

Financial Statements

**HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.**

June 30, 2019 and 2018

**HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.**

Financial Statements

June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER AOPKA, FLORIDA, INC.

Financial Statements

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Independent Auditor's Report

Board of Directors
Habitat for Humanity in Seminole County
and Greater Apopka, Florida, Inc.

We have audited the accompanying financial statements of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2019 on our consideration of the Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control over financial reporting and compliance.

Schatz, Tschoy, Whitcomb, Mitchell & Shuilen, LLP

September 16, 2019
Maitland, Florida

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Statements of Financial Position

June 30, 2019 and 2018

Assets

	2019	2018
Cash and cash equivalents	\$ 1,642,123	1,526,719
ReStore inventory	60,904	63,008
Construction in process	821,891	603,851
Land for development	378,390	310,000
Homes in inventory	83,726	254,332
Prepaid and other assets	73,949	43,548
Mortgages receivable, net (notes 3 and 6)	4,333,308	4,303,744
Property and equipment, net (notes 4 and 6)	612,406	627,116
Beneficial interest in assets held by Central Florida Foundation (note 5)	15,937	15,071
Deposits	8,090	8,090
Total assets	\$ 8,030,724	7,755,479

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 11,936	13,373
Accrued expenses	263,013	320,368
Notes payable (note 6)	787,150	856,202
Total liabilities	1,062,099	1,189,943
Net assets:		
Without donor restrictions	6,911,312	6,550,465
With donor restrictions:		
Purpose	41,376	-
Perpetual	15,937	15,071
Total net assets	6,968,625	6,565,536
Total liabilities and net assets	\$ 8,030,724	7,755,479

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Statement of Activities

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributed inventory and materials	\$ 1,178,648	-	1,178,648
Transfers to homeowners	791,548	-	791,548
Donations	309,912	50,866	360,778
Grants	611,925	-	611,925
Amortization of mortgage interest	213,060	-	213,060
Special events, net of direct benefit to donor costs of \$38,251	195,172	-	195,172
Other income	137,959	-	137,959
In-kind contributions	166,124	-	166,124
Interest income	2,571	-	2,571
Net assets released from restrictions	8,624	(8,624)	-
Total support and revenue	3,615,543	42,242	3,657,785
Expenses:			
Program services	2,576,744	-	2,576,744
Management and general	403,850	-	403,850
Fundraising	274,102	-	274,102
Total expenses	3,254,696	-	3,254,696
Increase in net assets	360,847	42,242	403,089
Net assets, beginning of year	6,550,465	15,071	6,565,536
Net assets, end of year	\$ 6,911,312	57,313	6,968,625

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Statement of Activities

Year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributed inventory and materials	\$ 989,268	-	989,268
Transfers to homeowners	1,178,879	-	1,178,879
Donations	272,653	947	273,600
Grants	710,080	-	710,080
Amortization of mortgage interest	180,968	-	180,968
Special events, net of direct benefit to donor costs of \$23,442	170,893	-	170,893
Other income	131,149	-	131,149
In-kind contributions	140,324	-	140,324
Interest income	4,432	-	4,432
Total support and revenue	<u>3,778,646</u>	<u>947</u>	<u>3,779,593</u>
Expenses:			
Program services	2,526,012	-	2,526,012
Management and general	331,208	-	331,208
Fundraising	225,573	-	225,573
Total expenses	<u>3,082,793</u>	<u>-</u>	<u>3,082,793</u>
Increase in net assets	695,853	947	696,800
Net assets, beginning of year	<u>5,854,612</u>	<u>14,124</u>	<u>5,868,736</u>
Net assets, end of year	<u>\$ 6,550,465</u>	<u>15,071</u>	<u>6,565,536</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER AOPKA, FLORIDA, INC.

