

HABITAT FOR HUMANITY
SOUTH SARASOTA COUNTY, INC.

Independent Auditor's Report,
Financial Statements and
Supplementary Information

For the year ended June 30, 2021

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Certified Public Accountants

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Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Habitat for Humanity South Sarasota County, Inc.
Venice, FL

We have audited the accompanying financial statements of Habitat for Humanity South Sarasota County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 South Sarasota County, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenue and Expenses – ReStore on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The image shows a handwritten signature in black ink that reads "Peacock & French, CPAs, P.A." in a cursive, professional style.

Peacock & French, CPAs, P.A.
Venice, FL
February 7, 2022

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Cash		\$ 2,431,871
Cash - restricted (Note C)		199,912
Investments		423,303
Accounts receivable		55,223
Prepaid expenses		45,946
Mortgage notes receivable, net of \$2,177,686 unamortized discount (Note E)		1,467,901
Inventory - ReStore		67,956
Held for resale		80,048
Construction in progress		718,640
Undeveloped land inventory		707,389
Property and Equipment		
Buildings	936,574	
Leasehold improvements	461,260	
Furniture and equipment	436,511	
Vehicles and machinery	191,789	
Total property and equipment	2,026,134	
Less accumulated depreciation	(822,633)	
Total property and equipment, net		1,203,501
Land lease commitment		414,556
Deposits		724
TOTAL ASSETS		\$ 7,816,970

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses		\$ 221,333
Escrow accounts		139,359
Applicant deposits		16,965
Long-term debt, net of \$907,357 unamortized discount (Note H)		974,537
TOTAL LIABILITIES		\$ 1,352,194
NET ASSETS		
Without Restrictions		6,032,656
With Donor Restrictions		432,120
TOTAL NET ASSETS		6,464,776
TOTAL LIABILITIES AND NET ASSETS		\$ 7,816,970

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

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	WITHOUT RESTRICTION	WITH DONOR RESTRICTION	TOTALS
OPERATING SUPPORT AND REVENUES			
Public support			
Individuals & companies	\$ 437,795	\$ -	\$ 437,795
Church groups	17,458	-	17,458
Foundations	80,450	-	80,450
Donated merchandise - ReStore	570,033	-	570,033
Total public support	<u>1,105,736</u>	<u>-</u>	<u>1,105,736</u>
Revenue			
ReStore sales	974,567	-	974,567
ReStore cost of sales	(572,389)	-	(572,389)
ReStore, net	<u>402,178</u>	<u>-</u>	<u>402,178</u>
Home sales	1,376,298	-	1,376,298
Special events	11,365	-	11,365
Interest income	6,971	-	6,971
In kind rental income	32,936	-	32,936
In kind construction discounts	27,210	-	27,210
Gain on investments (net)	79,131	-	79,131
Other income	14,665	-	14,665
PPP loans forgiven	420,845	-	420,845
Mortgage discount income	79,335	-	79,335
Gain on sale of asset	6,654	-	6,654
Gain on sale of mortgage receivables (Note F)	954,582	-	954,582
Total revenue	<u>3,412,170</u>	<u>-</u>	<u>3,412,170</u>
Net assets released from restrictions	38,919	(38,919)	-
TOTAL OPERATING SUPPORT AND REVENUES	<u>4,556,825</u>	<u>(38,919)</u>	<u>4,517,906</u>
OPERATING EXPENSES			
Program services			
ReStore	571,439	-	571,439
Home construction	2,811,831	-	2,811,831
Total Program Services	<u>3,383,270</u>	<u>-</u>	<u>3,383,270</u>
Supporting expenses			
Management and general	71,761	-	71,761
Fundraising	90,221	-	90,221
Total Supporting Expenses	<u>161,982</u>	<u>-</u>	<u>161,982</u>
TOTAL OPERATING EXPENSES	<u>3,545,252</u>	<u>-</u>	<u>3,545,252</u>
CHANGE IN NET ASSETS	1,011,573	(38,919)	972,654
NET ASSETS AT BEGINNING OF YEAR	<u>5,021,083</u>	<u>471,039</u>	<u>5,492,122</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,032,656</u>	<u>\$ 432,120</u>	<u>\$ 6,464,776</u>

