

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
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SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,163,144
Cash - Escrow Funds Held	107,185
Contributions Receivable	176,000
Other Receivables	63,060
Merchandise Inventory	87,645
Construction In Progress	655,559
Current Portion of Mortgages Receivable	341,000
Land Held for Development, Net	747,935
Prepaid Expenses	16,543
Total Current Assets	4,358,071

Non-Current Assets

Property and Equipment, Net	842,324
Long-Term Portion of Mortgages Receivable, Net	2,432,921
Total Non-Current Assets	3,275,245

Total Assets

\$ 7,633,316

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 61,284
Homeowner Escrow Funds Held	107,185
Deferred Contribution Support	75,006
Current Maturities of Long-Term Debt	4,968
Total Current Liabilities	248,443

Long-Term Debt, Less Current Portion

19,838

Total Liabilities

268,281

Net Assets

Without Donor Restrictions	7,189,035
With Donor Restrictions	176,000
Total Net Assets	7,365,035

Total Liabilities and Net Assets

\$ 7,633,316

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Government Grants & Contributions	\$ 55,966	\$ -	\$ 55,966
Payroll Protection Program Loan Forgiveness	121,300	-	121,300
Contributions - Business	17,086	176,000	193,086
Contributions - Individuals & Churches	16,091	-	16,091
Sales to Homeowners	574,630	-	574,630
Thrift Store Revenue - Donated Goods	1,096,184	-	1,096,184
Thrift Store Revenue - Sale of Merchandise	1,080,539	-	1,080,539
Mortgage Discount Amortization	196,303	-	196,303
Rental, Interest and Miscellaneous Revenue, Net	6,985	-	6,985
Total Revenue and Support	<u>3,165,084</u>	<u>176,000</u>	<u>3,341,084</u>
Net Assets Released From Restrictions			
Satisfaction of Purpose Restrictions	178,500	(178,500)	-
Total Revenue, Support and Net Assets Released from Restrictions	<u>3,343,584</u>	<u>(2,500)</u>	<u>3,341,084</u>
Expenses			
Program Services			
Home Ownership	1,455,592	-	1,455,592
Thrift Store	1,613,349	-	1,613,349
Supporting Services			
Management and General	175,898	-	175,898
Total Expenses	<u>3,244,839</u>	<u>-</u>	<u>3,244,839</u>
Change in Net Assets	<u>98,745</u>	<u>(2,500)</u>	<u>96,245</u>
Net Assets - Beginning of Year	7,090,290	178,500	7,268,790
Net Assets - End of Year	<u>\$ 7,189,035</u>	<u>\$ 176,000</u>	<u>\$ 7,365,035</u>

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities	
Reconciliation of Increase in Net Assets to Net Cash	
Provided by Operating Activities	
Increase in Net Assets	\$ 96,245
Adjustments to Reconcile Increase in Net Assets to	
Net Cash Provided By Operating Activities:	
Depreciation	39,618
Non-Cash Payroll Protection Program Loan Forgiveness	(121,300)
Non-Cash Land Donation	(5,304)
New Mortgages Receivable Issued	(491,574)
Discounts on Mortgages Receivable Issued	314,014
Mortgage Receivable Discount Amortization	(196,257)
Collections on Mortgages Receivable	344,334
(Increase) Decrease in Certain Assets:	
Pledges Receivable	2,500
Other Receivables	3,197
Inventory - Merchandise	(15,645)
Construction in Progress	188,315
Inventory – Land	(114,897)
Prepaid Expenses	(666)
Increase (Decrease) in Certain Liabilities:	
Accounts Payable and Accrued Expenses	13,649
Deferred Contribution Support	41,769
Total Adjustments	<u>1,753</u>
Net Cash Provided by Operating Activities	<u>97,998</u>
Cash Flows From Investing Activities	
Acquisition of Property and Equipment	<u>(13,000)</u>
Cash Flows From Financing Activities	
Proceeds from Long-Term Debt	12,797
Payments on Long-Term Debt	<u>(4,830)</u>
Net Cash Provided by Financing Activities	<u>7,967</u>
Net Increase In Cash and Cash Equivalents	<u>92,965</u>
Cash and Cash Equivalents – Beginning of Year	2,070,179
Cash and Cash Equivalents – End of Year	<u>\$ 2,163,144</u>
Supplemental Disclosure of Cash Flow Information	
Cash Paid During the Year For:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>
Non-cash Investing and Financing Activities:	
Land Transferred to Construction in Process	<u>\$ 41,613</u>

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services		Management & General	Total
	Home Ownership	Thrift Store		
Salaries and Related Expenses	\$ 249,765	\$ 411,114	\$ 144,045	\$ 804,924
Advertising	2,773	3,465	-	6,238
Cost of Homes Sold	752,196	-	-	752,196
Cost of Product Sold	-	1,081,325	-	1,081,325
Assistance to Individuals -				
Mortgage Discount	314,032	-	-	314,032
Tithe Expense	50,000	-	-	50,000
Postage & Printing	3,012	457	-	3,469
Maintenance & Repairs	6,282	18,767	-	25,049
Security	-	1,952	-	1,952
Office Rent	12,339	-	-	12,339
Utilities/Telephone	15,979	28,378	-	44,357
Vehicle Expense	9,380	4,088	-	13,468
Supplies	7,698	12,718	641	21,057
Other Expenses	23,263	200	3,834	27,297
Legal-Professional	1,184	-	13,864	15,048
Travel/Conferences	923	-	-	923
Volunteer Expenses	6,016	-	-	6,016
Depreciation	-	39,618	-	39,618
Insurance	750	11,267	13,514	25,531
Total Expenses	<u>\$ 1,455,592</u>	<u>\$ 1,613,349</u>	<u>\$ 175,898</u>	<u>\$ 3,244,839</u>

