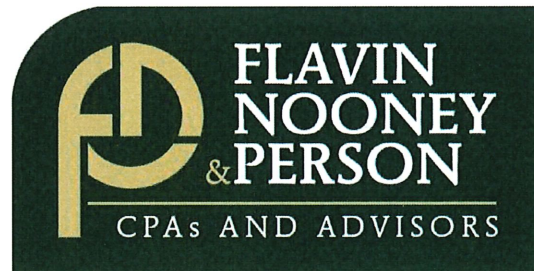




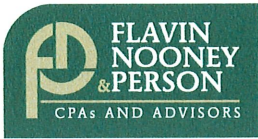
Habitat
for Humanity[®]
of Brevard County, Inc.

**HABITAT FOR HUMANITY
OF BREVARD COUNTY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE
FINANCIAL INFORMATION FOR 2020**



HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021

	PAGE NO.
Independent Auditors' Report	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3-4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-22



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Habitat for Humanity of Brevard 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.

Auditors' 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 of Brevard 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.

Correction of Error

As discussed in Note 21 to the financial statements, certain errors resulting in overstatement and understatement of amounts previously reported for long-term inventory, construction in progress, and grants receivable as of June 30, 2020, were discovered by management of the Organization during the current year. Accordingly, amounts reported for long-term inventory, construction in progress and grants receivable have been restated in the 2021 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2020, to correct the error. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Brevard County, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Flavin, Nooney & Person
Melbourne, FL
April 28, 2022

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(with comparative financial information as of June 30, 2020)

	2021	2020 (restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,744,799	\$ 1,422,553
Mortgages receivable, current portion	360,903	362,257
Agent mortgages receivable, current portion	4,486	4,393
Grants receivable	486,475	478,560
Inventory	40,475	25,456
Construction in progress	724,743	682,133
ReStore inventory	61,255	88,581
Prepaid expenses	62,661	50,528
Other current assets	549	3,402
Total Current Assets	3,486,346	3,117,863
Property and Equipment		
(net of accumulated depreciation of \$305,805 and \$267,704, respectively)	1,089,384	1,099,103
Other Assets		
Restricted cash	606	18,712
Restricted investments	33,635	27,387
Long-term inventory	318,777	422,298
Mortgages receivable, long-term, net of discount of \$3,020,963 and \$3,014,529, respectively	2,763,133	2,816,158
Agency mortgages receivable, net of current portion	93,696	99,793
Total Other Assets	3,209,847	3,384,348
Total Noncurrent Assets	4,299,231	4,483,451
Total Assets	\$ 7,785,577	\$ 7,601,314

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

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

(with comparative financial information as of June 30, 2020)

	2021	2020 (restated)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 106,074	\$ 108,929
Homeowner deposits for new homes	20,840	31,220
Homeowner escrow deposits	99,991	138,316
Long-term debt, current portion	46,092	44,822
Agent mortgages payable, current portion	4,486	4,393
Total Current Liabilities	277,483	327,680
Long-Term Liabilities		
Long-term debt, net of current portion	444,567	490,314
Agent mortgages payable, net of current portion	93,696	99,793
Total Long-Term Liabilities	538,263	590,107
Total Liabilities	815,746	917,787
Net Assets		
Without donor restrictions	6,395,515	5,949,635
With donor restrictions	574,316	733,892
Total Net Assets	6,969,831	6,683,527
Total Liabilities and Net Assets	\$ 7,785,577	\$ 7,601,314

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

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

(with summarized financial information for the year ended June 30, 2020)

	2021			Summarized 2020 (restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Contributions and grants				
Cash	\$ 271,284	\$ 322,125	\$ 593,409	\$ 1,150,430
ReStore merchandise	655,732	-	655,732	570,170
In-kind supplies and services	14,942	-	14,942	22,115
Grants and contracts	175,032	-	175,032	-
Special events	52,283	-	52,283	77,047
Home sales and late fees	531,185	-	531,185	653,452
Mortgage discount amortization	269,410	-	269,410	292,295
ReStore sales	695,365	-	695,365	589,261
Gain(loss) on sale of assets	300	-	300	(4,966)
Gain on foreclosed homes	-	-	-	5,940
Investment earnings	-	5,898	5,898	940
Other income	186,148	490	186,638	1,180
Net assets released from restrictions	488,089	(488,089)	-	-
Total Support and Revenues	3,339,770	(159,576)	3,180,194	3,357,864
Expenses				
Program services				
Mortgage program	677,635	-	677,635	779,846
Construction	827,202	-	827,202	995,180
ReStore	1,109,387	-	1,109,387	900,234
Supporting services				
Fundraising	129,832	-	129,832	295,273
Management and general	149,834	-	149,834	107,996
Total Expenses	2,893,890	-	2,893,890	3,078,529
Changes in Net Assets	445,880	(159,576)	286,304	279,335
Net Assets, Beginning of Year, as previously stated	5,702,034	934,953	6,636,987	6,357,652
Prior Period Adjustment	247,601	(201,061)	46,540	46,540
Net Assets, Beginning of Year, as restated	5,949,635	733,892	6,683,527	6,404,192
Net Assets, End of Year	<u>\$ 6,395,515</u>	<u>\$ 574,316</u>	<u>\$6,969,831</u>	<u>\$ 6,683,527</u>