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

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>ReStore</u>	<u>Home Construction</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll Cost						
Salaries and wages	\$ 314,130	\$ 409,525	\$ 723,655	\$ 33,726	\$ 38,544	\$ 795,925
Payroll taxes	23,525	30,865	54,390	2,542	2,905	59,837
Employee benefits	41,267	34,983	76,250	2,881	3,293	82,424
Other Expenses						
Advertising	14,504	-	14,504	-	-	14,504
Cost of homes sold	-	1,345,111	1,345,111	-	-	1,345,111
Bank & credit card fees	17,805	1,470	19,275	-	-	19,275
Construction support	-	22,893	22,893	-	-	22,893
Development & fundraising	-	-	-	-	37,797	37,797
Discount on mortgages issued	-	737,659	737,659	-	-	737,659
Homeowner services	-	5,725	5,725	-	-	5,725
Habitat International tithes	-	29,128	29,128	-	-	29,128
Insurance	30,009	30,517	60,526	7,629	-	68,155
Interest	-	40,726	40,726	-	-	40,726
Occupancy & maintenance	9,189	51,729	60,918	9,699	3,233	73,850
Office and supplies	13,570	25,846	39,416	7,385	3,692	50,493
Professional fees	-	16,563	16,563	4,141	-	20,704
Travel	-	66	66	16	-	82
Taxes & licenses	4,622	991	5,613	-	-	5,613
Telephone & utilities	32,368	5,300	37,668	1,514	757	39,939
Vehicle expenses	15,234	-	15,234	-	-	15,234
Volunteer expense	-	7,827	7,827	-	-	7,827
Total functional expense before depreciation	<u>516,223</u>	<u>2,796,924</u>	<u>3,313,147</u>	<u>69,533</u>	<u>90,221</u>	<u>3,472,901</u>
Depreciation	<u>55,216</u>	<u>14,907</u>	<u>70,123</u>	<u>2,228</u>	<u>-</u>	<u>72,351</u>
Total functional expenses	<u><u>\$ 571,439</u></u>	<u><u>\$ 2,811,831</u></u>	<u><u>\$ 3,383,270</u></u>	<u><u>\$ 71,761</u></u>	<u><u>\$ 90,221</u></u>	<u><u>\$ 3,545,252</u></u>

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

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 972,654
Adjustments to reconcile net income to cash provided (used) by operations:	
Depreciation	72,351
Mortgage taken back	17,136
Discounts on mortgages issued	737,659
Amortization of mortgage discounts	(38,814)
Net loss (gain) on sale of mortgage receivables	(954,582)
Net (Gain) loss on investments	(79,131)
In-kind donations	(27,210)
In-kind rental (income) expense, net	31,725
In-kind Restore activity (income) expense, net	(10,226)
(Increase) decrease in operating assets	
Accounts receivable	(38,598)
Grants receivable	30,000
Prepaid expenses	13,018
Inventory	(1,059)
Land inventory	(43,035)
Construction in progress	511,833
Deposits	1,136
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	77,908
Escrow accounts	(18,370)
Applicant deposits	(6,945)
Notes Payable	(210,423)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,037,027
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property & equipment	(11,874)
Collection of mortgage receivables	179,718
Mortgages issued	(1,251,000)
Proceeds from sale of mortgage receivables, net	1,640,450
NET CASH USED BY INVESTING ACTIVITIES	557,294
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	(80,819)
NET CASH USED BY FINANCING ACTIVITIES	(80,819)
NET INCREASE IN CASH	1,513,502
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,118,281
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,631,783
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest Paid	\$ -
See Note I - Supplemental Disclosure of Noncash Transactions	

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

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A – NATURE OF ORGANIZATION

Habitat for Humanity South Sarasota County, Inc. (Habitat) was incorporated as a nonprofit organization in the State of Florida. It is affiliated with Habitat for Humanity International, a worldwide nonprofit organization. Their purpose is to develop homes for economically disadvantaged people by building or renovating houses and then selling the houses at approximated cost on an interest-free basis. Habitat is supported entirely through contributions, and the profits from their ReStore home improvement outlet.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

In accordance with U.S. generally accepted accounting principles ("US GAAP") the Organization now reports information regarding its financial position and activities according to the following net asset classifications:

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 the Organization's management and 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 actions of the Organization or by the passage of time. Other donor restrictions are perpetual in 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 Statements of Activities and Changes in Net Assets.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory ReStore

ReStore inventory is mainly comprised of various donated goods. The inventory is valued at net realizable value using an estimate based on its expected selling price.