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services				Supporting Services			Total Expenses
	Construction and Homeowner Activities	Family Support and Education	Store Operations	Total	Management and General	Fund Raising	Total	
Construction costs	\$ 820,513	-	-	820,513	-	-	-	820,513
Discounts on mortgages	193,180	-	-	193,180	-	-	-	193,180
Salaries and related costs	184,744	246,326	369,488	800,558	246,326	184,744	431,070	1,231,628
Advertising	-	-	29,323	29,323	-	-	-	29,323
Bank fees	-	-	29,422	29,422	-	-	-	29,422
SHOP grant payback	5,731	-	-	5,731	-	-	-	5,731
Title to Habitat International and SOSI	25,500	-	-	25,500	-	-	-	25,500
CCTCP dues	5,060	-	-	5,060	-	-	-	5,060
Dues and subscriptions	31,653	-	-	31,653	-	-	-	31,653
Occupancy	20,298	20,298	191,382	231,978	37,697	20,298	57,995	289,973
Telephone	3,059	3,059	6,118	12,236	5,098	3,059	8,157	20,393
Supplies	5,170	5,170	10,340	20,680	8,616	5,170	13,786	34,466
Postage	-	-	-	-	2,548	-	2,548	2,548
Printing and promotions	-	-	-	-	-	4,834	4,834	4,834
Travel	-	-	-	-	19,775	-	19,775	19,775
ReStore association fees	-	-	3,600	3,600	-	-	-	3,600
Outside services	42,578	42,578	85,156	170,312	70,965	42,578	113,543	283,855
Depreciation	-	-	33,344	33,344	6,829	-	6,829	40,173
Insurance	3,597	3,597	7,194	14,388	5,996	3,597	9,593	23,981
Vehicle	-	-	73,484	73,484	-	-	-	73,484
Interest expense	10,226	-	30,677	40,903	-	-	-	40,903
Fundraising expenses	-	-	-	-	-	9,822	9,822	9,822
Miscellaneous	34,879	-	-	34,879	-	-	-	34,879
Total expenses	\$ 1,386,188	321,028	869,528	2,576,744	403,850	274,102	677,952	3,254,696

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Statement of Functional Expenses

Year ended June 30, 2018

	Program Services				Supporting Services			Total Expenses
	Construction and Homeowner Activities	Family Support and Education	Store Operations	Total	Management and General	Fund Raising	Total	
Construction costs	\$ 1,024,336	-	-	1,024,336	-	-	-	1,024,336
Discounts on mortgages	214,860	-	-	214,860	-	-	-	214,860
Salaries and related costs	154,393	205,857	308,785	669,035	205,857	154,393	360,250	1,029,285
Advertising	-	-	13,519	13,519	-	-	-	13,519
Bank fee	-	-	27,177	27,177	-	-	-	27,177
SHOP Grant payback	7,000	-	-	7,000	-	-	-	7,000
Tithe to Habitat International and SOSI	21,000	-	-	21,000	-	-	-	21,000
CCTCP dues	3,665	-	-	3,665	-	-	-	3,665
Occupancy	19,725	19,725	179,721	219,171	35,068	19,725	54,793	273,964
Telephone	4,148	4,148	8,296	16,592	6,914	4,148	11,062	27,654
Supplies	1,661	1,661	3,322	6,644	2,768	1,661	4,429	11,073
Postage	-	-	-	-	6,437	-	6,437	6,437
Printing and promotions	-	-	-	-	-	2,806	2,806	2,806
Travel	-	-	-	-	14,097	-	14,097	14,097
ReStore association fees	-	-	5,400	5,400	-	-	-	5,400
Outside services	60,261	28,608	57,214	146,083	47,679	28,608	76,287	222,370
Depreciation	-	-	27,120	27,120	5,489	-	5,489	32,609
Insurance	4,139	4,139	8,279	16,557	6,899	4,139	11,038	27,595
Vehicle	-	-	40,520	40,520	-	-	-	40,520
Interest expense	9,384	-	28,151	37,535	-	-	-	37,535
Fundraising expense	-	-	-	-	-	10,093	10,093	10,093
Miscellaneous	29,798	-	-	29,798	-	-	-	29,798
Total expenses	\$ 1,554,370	264,138	707,504	2,526,012	331,208	225,573	556,781	3,082,793