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

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

(with summarized financial information for the year ended June 30, 2020)

	2021										Summarized 2020
	Program Services					Support Services					Total
	Mortgage Program	Construction	ReStore	Total Program Services	Fundraising	Management And General	Total Support Services	Total	Total		
Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 14,544
Accounting	926	-	-	926	8,854	450	9,304	10,230	28,211	10,230	28,211
Advertising	275,803	-	-	275,803	-	-	-	275,803	371,499	275,803	371,499
Mortgage discount expense	-	-	-	-	-	-	-	-	7,985	7,985	11,157
Closing costs	-	7,985	-	7,985	-	-	-	-	474,106	474,106	623,233
Construction	-	474,106	-	474,106	-	-	-	-	683,480	683,480	570,953
Costs of goods sold	-	421	683,059	683,480	-	-	-	-	5,285	5,285	4,784
Food	2,162	161	436	2,759	2,526	-	2,526	-	11,444	11,444	10,991
Fuel	-	1,672	9,772	11,444	-	-	-	-	-	-	33,315
Fundraising supplies	-	-	-	-	-	-	-	-	-	-	21,009
Information technology	17,404	20	3,719	21,143	4,296	20	4,316	25,459	38,728	38,728	45,559
Insurance	5,084	15,399	15,499	35,982	1,558	1,188	2,746	22,657	56	22,657	24,134
Interest	1,847	-	20,810	22,657	-	-	-	-	88,502	88,502	19,588
Investment expense	-	-	-	-	-	56	56	-	130	130	5,283
Land sold	-	88,502	-	88,502	-	-	-	-	6,911	6,911	56,128
Legal	130	-	-	130	-	-	-	-	14,289	14,289	19,692
Licenses and taxes	3,790	626	1,760	6,176	483	252	735	48,272	31,378	31,378	33,792
Miscellaneous	19,421	1,298	13,264	33,983	13,223	1,066	14,289	17,233	17,233	17,233	
Office supplies and postage	5,415	1,346	4,749	11,510	3,209	173	3,382	556	979,580	979,580	1,078,966
Rental equipment	7,657	-	23,165	30,822	531	25	556	-	6,046	6,046	21,397
Repairs and maintenance	1,609	11,829	3,795	17,233	-	-	-	-	-	-	10,509
Salaries and benefits	270,472	221,930	305,492	797,894	76,106	105,580	181,686	979,580	1,078,966	1,078,966	
Telephone	2,280	-	3,766	6,046	-	-	-	-	11,220	11,220	-
Tithe	-	-	11,220	11,220	-	-	-	-	3,714	3,714	8,399
Training and travel	2,104	229	-	2,333	1,368	2,346	3,714	6,047	17,255	17,255	18,092
Utilities	3,340	1,678	8,881	13,899	1,678	1,678	3,356	2,819,699	3,036,592	3,036,592	
Total Expenses Before Depreciation and Bad Debt Expense	619,444	827,202	1,109,387	2,556,033	113,832	149,834	263,666	2,819,699	47,002	47,002	41,830
Depreciation and amortization	47,002	-	-	47,002	-	-	-	-	16,000	16,000	107
Bad debt expense	11,189	-	-	11,189	16,000	-	16,000	279,666	2,893,890	2,893,890	3,078,529
Total Functional Expenses	\$ 677,635	\$ 827,202	\$ 1,109,387	\$ 2,614,224	\$ 129,832	\$ 149,834	\$ 279,666	\$ 2,893,890	\$ 3,078,529	\$ 3,078,529	