Revenue and Cost Recognition – Home Sales

Homes are sold to qualified buyers at third party appraised values. Non-interest bearing mortgages are accepted as payment for the homes sold. Revenues for home sales are recognized at the transfer of ownership and are recorded at the discounted value of payments to be received over the lives of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. Construction costs are capitalized and carried as an asset until the property is completed and sold.

Habitat ReStore

Habitat ReStore is a retail sales division within Habitat which purchases merchandise and also receives merchandise donations for subsequent resale to the general public. Net profit from merchandise sales is used for the exclusive benefit and support for Habitat for Humanity South Sarasota County, Inc.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When a restriction expires (either using the donation for the approved purpose or by the passage of time) the contribution amount is released from net assets with donor restrictions to net assets without restriction.

Many volunteers contributed significant hours to Habitat programs and fund-raising. However, these hours do not meet the requirement to be recorded as revenue and expense under generally accepted accounting principles. As a result, the value of these services has not been recorded.

Habitat also receives items of personal property from donors and sells the items primarily at its ReStore location. The contributed property is valued at estimated fair value at the time of receipt.

Community Contribution Tax Credit Program (CCTCP)

Habitat is an approved sponsor for the Community Contribution Tax Credit Program (CCTCP). This program provides Florida businesses, which make contributions of cash, property and goods to approved community development and housing projects for low-income households, an opportunity to apply for a tax credit or sales tax refund equal to 50% of the value of their contribution against their Florida Corporate Income Tax, Florida Insurance Premium Tax or Sales and Use Tax. During fiscal 2021, Habitat received \$186,000 in donations qualifying for CCTCP credits.

Functional Expenses

Functional expenses are allocated between management & general expense and program service expense based on estimates of actual time spent on activities in each area. Program services include home building and renovation, the recruitment and development of new homeowners and the operation of the ReStore.

Concentration of Credit Risk

Habitat maintains its cash balances in financial institutions located in the local area. The balances are insured by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA) up to \$250,000 per institution. At June 30, 2021, there were \$1,951,248 of uninsured cash balances.

Escrow Accounts

Habitat services the mortgages on homes it sells. Included in cash are amounts received from homeowners for insurance and property taxes (escrow funds). These amounts will be used to pay amounts as they become due. A corresponding liability is included as escrow account in the accompanying statement of financial position. The total of the escrow cash and related liability was \$139,359 at June 30, 2021.

Homes Held for Resale

Homes held for resale include foreclosed homes acquired through or in lieu of loan foreclosure and are refurbished for future qualified residents and are initially recorded at the lower of cost or fair value. Any write-down to fair value at the time of transfer to homes held for resale is charged to bad debt. Subsequent to repossession, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less the cost to sell. There was one home held for resale at June 30, 2021.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Undeveloped Land Inventory and Construction in Progress

Undeveloped land held for development and homes under construction are stated at cost and include land under development, developed lots, direct and indirect costs of housing construction, property taxes and overhead incurred during the development period. Cost is determined by the specific identification and per unit methods. Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. No loss on impairment was recorded for the year ended June 30, 2021. Land and offsite development costs associated with homes under construction are included in construction in progress in the accompanying statement of financial position.

Property and Equipment

Property and equipment are recorded at cost. Purchased assets with a cost over \$750 are capitalized. Donated property and equipment are recorded at the estimated fair market value at the date of donation. Depreciation is provided on the straight-line method over a 5 to 15-year life for office equipment, trucks, trailers and other equipment and 15 to 39-year life for buildings. Depreciation expense for the year ended June 30, 2021 was \$72,351.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Income Taxes

Habitat is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code. As Habitat conducts no unrelated business activities, no provision for income taxes has been recorded in these financial statements. Habitat adopted guidance issued by the Financial Accounting Standards Board (FASB) on accounting for uncertainty in tax positions. The adoption of this guidance had no effect on Habitat's financial position. Management believes that Habitat has no material unrecognized income tax liabilities, including any potential loss of its tax-exempt status. Habitat has no ongoing federal state or local tax audits; however, Habitat's past three tax years remain open to inspection by the Internal Revenue Service.

