

Financial Statements

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

June 30, 2020 and 2019

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

Financial Statements

June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

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

Financial Statements

Table of Contents

Independent Auditor’s Report.....	1
Financial Statements:	
Statements of Financial Position	
Year ended June 30, 2020 and 2019.....	3
Statement of Activities	
Year ended June 30, 2020	4
Statement of Activities	
Year ended June 30, 2019	5
Statement of Functional Expenses	
Year ended June 30, 2020	6
Statement of Functional Expenses	
Year ended June 30, 2019	7
Statements of Cash Flows	8
Notes to Financial Statements.....	9
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 <i>Government Auditing Standards</i>	20

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

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, 2020 and 2019, 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, 2020 and 2019, 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 9, 2020 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.

Schafer, Tschoff, Whitcomb, Mitchell & Shuilen, LLP

September 23, 2020
Maitland, Florida

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

Statements of Financial Position

June 30, 2020 and 2019

Assets

	2020	2019
Cash and cash equivalents	\$ 1,477,657	1,642,123
Accounts receivable	43,828	-
Contributions receivable	85,000	-
ReStore inventory	34,689	60,904
Construction in process	1,169,364	821,891
Land for development	51,739	378,390
Homes in inventory	83,726	83,726
Prepaid and other assets	22,104	73,949
Mortgages receivable, net (notes 3 and 6)	4,210,338	4,333,308
Property and equipment, net (notes 4 and 6)	574,031	612,406
Beneficial interest in assets held by Central Florida Foundation (note 5)	16,144	15,937
Deposits	-	8,090
	\$ 7,768,620	8,030,724
Total assets		

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 4,125	11,936
Accrued expenses	97,054	263,013
Paycheck protection program loan	29,445	-
Notes payable (note 6)	727,594	787,150
	858,218	1,062,099
Total liabilities		
Commitments (notes 7, 8 and 9)		
Net assets:		
Without donor restrictions	6,894,258	6,911,312
With donor restrictions:		
Purpose	-	41,376
Perpetual	16,144	15,937
	6,910,402	6,968,625
Total net assets		
Total liabilities and net assets	\$ 7,768,620	8,030,724

See accompanying notes to financial statements

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

Statement of Activities

Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributed inventory and materials	\$ 766,955	-	766,955
Transfers to homeowners	1,347,124	-	1,347,124
Donations	230,304	207	230,511
Grants	327,500	-	327,500
Paycheck protection program grant (note 10)	197,055	-	197,055
Amortization of mortgage interest	175,936	-	175,936
Special events, net of direct benefit to donor costs of \$29,147	168,472	-	168,472
Other income	141,100	-	141,100
In-kind contributions	106,245	-	106,245
Interest income	1,614	-	1,614
Net assets released from restrictions	41,376	(41,376)	-
Total support and revenue	<u>3,503,681</u>	<u>(41,169)</u>	<u>3,462,512</u>
Expenses:			
Program services	2,971,417	-	2,971,417
Management and general	327,329	-	327,329
Fundraising	221,989	-	221,989
Total expenses	<u>3,520,735</u>	<u>-</u>	<u>3,520,735</u>
Decrease in net assets	(17,054)	(41,169)	(58,223)
Net assets, beginning of year	<u>6,911,312</u>	<u>57,313</u>	<u>6,968,625</u>
Net assets, end of year	<u>\$ 6,894,258</u>	<u>16,144</u>	<u>6,910,402</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER AOPKA, 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 Functional Expenses