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized financial information for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u> (restated)
Reconciliation of Change in Net Assets to Net		
Cash Provided (Used) by Operating Activities:		
Change in net assets	\$ 286,304	\$ 279,335
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	47,002	41,830
Mortgage loan discount amortization	(269,410)	(292,295)
Gain on foreclosed homes	-	(5,940)
Loss (gain) on sale of assets	-	4,966
Gain on investments	(5,898)	(940)
(Increase) decrease in assets		
Grants receivable	(7,915)	(354,496)
Agent mortgages receivable	6,004	5,816
Inventory	88,502	59,210
Construction in progress	(42,611)	24,210
ReStore inventory	27,326	1,075
Prepaid expenses	(12,133)	(2,415)
Other assets	2,853	22,604
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(2,855)	1,588
Homeowner deposits for new homes	(10,380)	2,520
Homeowner escrow deposits	(38,325)	5,330
Agent mortgages payable	(6,004)	(5,816)
Cash Provided (Used) by Operating Activities	<u>62,460</u>	<u>(213,418)</u>
Cash Flows from Investing Activities:		
Mortgages issued, net of unamortized discounts	(271,522)	(271,047)
Mortgage payments and foreclosures	595,311	422,119
Investment in endowment	(351)	(26,447)
Purchases of property, plant and equipment	(37,283)	-
Cash Provided by Investing Activities	<u>286,155</u>	<u>124,625</u>
Cash Flows from Financing Activities:		
Payments on long-term borrowings	(44,477)	(42,904)
Cash Used by Financing Activities	<u>(44,477)</u>	<u>(42,904)</u>
Net Increase (Decrease) in Cash	304,138	(131,697)
Cash and Cash Equivalents, Beginning of Year	<u>1,441,265</u>	<u>1,572,962</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,745,403</u>	<u>\$ 1,441,265</u>
Cash and Cash Equivalents	\$ 1,744,799	\$ 1,422,553
Restricted Cash	<u>606</u>	<u>18,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,745,405</u>	<u>\$ 1,441,265</u>
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Net book value of properties acquired through foreclosure from loans	<u>\$ -</u>	<u>\$ 68,184</u>

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Brevard County, Inc. (the “Organization”) is a nonprofit, Christian affordable housing developer dedicated to the elimination of substandard housing in Brevard County, Florida. It is affiliated with Habitat for Humanity International, Inc. (“HFHI”) based in Americus, Georgia.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with the Organization. The partnership consists, in part, of each family completing 200 hours of “sweat equity” and meeting monthly mortgage payments. Houses are sold at no profit and with no interest on the mortgage.

The Organization also operates a ReStore. The ReStore program provides access to quality used building materials and household items to economically disadvantaged people to help them create a better human habitat in which to live and work. The ReStore receives donated goods, which are held for resale.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Tax Status

The Organization is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is classified as other than a private foundation. Contributions to the Organization qualify as deductions for charitable contributions.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, and all liquid debt instruments with original maturities of three months or less.

Restricted Cash and Investments

Restricted cash consists of amounts held imposed by donor restrictions. The Organization has \$606 and \$18,712 with donor restricted cash for the Critical Home Repair Program at June 30, 2021 and 2020, respectively. The Organization has \$33,635 and \$27,387 of donor restricted investments balances at June 30, 2021 and June 30, 2020, respectively.

Property and Equipment

The Organization capitalizes the cost of all expenditures for property and equipment with a useful life greater than one year. Donation of property and equipment are recorded as support at their estimated fair value. Property and equipment are depreciated using the straight-line method over the assets' expected useful lives.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Homeowner Escrow Deposits

The Organization services the mortgages on homes the Organization sells. Included in cash are amounts received from homeowners for insurance and property taxes (escrow funds). These funds are disbursed when these expenditures are due.

Construction in Progress

Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor and fringe benefits. The Organization also allocates overhead to construction projects. Construction in progress is expensed to construction expense within the Construction program when the home is transferred to the recipient family.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions and grants, ReStore sales and payments under various contracts are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contract with customers are satisfied. Prior to the adoption of ASC 606, the Organization recognized revenue when persuasive evidence of an arrangement existed, delivery of products occurred, the sales price was fixed or determinable and collectability was reasonably assured.

In May of 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, Topic 606, which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with the customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. With respect to not-for-profit entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is not permitted. The Organization adopted the requirements of the new guidance as of July 1, 2020, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in no material changes to the accounting policies.