NOTE C – RESTRICTED CASH

The Organization's restricted cash at June 30, 2021 consists of:

Homeowner escrow accounts	\$139,359
Homeowner deposits	16,965
Garden Park Association funds	26,024
Donor restricted funds	<u>17,564</u>
	\$199,912

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE D – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Habitat has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021. Habitat recognizes transfer of assets into and out of levels as of the date of change in circumstances causing the transfer. There were no significant transfers between level 1 or 2 for the year ended June 30, 2021.

The money market fund is valued at amortized cost, which approximates fair market value. The money market fund seeks to preserve a net asset value (NAV) of \$1 per share. Under the amortized cost method, the portfolio instrument is initially valued at cost, and thereafter assumes the constant accretion/amortization to maturity date, or next reset date of any discount or premium.

Exchange-traded funds traded on a recognized securities exchange are valued at that day's last reported trade price or the official closing price, as applicable, on the exchange where the fund is primarily traded. Funds traded on a recognized exchange for which there were no sales on that day are valued at the last traded price.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds are valued at the closing price reported on the active market that bonds and notes are traded on. Others are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Habitat believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the level, within the fair value hierarchy, of Habitat’s asset values as of June 30, 2021 (see definitions above):

	Assets at Fair Value as of June 30, 2021			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 34,318	\$ 34,318	\$ -	\$ -
Common stock	311,414	311,414	-	-
Corporate bonds	77,571	-	77,571	-
Total assets at fair value	\$ 423,303	\$ 345,732	\$ 77,571	\$ -

NOTE E – MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable are interest free notes received from purchases of Habitat houses. The notes have terms ranging between twenty to thirty-five years and are collateralized by real property and contain certain restrictions regarding disposition of the property. To reflect future receipts discounted at an imputed interest rate between 7.23% and 8.53%, which is consistent with the rate implemented by Habitat for Humanity International. At June 30, 2021 the first mortgage balances are as follows:

Face Value	\$ 3,645,587
Less: Unamortized Discount	<u>(2,177,686)</u>
Net Present Value	<u>\$ 1,467,901</u>

Annual collection of the mortgage notes receivable before the unamortized discount are due as follows:

Year Ending June 30,	
2022	\$ 152,375
2023	149,621
2024	149,621
2025	149,621
2026	149,621
Thereafter	<u>2,894,728</u>
Total	<u>\$ 3,645,587</u>

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE E – MORTGAGE NOTES RECEIVABLE (continued)

Since all mortgage notes are collateralized by real property, management considers all receivables at the balance sheet date to be collectible; therefore, no allowance for uncollectible accounts has been provided. If a mortgage is foreclosed due to non-payment or recovered through a deed in lieu process, the property can be reclaimed and resold by Habitat. One mortgage was foreclosed or received from deed in lieu process in fiscal 2021.

NOTE F– SALE OF MORTGAGE NOTE RECEIVABLES

On December 17, 2020, Habitat created a wholly owned funding company and utilized it to securitize 13 mortgages with an undiscounted face value of \$1,779,831 by issuing a secured note for that amount. Approximately \$139,000 of fees were incurred to facilitate this securitization. The agreement conveyed these mortgages without recourse and has been treated as a sale in these financial statements. Habitat continues as the servicing agent for these mortgages.