Year ended June 30, 2020

	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	\$ 1,340,236	-	-	1,340,236	-	-	-	1,340,236
Discounts on mortgages	359,686	-	-	359,686	-	-	-	359,686
Salaries and related costs	164,542	219,389	329,085	713,016	219,389	164,542	383,931	1,096,947
Advertising	-	-	4,923	4,923	-	-	-	4,923
Bank fee	-	-	23,541	23,541	-	-	-	23,541
Tithe to Habitat International and SOSI	27,000	-	-	27,000	-	-	-	27,000
Support to Habitat Florida	2,588	-	-	2,588	-	-	-	2,588
Dues and subscriptions	20,361	-	-	20,361	-	-	-	20,361
Occupancy	12,986	12,986	118,313	144,285	23,085	12,986	36,071	180,356
Telephone	3,137	3,137	6,275	12,549	5,229	3,137	8,366	20,915
Supplies	1,251	1,251	2,500	5,002	2,084	1,251	3,335	8,337
Postage	-	-	-	-	2,548	-	2,548	2,548
Printing and promotions	-	-	-	-	-	5,333	5,333	5,333
Travel	-	-	-	-	16,242	-	16,242	16,242
Outside services	27,613	27,613	55,226	110,452	46,022	27,613	73,635	184,087
Depreciation	-	-	32,314	32,314	6,619	-	6,619	38,933
Insurance	3,666	3,666	7,333	14,665	6,111	3,666	9,777	24,442
Vehicle	-	-	63,553	63,553	-	-	-	63,553
Interest expense	9,364	-	28,093	37,457	-	-	-	37,457
Fundraising expense	-	-	-	-	-	3,461	3,461	3,461
Website hosting and management	-	-	29,400	29,400	-	-	-	29,400
Miscellaneous	30,389	-	-	30,389	-	-	-	30,389
Total expenses	\$ 2,002,819	268,042	700,556	2,971,417	327,329	221,989	549,318	3,520,735

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, 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	-	-	2,373	2,373	-	-	-	2,373
Bank fees	-	-	29,422	29,422	-	-	-	29,422
SHOP grant payback	5,731	-	-	5,731	-	-	-	5,731
Tithe to Habitat International and SOSI	25,500	-	-	25,500	-	-	-	25,500
Support to Habitat Florida	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
Website hosting and management	-	-	26,950	26,950	-	-	-	26,950
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.

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (58,223)	403,089
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Depreciation	38,933	40,173
Discounts on mortgage originations	359,686	193,180
Amortization of discount mortgage loans	(175,936)	(213,060)
Homes in inventory	-	170,606
Loss on disposal of fixed asset	9,888	-
Change in operating assets and liabilities:		
Accounts receivable	(43,828)	-
Contributions receivable	(85,000)	-
ReStore inventory	26,215	2,104
Construction in process	(347,473)	(218,040)
Land for development	326,651	(68,390)
Prepaid and other assets	51,845	(30,401)
Assets held by Central Florida Foundation	(207)	(866)
Accounts payable	(7,811)	(1,437)
Accrued expenses	(165,959)	(57,355)
Cash provided by (used in) operating activities	(71,219)	219,603
Cash flows from investing activities:		
Mortgage payments received	(247,265)	(139,683)
Purchase of property and equipment	(10,446)	(25,464)
Proceeds from sale of homes	194,575	130,000
Cash used in investing activities	(63,136)	(35,147)
Cash flows from financing activities:		
Payroll protection program loan	29,445	-
Payments on long-term debt	(59,556)	(69,052)
Cash used in financing activities	(30,111)	(69,052)
Net change in cash and cash equivalents	(164,466)	115,404
Cash at beginning of year	1,642,123	1,526,719
Cash at end of year	\$ 1,477,657	1,642,123
Supplemental cash flow information:		
Cash paid for interest	\$ 37,457	40,903
Issuance of non-interest bearing mortgage loans	\$ 784,300	423,000

See accompanying notes to financial statements

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

Notes to Financial Statements

June 30, 2020 and 2019

(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 has operated two “Thrift Stores” whose proceeds are utilized to fund the primary mission of the Organization. In December 2019, the Organization declined to renew the lease of one of the Thrift Stores and as a result, this store was closed.

(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, 2020 and 2019

(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, 2020, in-kind contributions consisted of donated inventory, materials and supplies valued at \$740,740 and was recorded as inventory and revenue to be sold in the two ReStores. Sales of donated inventory during the year were \$766,955. The result is a net decrease in inventory for the year of \$26,215. The donated ReStore items are recorded at fair value as determined by management using factors such as sales and inventory turnover. The Organization closed one of the stores in November 2019.

(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, 2020 and 2019

(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, 2020 and 2019

(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 \$34,323 and \$29,323 during 2020 and 2019, 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, 2020 and 2019

(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, 2020, 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 2017 to 2019 are open to examination by federal authorities.