Contributions and Grants – Contributions are recognized when donors make a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

ReStore Retail Sales – A portion of the Organization's revenue is derived from ReStore sales. Recognition of revenue is conditioned upon meeting one performance obligation; the sales transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made (point in time). Once the sale is made, customers take possession of the goods purchased. The Organization does have return policy for items sold at the ReStores and the dollar value of returns is not material to the Organization.

Home Sales and Mortgages Receivable – Home sales represent the sale to qualified families of houses built in Brevard County by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. The mortgages are secured by the underlying real estate, and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. There are \$1,581,961 and \$1,521,171 of mortgages receivable at June 30, 2021 and 2020, respectively, that are over 90 days old.

The present value discount on mortgages for homes sold is shown as amortization of discount in mortgages receivable within the mortgage program. Mortgages are placed on nonaccrual status when they are foreclosed.

Inventory

Inventory consists of purchased or donated land, foreclosed land and homes that have not yet been transferred to a family. The land is valued at fair value, which is the purchase price, or the appraised value at the date of donation.

The Organization records foreclosed land at fair market value at the date of foreclosure. The Organization recognized \$-0- and \$5,940 of gain on foreclosed homes in the fiscal years ending June 30, 2021 and 2020, respectively.

ReStore inventory consists of donated goods and materials that are available for sale. The donated goods and materials are valued at 50% of the estimated market value.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting service categories. Allocations are based primarily on the actual costs incurred by the activity or square footage of space utilized for the activity.

In-Kind Donations

In-kind donations include the value of items donated for resale, as well as advertising and other supplies or services that the Organization would have to purchase if not otherwise donated. In-kind donations consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Items donated for resale in ReStore	\$ 655,732	\$ 570,170
Donated advertising, other supplies and services	<u>14,942</u>	<u>22,115</u>
Total In-kind donations	<u>\$ 670,674</u>	<u>\$ 592,285</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Donations (Continued)

In addition, donated services with an estimated value of \$86,171 and \$282,931 for the years ended June 30, 2021 and 2020, respectively, were not recognized in the financial statements because they did not meet the criteria for recognition.

Advertising

The Organization's advertising costs are expensed as incurred. Advertising expenses for the year ended June 30, 2021 and 2020 were \$10,230 and \$28,211, respectively, of which \$3,735 and \$2,090, respectively, were in-kind donations.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances with several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount of credit exposure in excess of federally insured limits at June 30, 2021 and 2020 was \$920,696 and \$685,795, respectively.

NOTE 3 – COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 4 – LINE OF CREDIT

The Organization had a \$525,000 line of credit from Brevard County Housing Finance Authority. At June 30, 2021 and 2020, the outstanding amount under the line of credit was \$0. There is no interest on the line of credit. The money must be used for purchases of land or property. The line expired July 31, 2021.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 5 – MORTGAGES RECEIVABLE

Mortgages receivable (including agent mortgage receivables) consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mortgages receivable	\$ 6,243,181	\$ 6,297,130
Financing discount based upon imputed interest at rates ranging from 7.23% to 7.81%	(3,020,963)	(3,014,529)
	<u>\$ 3,222,218</u>	<u>\$ 3,282,601</u>

Future maturities of the mortgages receivable for the year ended June 30, 2021, are as follows:

Year ending June 30:	
2022	\$ 365,389
2023	361,600
2024	355,021
2025	345,423
2026	335,615
Thereafter	4,480,133
	<u>\$ 6,243,181</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is the summary of accounts payable and accrued expenses as of June 30:

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 29,628	\$ 24,578
Accrued payroll	26,756	23,926
Accrued leave	44,187	54,868
Other accrued expenses	<u>5,503</u>	<u>5,557</u>
	<u>\$ 106,074</u>	<u>\$ 108,929</u>

NOTE 7 – RELATED PARTY AND AFFILIATES

The Organization tithes to Habitat for Humanity International, Inc. The amounts of the tithes remitted were \$11,220 and \$-0- during the years ended June 30, 2021 and 2020, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 8 – FORGIVABLE MORTGAGES

In addition to the first mortgages, which make up the mortgages receivable, the Organization also has forgivable mortgages. These mortgages are for the difference between the fair market value of the house and the total of all other mortgages. Some homeowners receive forgivable mortgages from municipalities that reduce the forgivable mortgage they receive from the Organization.

The Organization's forgivable mortgages originated prior to June 30, 2014 are forgiven in equal installments on the anniversary of the mortgage over ten to thirty years. Forgivable mortgages originated subsequent to June 30, 2014 are forgiven when the first mortgage is paid off. These mortgages are non-interest bearing.