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 403,089	696,800
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Depreciation	40,173	32,609
Discounts on mortgage originations	127,339	214,860
Amortization of discount mortgage loans	(213,060)	(180,968)
Homes in inventory	170,606	(254,332)
Change in operating assets and liabilities:		
ReStore inventory	2,104	(2,913)
Construction in process	(47,434)	190,716
Land for development	(68,390)	(307,000)
Prepaid and other assets	(30,401)	(5,854)
Assets held by Central Florida Foundation	(866)	(947)
Accounts payable	(1,437)	6,997
Accrued expenses	(57,355)	(43,785)
Cash provided by operating activities	324,368	346,183
Cash flows from investing activities:		
Mortgage payments received	(244,448)	(68,847)
Purchase of property and equipment	(25,464)	(8,651)
Proceeds from sale of homes	130,000	100,000
Cash provided by (used in) investing activities	(139,912)	22,502
Cash flows from financing activities:		
Proceeds from long-term debt	-	588,600
Payments on long-term debt	(69,052)	(84,500)
Cash provided by (used in) financing activities	(69,052)	504,100
Net change in cash and cash equivalents	115,404	872,785
Cash at beginning of year	1,526,719	653,934
Cash at end of year	\$ 1,642,123	1,526,719
Supplemental cash flow information:		
Cash paid for interest	\$ 40,903	37,535
Issuance of non-interest bearing mortgage loans	\$ 423,000	460,386

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) **Organization and Summary of Significant Accounting Policies**

(a) **Organization**

Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. (Habitat or Organization) is a not-for-profit corporation organized in the State of Florida in June 1991. The Organization is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization whose purpose is to build strength, stability and self-reliance through shelter. Through shelter, Habitat for Humanity empowers families and helps to build strong and stable communities. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, the Organization is primarily and directly responsible for its own operation in Seminole County, Florida and the Greater Apopka area. The Organization also operates two "Thrift Stores" whose proceeds are utilized to fund the primary mission of the Organization.

(b) **Basis of Presentation**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole. Net assets and revenue, 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 and, therefore, available for use in general operations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(c) **Cash and Cash Equivalents**

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

(d) **Contributions**

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Temporarily restricted contributions, which are both received and released within the same year, are recorded as an increase in temporarily restricted net assets and as a satisfaction of program restrictions.

Contributions of land, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. For the year ended June 30, 2019, in-kind contributions consisted of donated inventory, materials and supplies valued at \$1,176,544 and was recorded as inventory and revenue to be sold in the two ReStores. Sales of donated inventory during the year were \$1,178,648. The result is a net decrease in inventory for the year of \$2,104. The donated ReStore items are recorded at fair value as determined by management using factors such as sales and inventory turnover.

(e) **Mortgages Receivable**

Mortgages receivable represent non-interest-bearing loans upon the sale of a home and have been discounted based upon prevailing market rates at the inception of the mortgage obligations. The original discount is recorded as discounts on mortgage originations within program services on the statements of functional expenses at the date the mortgage is originated. Discounts are amortized using the effective interest method over the lives of the mortgage loans and are recorded as amortization of mortgage loan discounts within support and revenue in the statements of activities.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(e) **Mortgages Receivable (Continued)**

The allowance for mortgage receivable losses, if needed, is established through a provision for mortgage receivable losses charged to earnings. Mortgage receivable losses are charged against the allowance when management believes the uncollectability of a mortgage receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for mortgage receivable losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the mortgage portfolio. The amount of the allowance is based on management's evaluation of the collectability of the mortgage portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio.

(f) **Property and Equipment**

Property and equipment is recorded at cost or estimated value at the date of purchase or contribution. Expenditures for repairs and maintenance are expensed as incurred. The Organization capitalizes additions of property and equipment that exceed \$500. The Organization primarily utilizes the straight-line method of depreciation. Furniture, equipment and vehicles are depreciated over their various estimated useful lives ranging from three to seven years. Buildings are depreciated over their estimated useful life of 39 years.