The sold mortgages were Habitat issued mortgages with zero stated interest rates and as such they also had a corresponding unamortized discount related to the sold mortgages; the net impact of the full transaction was as follows:

Face Value of Mortgages Sold	\$1,779,831
Unamortized Discount	<u>(1,093,963)</u>
Carrying Value of Sold Mortgages	685,868
Cash Received (net of fees)	<u>1,640,450</u>
Gain on Sale of Mortgage Receivables	<u>\$ 954,582</u>

NOTE G – SHORT TERM MORTGAGE PAYABLES

Neighborhood Stabilization Program (NSP):

Habitat participates in the Neighborhood Stabilization Program (NSP) in partnership with the Sarasota Office of Housing and Community Development (OHCD). Under this program, federal funds are used to acquire and rehabilitate foreclosed residential properties in defined areas of Sarasota County. During construction, Habitat enters into 6-month, interest free notes to secure the real estate related to a given project and its construction. At June 30, 2021 there were no homes under rehabilitation subject to these short-term notes.

Upon completion of construction, the homes are sold to Habitat families under similar terms as new home sales. A mortgage payable (NSP note) to OHCD equal to the home’s selling price is created replacing the 6-month note. As mortgage receipts are collected monthly, they are remitted to OHCD to reduce the principal balance of the related mortgage payable. The notes bear interest at 0% for the term of each loan. See Note G below for current balance information.

HOME Investment Partnership Program / SHIP State Housing Initiatives Partnership Program:

Habitat also participates in programs offered by the City of Sarasota. The program utilized varies depending on the source of the funds. For the years ended June 30, 2019 and 2018, funds were received from the City of Sarasota pursuant to the State Housing Initiatives Partnership Program (SHIP) and HOME Investment Partnership Program. For the year ended June 30, 2017, funds were received under the HOME Investment Partnership Program (HOME). Both programs work in partnership with the Sarasota Office of Housing and Community Development (OHCD).

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G – SHORT TERM MORTGAGE PAYABLES (continued)

Under these programs, federal funds are used to acquire and/or rehabilitate residential properties meeting each program’s defined guidelines. The exact terms of each program vary slightly, but in general the following terms outline the program process.

During construction, Habitat enters into a short-term, interest free mortgage to secure the real estate related to a given project and its construction. At June 30, 2021 there were no homes under construction subject to these short-term notes.

Upon completion of construction, the homes are sold to Habitat families under similar terms as new home sales. A promissory note to OHCD equal to the amount of the program funds received will be created replacing the short-term mortgage. As the Habitat families’ mortgage receipts are collected monthly, a portion is remitted to OHCD to reduce the principal balance of the related promissory note. The notes bear interest at 0% for the term of each loan. See Note H below for current balance information.

NOTE H – LONG TERM DEBT

Long-term debt consisted of the following as of June 30, 2021:

NSP notes (Note F) on property, secured by mortgages notes of \$1,040,421 with a discount of \$637,714, resulting in a carrying amount of \$402,707. Notes are payable in equal monthly payments with 0% stated interest and includes imputed interest at the same rate as described in Note E, over terms of 30 years.

HOME & SHIP notes (Notes F) on property, secured by mortgages notes receivable of \$841,473 with a discount of \$269,643, resulting in a carrying amount of \$571,830. Notes are payable in equal monthly payments with 0% stated interest and includes imputed interest at the same rate as described in Note E, over terms of 30 years.

Future principal maturities of long-term debt for the years succeeding June 30, 2021 are as follows:

Year ending, June 30,	
2022	\$ 73,417
2023	73,417
2024	73,417
2025	73,417
2026	73,417
Thereafter	<u>1,514,809</u>
Total	<u>\$ 1,881,894</u>

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by Habitat has been limited by donors to a specific purpose or based on timing of receipt in future periods. Net Assets with donor restrictions totaled \$432,120 and consisted of cash held for Family Assistance (Emergencies) of \$17,564 and land lease commitment of \$414,556 as of June 30, 2021.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J – CONTINGENCIES

As part of Habitat's sale of mortgages, the agreements include an obligation for Habitat to issue a substitute loan or re-purchase any of the mortgages sold which become non-performing. During the year ended June 30, 2021, no loans were substituted. Habitat is also the servicing agent for all mortgage loans sold. Habitat receives a service fee of \$10-\$15 for each payment processed. Habitat also maintains and services the escrow accounts for each mortgage to handle insurance and tax payments for those sold mortgages.

NOTE K – SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

Donated personal property included with in-kind donations for fiscal 2021 was \$570,033. Donated property included with ReStore cost of sales for fiscal 2021 was \$559,807. This resulted in an increase to donated inventory of \$10,226.