Forgivable mortgages as of June 30:

	<u>2021</u>	<u>2020</u>
Forgivable mortgages receivable	\$ 778,214	\$ 828,931
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	<u>(269,870)</u>	<u>(333,322)</u>
Net forgivable mortgages	508,344	495,609
Less allowance for doubtful accounts	<u>(508,344)</u>	<u>(495,609)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

NOTE 9 – AGENT ACCOUNTS

The Organization administers certain mortgages for the City of Titusville. The mortgages are separately stated on the statement of financial position as agent mortgages receivable, and are offset by agent mortgages payable. The mortgages payable to Titusville are repaid when the money is received from the mortgagor.

NOTE 10 – RETIREMENT PLAN

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering all employees. The Organization does not contribute to the plan.

NOTE 11 – RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 12 – FUNDRAISING

The Organization received approximately 2% of its total revenue from fundraising, including in-kind revenue, for each of the years ending June 30, 2021 and 2020.

NOTE 13 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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 in active markets for identical assets or liabilities.
- Level 2: Inputs to the valuation methodology is based on observable quoted prices for similar assets and liabilities in active markets.
- Level 3: Inputs to the valuation methodology are based on inputs that are unobservable and by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

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 or 2020.

Mortgages receivable: Valued at amortized cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,124,036	\$ 3,124,036
Agent mortgages receivable	-	-	98,182	98,182
Restricted investments	-	-	33,635	33,635
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,255,853</u>	<u>\$ 3,255,853</u>

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,178,415	\$ 3,178,415
Agent mortgages receivable	-	-	104,186	104,186
Restricted investments	-	-	27,387	27,387
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,309,988</u>	<u>\$ 3,309,988</u>

Level 3 Gains and losses

The following table sets forth a summary of changes in the fair value of the Organization’s level 3 assets for the year ended June 30, 2021.

	<u>Mortgages Receivable</u>	<u>Agent Mortgages Receivable</u>
Beginning balance	\$ 3,178,415	\$ 104,186
Issuances, net	271,522	-
Foreclosures	-	-
Payments	(595,311)	(6,004)
Amortization of interest	269,410	-
Ending balance	<u>\$ 3,124,036</u>	<u>\$ 98,182</u>

The following table sets forth a summary of changes in the fair value of the Organization’s level 3 assets for the year ended June 30, 2020.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

	Mortgages <u>Receivable</u>	Agent Mortgages <u>Receivable</u>
Beginning balance	\$ 3,037,192	\$ 110,002
Issuances, net	271,047	-
Foreclosures	(68,185)	-
Payments	(353,934)	(5,816)
Amortization of interest	292,295	-
Ending balance	<u>\$ 3,178,415</u>	<u>\$ 104,186</u>

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 95,058	\$ 55,957	\$ 39,101	5 years
Furniture and fixtures	11,440	10,191	1,249	5 years
Office equipment	25,162	19,961	5,201	5 years
Building	641,580	134,412	507,168	30 years
Building improvements	461,949	85,284	376,665	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,395,189</u>	<u>\$ 305,805</u>	<u>\$ 1,089,384</u>	

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 59,176	\$ 40,945	\$ 18,231	5 years
Furniture and fixtures	18,940	17,579	1,361	5 years
Office equipment	25,162	18,417	6,745	5 years
Building	641,580	118,583	522,997	30 years
Building improvements	461,949	72,180	389,769	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,366,807</u>	<u>\$ 267,704</u>	<u>\$ 1,099,103</u>	

Depreciation expense for 2021 and 2020 was \$47,002 and \$41,830, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 15 –INCOME TAXES

The Organization is exempt from federal and state income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Therefore, only income from business unrelated to the Organization’s charitable purpose is subjected to federal or state income tax. The Organization’s tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2021, tax years ending on or after June 30, 2018 remain subject to examination. Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying financial statements.