See Accompanying Notes To Financial Statements

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021. Contributions receivable at June 30, 2021, 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. At June 30, 2021, Management believes all balances to be fully collectible, therefore no allowance for uncollectible amounts is considered necessary.

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, 2021

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 40 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 for the acquisition of 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, 2021

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, 2021 were \$6,238.

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 \$176,000 during the year.

The Organization maintains checking and money market accounts with one bank. These accounts are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2021, bank balances exceeded the FDIC insurance limits by approximately \$667,000.

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.

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	\$ 2,163,144
Current portion of mortgages receivable	341,000
Less: cash received in advance with conditions	<u>(78,333)</u>
Total Financial Assets Available Within One Year	<u>\$ 2,425,811</u>

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, 2021 consists of:

<u>Designated Owner or Location</u>	<u>Costs to Date</u>
3043 Tamarind	\$ 154,803
502 Live Oak	21,368
208 Chestnut	134,770
200 Howard Street	55,718
Live Oak Street Multi Units	<u>288,900</u>
Total Construction in Progress	<u>\$ 655,559</u>

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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 initial difference between the face amount of the loan and the net present value is recorded as a discount of the mortgage note receivable 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. Mortgage discount amortization is reported as revenue and support 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 uncollectable mortgages is dependent on general economy and 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 forgiveness period, the homeowner must pay to the Organization the difference between the original amount of the second mortgage and the portion forgiven. Some homeowners sign a third mortgage with the Organization for the difference in the price of the house and the amount which the borrower qualifies to purchase the house. The third mortgage is forgiven over the life of the mortgage. The Organization does not report revenue and a related asset at the time of sale related to the second or third mortgages since historical data indicates that the likelihood of future receipt is remote.

Mortgage Notes Receivable and related discounts were as follows at June 30, 2021:

Mortgage Notes Receivable	\$ 6,704,145
Discount on Non-Interest Bearing Mortgage Notes at rates ranging from 7.23% to 9.0%	<u>(3,930,224)</u>
Net Present Value	2,773,921
Less: Current Maturities	<u>(341,000)</u>
Mortgages Receivable, Long-Term Portion	<u>\$ 2,432,921</u>

5. Land Held for Future Use

Land has been recorded at cost at \$1,048,709 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, 2021.

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

6. Property and Equipment

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

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	66,444
	1,331,748
Less: Accumulated Depreciation	(489,424)
Net Property and Equipment	\$ 842,324

Depreciation Expense for the year ended June 30, 2021 was \$39,618.

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

7. Leases

The Organization leases office space under an operating lease expiring December 31, 2021. Total rent expense for the year ended June 30, 2021 totaled \$12,339.

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, 2021, the Organization tithed \$50,000.

9. 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, 2021 was \$11,893.

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

10. Long-Term Debt

Long-Term Debt at June 30, 2021 consists of:

Note Payable to Habitat for Humanity payable in 48 monthly installments of \$414, 0% interest, starting July 1, 2019.	\$ 12,009
Note Payable to Habitat for Humanity payable in 47 monthly installments of \$135 and one final payment of \$155, 0% interest, starting July 1, 2022.	6,500
Note Payable to Habitat for Humanity payable in 47 monthly installments of \$154, 0% interest, starting July 1, 2022 (Balance represents first draw of \$11,000 total loan funds available)	6,297
Total	24,806
Less Current Maturities	(4,968)
Long-term Debt, Less Current Maturities	\$ 19,838

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

2022	\$	4,968
2023		8,436
2024		5,541
2025		3,468
2026		2,393
Total Maturities	\$	24,806

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)	\$ 176,000
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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)	\$ 178,500
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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, 2021.

SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

13. Contingencies

In March, 2020, The World Health Organization declared the outbreak of COVID-19 as a pandemic. The outbreak of COVID-19 and resulting global disruptions has caused significant economic uncertainty and volatility in the financial markets in 2020 and 2021. The impact of COVID-19 continues to evolve and the full 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.

During the year ended June 30, 2020, the Organization received a Payroll Protection Program Loan through the Small Business Administration (SBA). During the year ended June 30, 2021 the loan was forgiven subject to certain criteria established by the SBA. The SBA does however have up to six years to audit Payroll Protection Program Loans, and any funds that may not be qualified for forgiveness are subject to repayment. Management does not believe that any of those funds would be subject to repayment.

14. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2021, the date that the financial statements were available to be issued.

On September 1, 2021, the Organization acquired land for \$400,000 for the purpose of constructing homes to qualified buyers.

On October 27, 2021, the Organization placed a deposit of \$40,000 toward the \$425,000 purchase of a building to be used for administration.