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

Notes to Financial Statements

June 30, 2020 and 2019

(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 23, 2020, 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, 2020 and 2019

(2) Liquidity and Availability

As of June 30, 2020, the Organization has \$1,805,904 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 \$0 as of June 30, 2020. 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, 2020 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	\$ 1,477,657
Accounts receivable	43,828
Contributions receivable	85,000
Mortgages receivable (current)	199,419
Total financial assets	1,805,904
 Restricted cash	 -
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 1,805,904

(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:

	2020	2019
First mortgages receivable (remaining face value)	\$ 6,278,340	6,275,564
Less: unamortized discounts (2-12% imputed interest)	(2,068,002)	(1,942,256)
	\$ 4,210,338	4,333,308

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

Notes to Financial Statements

June 30, 2020 and 2019

(3) Mortgages Receivable (Continued)

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, 2020, the principal balances due on the mortgages were scheduled to be received as follows:

Year Ended June 30,	Mortgage Payment
2021	\$ 199,419
2022	206,924
2023	209,166
2024	214,508
2025	210,345
Thereafter	3,169,976
Total	\$ 4,210,338

(4) Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019
Land	\$ 133,128	133,128
Buildings	749,195	749,195
Fixtures and equipment	99,385	154,672
Vehicles	18,282	29,075
	999,990	1,066,070
Less accumulated depreciation	(425,959)	(453,664)
	\$ 574,031	612,406

Depreciation expense for the years ended June 30, 2020 and 2019 was \$38,933 and \$40,173, respectively.

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

Notes to Financial Statements

June 30, 2020 and 2019

(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, in capable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

(6) Notes Payable

Notes payable consist of the following at June 30:

	2020	2019
Note payable, to Habitat International, 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	\$ 467,636	505,516
Note payable to bank, 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.	259,958	281,634
	\$ 727,594	787,150

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

Notes to Financial Statements

June 30, 2020 and 2019

(6) Notes Payable (Continued)

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

<u>Year Ended June 30,</u>	
2021	\$ 76,329
2022	292,962
2023	58,897
2024	61,910
2025	65,078
Thereafter	<u>172,418</u>
	<u>\$ 727,594</u>

(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, 2020 and 2019, the Organization contributed \$12,000 and \$10,500, respectively. During the years ended June 30, 2020 and 2019, the Organization contributed \$15,000 to the Habitat International Stewardship and Sustainability Initiative (SOSI) each year.

(8) Operating Lease Commitments

The Organization leases its administrative office, a construction warehouse, a vehicle and office equipment under non-cancelable operating leases. Rental expense under these leases amounted to approximately \$95,000 for the year ended June 30, 2020. The following is a schedule by years of future minimum rentals under the leases:

<u>Year Ended June 30,</u>	
2021	\$ 43,121
2022	14,237
2023	10,860
2024	10,860
2025	10,860
Thereafter	<u>9,050</u>
	<u>\$ 98,988</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019, the Organization paid \$37,626 and \$36,530, respectively, to this related party.

(10) Paycheck Protection Program

In April 2020 the Organization applied for and received a loan in the amount of \$226,500 pursuant to the Paycheck Protection Program (PPP) established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. The note bears interest at 1% and is subject to a payment deferral period of six months. However, the note and related interest are subject to forgiveness when the proceeds of the loan are used to fund payroll and other allowable expenses as defined by the PPP. As of June 30, 2020, the Organization incurred \$197,055 of qualifying expenditures and, accordingly, has recorded that amount as PPP grant revenue in the accompanying statement of activities. In addition, as a result of the forgiveness described herein, the loan balance is \$29,445 as of June 30, 2020.

(11) Subsequent Event - Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' and contractors' ability to work or on our community partners, agencies and governmental funding sources to continue to provide a consistent level of support. Changes to the operating environment may also increase operating costs. The ultimate outcome of these matters on the Organization cannot be determined at this time.

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

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, 2020 and 2019, 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 9, 2020.

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, Tschagg, Whiteroot, Mitchell & Shuidan, LLP

September 23, 2020
Maitland, Florida