(g) **Transfers to Homeowners**

Transfers to homeowners are recorded when a home is occupied and title is transferred. The transfer is recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest-bearing mortgages have been discounted at various rates ranging from 2% to 12% based upon prevailing market rates at the inception of the mortgage obligations. Discounts are amortized using the effective interest method over the lives of the mortgages.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(h) **Advertising**

Advertising costs are expensed the first time the advertising takes place. Total advertising costs were \$29,323 and \$13,519 during 2019 and 2018, respectively.

(i) **Functional Allocation of Expenses**

The cost of providing the program and other activities of the Organization have been summarized on a functional basis in the statements of activities. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

(j) **Fair Value of Financial Instruments**

The Organization's financial instruments consist of cash and cash equivalents, receivables, accounts payable, accrued expenses, and notes payable. Cash and cash equivalents, receivables, accounts payable, accrued expenses, and notes payable are stated at cost which approximates fair value.

(k) **Contributed Services and Materials**

A substantial number of volunteers have made significant contributions of their time to the Organization's programs and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require specialized skills.

Contributions of materials and services requiring specialized skills or otherwise needing to be purchased are reflected in the accompanying financial statements. The majority of the items included as in-kind contributions in the accompanying statements of activities and changes in net assets reflect the contribution of materials utilized for construction of the various homes.

(l) **Land Held for Development**

Land held for development primarily consists of land costs and related improvements for land that has not been presently assigned to a future homeowner.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(m) **Land/Structures Donated or Purchased**

Houses owned by affiliate consist primarily of re-acquired homes, or homes completed but not sold to homeowners. These properties are recorded at the lower of the carrying amount or fair value less estimated selling cost. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

(n) **Income Taxes**

The Habitat for Humanity of Seminole County and Greater Apopka, Florida, Inc. has received exemption from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service.

The Organization adopted the provisions of the Income Tax Topic of the ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2019, Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2016 to 2018 are open to examination by federal authorities.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(o) **Concentration of Credit Risks**

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist principally of bank deposits. The Organization's policy is to place its deposits with high quality financial institutions. The Organization holds its cash and equivalents and certificates of deposit with institutions insured by the FDIC. These funds are insured subject to FDIC limits.

The Organization's support is received primarily from local governments, foundations, businesses, churches and individuals located in the Seminole County and Orange County, Florida area. In addition, all of the mortgages receivable, reflected in the accompanying financial statements, relate to residential properties within Seminole and Orange Counties, Florida. As a result, continued contributions may be affected by the economy of this region.

(p) **Estimates in the Financial Statements**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on the mortgages receivable. The evaluation of the adequacy of the allowance for mortgages receivable is based on estimates that are susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on mortgages receivables, management may utilize market conditions, sales of comparables and independent appraisals.

(q) **Subsequent Events**

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through September 16, 2019, which is the date the financial statements were available to be issued.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(r) **Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

(2) **Liquidity and Availability**

As of June 30, 2019, the Organization has \$1,802,709 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. Financial assets subject to donor or other restrictions that make them unavailable for general expenditure within one year of the balance sheet date were \$41,376 as of June 30, 2019. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of June 30, 2019 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$ 1,642,123
Mortgages receivable (current)	<u>201,962</u>
Total financial assets	1,844,085
Restricted cash	<u>(41,376)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,802,709</u>

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(3) Mortgages Receivable

Mortgages receivable consist entirely of non-interest bearing first mortgage notes secured by residential real estate payable in monthly installments with maturities ranging from twenty to thirty years. These mortgages are originated through the Organization's home building program. The amounts presented in the statement of financial position are net of unamortized discounts arising from imputed interest as follows:

	2019	2018
First mortgages receivable (remaining face value)	\$ 6,275,564	6,373,340
Less: unamortized discounts (2-12% imputed interest)	(1,942,256)	(2,069,596)
	\$ 4,333,308	4,303,744

