounts with three banking institutions. These accounts are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2020, the balances in two banks exceeded the FDIC insurance limits by approximately \$1,680,000.

Imputed Interest:

The Organization has entered into financing agreements with Habitat for Humanity International, Inc. in the form of notes payable. These notes payable carry a 0% interest rate and are payable in monthly installments over 48 months starting 12 to 24 months after the funds are received. The effect of the imputed interest based on the note balances is not considered material to the financial statements.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)." ASU 2016-02 established the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, with earlier adoption permitted. The effects of this change on the financial statements of the Organization are still being determined.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 2,070,179
Less: cash received in advance with conditions	<u>(33,237)</u>
	<u>\$ 2,036,942</u>

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3. Construction In Progress

Construction in Progress includes land (at cost) plus materials, permits, and labor costs paid through year end for residences in the affordable housing program. Construction in Progress at June 30, 2020 consists of:

Designated Owner or Location	Costs to Date
104 Canal Road	\$ 116,434
120 Canal Road	130,976
327 Sheldon Rehab	116,063
19 Pine Brook	84,385
10 Pine Brook	87,413
208 Chestnut	125,300
200 Howard Street	14,860
Live Oak Street Multi Units	126,830
Total Construction in Progress	\$ 802,261

4. Mortgages Receivable

The Organization provides non-interest bearing notes collateralized by mortgages on single-family houses sold to qualified buyers as part of the homeownership program. When the purchase of a home is closed, the Organization computes the net present value of the expected future cash flows of the loan. The difference between the face amount of the loan and the net present value is recorded as a discount and as Assistance to Individuals – Mortgage Discount expense.

These notes are discounted by imputing a rate of interest that is estimated to be the prevailing market rate of interest at the time the loan is closed. Discounts are amortized using the effective interest method over the term of the mortgages. Discount amortization is reported as mortgage discount in the statement of activities.

The majority of the mortgages have an original maturity of twenty to thirty years. No allowance for uncollectible accounts is considered necessary due to collateralization of loans by single-family houses. It is expected that the value of the houses is sufficient to adequately collateralize the receivables. For this reason, the amount and impact of impaired loans is not considered material to the financial statements. Future assessment of the allowance for uncollectible mortgages is dependent on the real estate sector of Southeast Volusia County, Florida.

In addition, all homeowners sign a second mortgage with the Organization for the difference between the purchase price and the cost to build the house at the mortgage closing date. The second mortgages are forgiven in a variety of ways, including either on a periodic basis over a period of time, or at the conclusion of the first mortgage. If the homeowner sells the home during the period, the second mortgage is being forgiven; the homeowner must pay the difference between the original amount of the second mortgage and the portion forgiven to the Organization. The Organization does not report revenue and a related asset at the time of sale of the second mortgage since historical data indicates that the likelihood of future receipts is remote.

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

4. Mortgages Receivable (Con't)

Mortgage Notes Receivable and related discounts were as follows at June 30, 2020:

Mortgage Notes Receivable	\$ 6,557,518
Discount on Non-Interest Bearing Mortgage Notes at rates ranging from 7.5% to 9.0%	<u>(3,813,080)</u>
Net Present Value	2,744,438
Less: Current Maturities	<u>(328,500)</u>
Mortgages Receivable, Long-Term Portion	<u>\$ 2,415,938</u>

5. Land Held for Future Use

Land has been recorded at cost at \$970,121 less an allowance for the excess of cost over the estimated net realizable value of \$300,774. The Organization has determined that they could not reasonably expect to sell some of the properties without incurring a loss on the land; therefore, an allowance for the estimated decline in the value of the land has been recorded. Management's basis for determining the estimated realizable value is the fair market value, based on recent sales or purchases in the area or just value from the Volusia County property tax records, if no other verifiable evidence of fair market value is available. There was no change in the allowance account for the year ended June 30, 2020.

6. Property and Equipment

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

Home Used For Volunteer Dorm	\$ 110,147
Steel Building, Shed & Improvements	162,517
Land	269,000
Building and Building Improvements	642,691
Furniture and Fixtures	19,800
Equipment	61,149
Vehicles	<u>53,444</u>
	1,318,748
Less: Accumulated Depreciation	<u>(449,806)</u>
Net Property and Equipment	<u>\$ 868,942</u>

Depreciation Expense for the year ended June 30, 2020 was \$39,951.

The Organization occasionally rents houses on a temporary or transitional basis while homes are being renovated or completed for the owners.

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

7. Leases

The Organization leases office space under a five year operating lease expiring October 31, 2024. Total rent expense for the year ended June 30, 2020 totaled \$12,681.

Minimum lease payments required under the lease for future years is as follows:

	2021	\$	11,988
	2022		11,988
	2023		11,988
	2024		11,988
	2025		5,994
Total Minimum Lease Payments		\$	53,946

8. Tithing

In recognition of and commitment to the global partnership of Habitat for Humanity International, Inc., an affiliate is expected to contribute (tithe) at least 10% of its cash contributions (excluding cash restricted to local use only) to Habitat's international work. This is a voluntary contribution as opposed to affiliate dues. During the year ended June 30, 2020, the Organization tithed \$55,000

9. Long-Term Debt

Long-Term Debt at June 30, 2020 consists of:

Note Payable to Habitat for Humanity payable in 48 monthly installments of \$218, 0% interest, starting July 1, 2016.	\$	690
Note Payable to Habitat for Humanity payable in 48 monthly installments of \$414, 0% interest, starting July 1, 2019.		16,149
Payroll Protection Loan, SBA loan payable to Truist Bank in 17 monthly installments of Principal of \$7,135.29 plus interest at 1% beginning November, 2020. This loan is subject to forgiveness if certain criteria established by the SBA is met. The beginning payment date of November, 2020 has been extended up to 10 months		121,300
Total		138,139
Less Current Maturities		(62,506)
Long-term Debt, Less Current Maturities	\$	75,633

Maturities of long-term debt are as follows for the years ending June 30:

	2021	\$	62,506
	2022		69,420
	2023		4,968
	2024		1,245
	2025		-
Total Maturities		\$	138,139

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

10. Simple IRA Retirement Plan

The Organization maintains a simple IRA retirement plan for its eligible employees. The Organization contributes an amount equal to 2% of each eligible employee's compensation. Retirement expense for the year ended June 30, 2020 was \$9,093.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Contributions receivable under the CCTP (to be used for construction costs for specifically identified homes)	<u>\$ 178,500</u>
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Net assets were released from donor restrictions by satisfying the restricted purpose as follows:

Purpose restriction met: Contributions receivable under the CCTP (used for construction costs for specifically identified homes)	<u>\$ 264,000</u>
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12. Warranties

The Organization provides warranties typically for one year after completion of construction of a house. The estimated liability under the warranty provisions is based upon a review of actual historical warranty expense incurred and the risk associated with the houses recently completed. Based on the historical warranty claims and expenses incurred, the Organization believes there are no significant warranty claims to accrue for at June 30, 2020.

13. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2020 the date that the financial statements were available to be issued.

In March, 2020, The World Health Organization declared the outbreak of the coronavirus as a pandemic. The outbreak of coronavirus continues to spread through the United States and the World and has had a significant impact on the economy of the United States and the world. The ultimate extent of the impact of the coronavirus on the financial performance of the Organization will depend on future developments, including the duration and the spread of coronavirus, and the overall economy, all of which are uncertain and cannot be predicted. The effects of the economic impact on the Organization are unknown at the date of the issuance of the financial statements, but the effects could be significant with respect to collecting mortgage payments, future donations, thrift store sales and construction of homes to qualified buyers.