NOTE 16 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
During the year ended June 30, 2018, the Organization refinanced a mortgage note payable to a bank for \$562,000. The mortgage note bears interest at 4.30%, is payable in monthly installments of \$4,261, and matures in June 2032. The mortgage note is secured by the land and building of the Organization.	\$ 465,433	\$ 495,573
During the year ending June 30, 2016, the Organization obtained a mortgage note payable to a bank for \$95,000 for repairs to its building. The mortgage note bears interest at 4.618%, is payable in monthly installments of \$1,326, and matures in March 2023. The mortgage note is secured by the land and building of the Organization.	<u>25,226</u>	<u>39,563</u>
	490,659	535,136
Less current portion	<u>46,092</u>	<u>44,822</u>
Total long-term debt	<u>\$ 444,567</u>	<u>\$ 490,314</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 16 – LONG-TERM DEBT (Continued)

Future annual maturities of the long-term debt as of June 30, 2021 are as follows:

2022	\$	46,092
2023		43,993
2024		34,595
2025		36,112
Thereafter		<u>329,867</u>
Total	\$	<u>490,659</u>

NOTE 17 – RESTRICTED NET ASSETS

Net assets with donor restrictions as of June 30, consist of the following:

	<u>2021</u>	<u>2020</u>
Critical home repair program	\$ -	\$ 21,080
Individual and corporate restricted	540,681	685,425
Helping hands endowment	<u>33,635</u>	<u>27,387</u>
Total	\$ <u>574,316</u>	\$ <u>733,892</u>

NOTE 18 – OPERATING LEASE OBLIGATION

The Organization leases a mail meter, copy machine and a moving truck under operating leases with lease terms of 12 to 63 months with monthly payments ranging from \$56 to \$1,035.

Minimum future rental payments under non-cancelable operating lease as of June 30, 2021, are for the years ending June 30:

2022	\$	15,379
2023		8,023
2024		2,848
2025		2,848
Thereafter		<u>2,611</u>
Total	\$	<u>31,709</u>

The total rent expense for the years ended June 30, 2021 and 2020 was \$31,840 and \$33,792, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 19 – ENDOWMENT

The Organization's endowment consist of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as adopted by the State of Florida and classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose or time restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Organization has interpreted FUPMIFA as not requiring the maintenance of purchasing power of the original gifts amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) and accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted FUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The Organization complies with the endowment's originally established policy. All earnings are retained by the fund. As of June 30, 2021 and 2020, the endowment fund balance of \$33,635 and \$27,387, respectively, was held as net assets with donor restriction.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization works closely with and relies on investment advisors to ensure that assets are invested in a manner intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, overtime, to produce an average rate of return of approximately 5% annually. To satisfy

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 19 – ENDOWMENT (Continued)

its long-term rate-of-return objectives, the Organizations relies on its investment advisors to develop a strategy, which will meet the Organization’s needs.

NOTE 20 – LIQUIDITY

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit, which it could draw upon.

The Organization’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,744,799
Mortgages receivable, net	360,903
Prepaid expense	62,661
ReStore Inventory	61,255
Other Current Asset	549
Grants Receivable	<u>486,475</u>
	<u>\$ 2,716,642</u>

NOTE 21 – RESTATEMENT

As of June 30, 2021, Management discovered errors in previously issued financial statements. Accordingly, the Organization restated its financial statements for the year ending June 30, 2020. As a result, long-term inventory increased by \$88,475, construction in progress decreased by \$19,268, grants receivable decreased by \$22,667, and beginning net assets increased by \$46,540 as of June 30, 2020. Additionally, at June 30, 2020 net assets with donor restrictions had been overstated and net assets without donor restrictions had been understated by \$201,693 due to unrecognized net assets released from restrictions. There was no change in the net income for the year ended June 30, 2020.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative financial information for the year ended June 30, 2020)

NOTE 22 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2022, the date which the financial statements were available to be issued. In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the Organization's results of operations is not reasonably estimable at this time.

NOTE 23 – PAYCHECK PROTECTION PROGRAM FUNDS

On March 8, 2021, Habitat for Humanity of Brevard County, Inc. received loan proceeds in the amount of \$185,860 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses and nonprofits for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization. The funds must be spent over the "Covered Period" which is either twenty-four weeks or, if Habitat for Humanity elects, eight weeks from the loan disbursement date. The PPP loan provides for grantees to apply for loan forgiveness any time on or before the maturity date of the loan, including before the end of the Covered Period. The PPP loan and accrued interest are forgivable, as long as Habitat for Humanity used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. The amount of loan forgiveness can be reduced if the borrower terminates employees or reduces salaries during the Covered Period. If the entire loan is not forgiven, the unforgiven portion is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. As of June 30, 2021, the Organization has determined that it has met the criteria for loan forgiveness. In accordance with ASC 958-605, *Revenue Recognition*, the Organization recognized the proceeds as a contribution. On August 3, 2021, the Organization received full loan forgiveness in the amount of \$185,860.