As described in Note L below, Habitat received an in-kind rent contribution of \$32,936 and incurred an in-kind rent expense of \$64,661 related to its land lease commitment during 2020. This amount is included in occupancy & maintenance expense on the Statement of Functional Expenses.

In-kind donated construction materials, services and discounts received during the year totaled \$27,210.

NOTE L – LAND LEASE COMMITMENT

On April 1, 2000, Habitat executed a land lease agreement with Sarasota County for lease of land at 280 Alligator Drive, Venice, Florida. This lease expired on April 10, 2020. In March 2020, Habitat entered an amendment of this land lease to extend the lease for a ten-year period; through April 10, 2030. The estimated fair value of the lease payments related to the land lease agreement was used to estimate the net present value of the expected underlying benefit. In fiscal 2020, the net present value of the expected underlying benefit of this land lease was recorded as a contribution with donor restrictions in the statements of activities in the amount of \$446,281 and as a land lease commitment in the statement of financial position. Annually, as the benefits are derived from this land lease; the asset is reduced by the difference between the estimated in-kind rent contribution and the estimated in-kind rent expense.

The statement of activities includes the in-kind rent contribution as in-kind donations in the amount of \$32,936 for the year ended June 30, 2021. Additionally, the statement of functional expenses reflects the in-kind rent expense of \$64,661 as part of occupancy and maintenance expense during fiscal 2020. At June 30, 2021 the remaining balance of the lease commitment is \$414,556.

NOTE M – LINE OF CREDIT

Habitat has a line of credit agreement with Sarasota County secured by future Mortgage Settlement Funds grants. Borrowings are interest free and due within 30 days of receiving Mortgage Settlement Fund reimbursement. The agreement terminates upon the complete repayment of all funds provided. There was no balance at June 30, 2021.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE N - PPP LOAN

On April 13, 2020 and June 8, 2021, the Organization received loan proceeds in the amount of \$210,423 and \$210,422 respectively under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which provides for loans to qualifying businesses. The loans and accrued interest were forgivable if the borrower used the loan proceeds for eligible purposes and maintain its payroll levels. The amount of the loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the qualifying period.

Both PPP loans were forgiven and are presented in the accompany financial statements as PPP loan forgiven revenue.

NOTE O- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Habitat for Humanity South Sarasota County, Inc., financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash (without restriction)	\$ 2,431,871
Investments	423,303
Accounts receivable	<u>55,223</u>
	<u>\$ 2,910,397</u>

None of the financial assets included above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

NOTE P – RELATED PARTY TRANSACTION

The Organization transacts business with a company owned by a Board member. During the year ended June 30, 2021, total payments to the Board member owned company were \$3,242.

NOTE Q – SUBSEQUENT EVENT REVIEW

In preparing the financial statements, management has evaluated events and transactions for potential recognition of disclosure through February 7, 2022, the date that the financial statements were available to be issued.

On December 16, 2021, Habitat sold 6 mortgages with undiscounted face value of \$1,021,160. Approximately \$77,165 of fees were incurred to facilitate this securitization. Habitat continues as the servicing agent for these mortgages.

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future financial position and results of operations is not presently determinable.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
SCHEDULE OF REVENUE AND EXPENSES - RESTORE
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING SUPPORT AND REVENUES	
Public Support	
Donated merchandise	\$ 570,033
Individuals	27,513
Total public support	<u>597,546</u>
Revenues	
Sales	974,567
Cost of good sold	<u>(572,389)</u>
Net	402,178
TOTAL OPERATING SUPPORT AND REVENUES	999,724
EXPENSES	
Advertising	14,504
Bank & credit card fees	17,805
Depreciation	55,216
Employee benefits	41,267
Insurance	30,009
Occupancy & maintenance	9,189
Office and supplies	13,570
Payroll expense	337,655
Taxes & licenses	4,622
Telephone & utilities	32,368
Vehicle expenses	<u>15,234</u>
TOTAL EXPENSES	<u>571,439</u>
CHANGE IN NET ASSETS FROM RESTORE	<u><u>\$ 428,285</u></u>

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