Management feels no provision for mortgage receivable losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related mortgage balance. In the event of foreclosure, management believes that the only costs the Organization is likely to incur would be legal and rehab expenses to prepare the property for a new homeowner. These costs are uncertain and are dependent on a future event; as such no amount has been reflected in these financial statements for such a contingency. These mortgages receivable relate entirely to single family residential properties in Seminole and Orange Counties, Florida. At June 30, 2019, the principal balances due on the mortgages were scheduled to be received as follows:

Year Ended June 30,	Mortgage Payment
2020	\$ 201,962
2021	208,627
2022	214,067
2023	218,432
2024	222,491
Thereafter	3,267,729
Total	\$ 4,333,308

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(4) **Property and Equipment**

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 133,128	133,128
Buildings	749,195	749,195
Fixtures and equipment	154,672	173,029
Vehicles	29,075	48,512
	<u>1,066,070</u>	<u>1,103,864</u>
Less accumulated depreciation	<u>(453,664)</u>	<u>(476,748)</u>
	<u>\$ 612,406</u>	<u>627,116</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$40,173 and \$32,609, respectively.

(5) **Central Florida Foundation Endowment**

The Organization has established an endowment with the Central Florida Foundation. This endowment will provide a permanent source of income for Habitat for Humanity in Seminole County, Florida, Inc. Future income may be withdrawn or added to the principal balance of the endowment at the Organization's discretion. The Organization's endowment is carried as an asset in the accompanying statements of financial position.

The Board of Directors of the Central Florida Foundation shall have the power to modify or eliminate any restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if the Board of Directors determines that such restriction, limitation or condition becomes by material and significant change of circumstances in effect unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(6) Notes Payable

Notes payable consist of the following at June 30:

	2019	2018
Note payable, with quarterly payments of principal and interest of \$18,789, at 5.00%, is payable with the final payments due on September 30, 2027. This loan is collateralized by certain mortgages held by the Organization	\$ 505,516	553,875
Promissory note payable, with monthly payments of principal and interest of \$2,610, at 3.25% from October 10, 2013 to April 10, 2015 and then monthly payments of principal and interest of \$2,900, at 4.75% from April 11, 2015 to October 10, 2021. This loan is collateralized by Thrift Store building.	281,634	302,327
	\$ 787,150	856,202

Following is a summary of the future payments for the fiscal years as follows:

Year Ended June 30,	
2020	\$ 72,668
2021	76,329
2022	292,679
2023	58,897
2024	61,910
Thereafter	224,667
	\$ 787,150

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, FLORIDA, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(7) **Transactions With Habitat International**

The Organization remits a portion of its revenues to Habitat International. These funds are used to construct homes in economically depressed areas around the world, and therefore these amounts are included in the Organization's program services in the accompanying statements of activities. For the years ended June 30, 2019 and 2018, the Organization contributed \$10,500 and \$6,000, respectively. During the years ended June 30, 2019 and 2018, the Organization contributed \$15,000 to the Habitat International Stewardship and Sustainability Initiative (SOSI) each year. Additionally, the Organization is a member of the Habitat ReStore Association and pays a percentage of ReStore fees to Habitat International. For the years ended June 30, 2019 and 2018, the Organization paid ReStore Association fees of \$3,600 and \$5,400, respectively.

(8) **Operating Lease Commitments**

The Organization leases its administrative office, a restore, a vehicle and office equipment under non-cancelable operating leases. Rental expense under these leases amounted to approximately \$176,000 for the year ended June 30, 2019. The following is a schedule by years of future minimum rentals under the leases:

<u>Year Ended June 30,</u>	
2020	\$ 113,922
2021	37,691
2022	14,237
2023	10,860
2024	10,860
Thereafter	<u>19,910</u>
	<u>\$ 207,480</u>

(9) **Related Party Transactions**

The Organization pays a board member's corporate entity to rent 2230 square feet of office space for its administrative staff. For the year ending June 30, 2019 and 2018, the Organization paid \$36,530 and \$33,072, respectively, to this related party.

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Habitat for Humanity in Seminole County
and Greater Apopka, Florida, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc., which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schatz, Tschoy, Whitcomb, Mitchell & Shuiken, LLP

September 16, 2019
Maitland, Florida