

Financial Statements

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

June 30, 2021 and 2020

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

Financial Statements

June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
AND GREATER APOPKA, 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, 2021 and 2020, 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, 2021 and 2020, 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 August 13, 2021 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, Tschagg, Whitcomb, Mitchell & Shuilen, LLP

August 13, 2021
Maitland, Florida

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

Statements of Financial Position

June 30, 2021 and 2020

Assets

	2021	2020
Cash and cash equivalents	\$ 1,481,517	1,477,657
Accounts receivable	83,116	43,828
Contributions receivable	-	85,000
ReStore inventory	-	34,689
Other inventory	21,478	-
Construction in process	1,462,370	1,169,364
Land for development	9,349	51,739
Homes in inventory	83,726	83,726
Prepaid and other assets	22,442	22,104
Mortgages receivable, net (notes 3 and 6)	4,252,142	4,210,338
Property and equipment, net (notes 4 and 6)	563,734	574,031
Beneficial interest in assets held by Central Florida Foundation (note 5)	20,405	16,144
Total assets	\$ 8,000,279	7,768,620

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 15,485	4,125
Accrued expenses	63,021	97,054
Deferred revenue	60,000	-
Paycheck protection program loan (note 10)	-	29,445
Notes payable (note 6)	665,497	727,594
Total liabilities	804,003	858,218
Commitments (notes 7, 8 and 9)		
Net assets:		
Without donor restrictions	7,175,871	6,894,258
With donor restrictions:		
Perpetual	20,405	16,144
Total net assets	7,196,276	6,910,402
Total liabilities and net assets	\$ 8,000,279	7,768,620

See accompanying notes to financial statements

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

Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributed inventory and materials	\$ 510,936	-	510,936
Transfers to homeowners	1,561,213	-	1,561,213
Donations	476,268	4,261	480,529
Grants	520,500	-	520,500
Paycheck protection program grant (note 10)	29,445	-	29,445
Amortization of mortgage interest	193,019	-	193,019
Special events, net of direct benefit to donor costs of \$5,198	291,858	-	291,858
Other income	148,391	-	148,391
In-kind contributions	53,100	-	53,100
Interest income	589	-	589
Net assets released from restrictions	-	-	-
Total support and revenue	3,785,319	4,261	3,789,580
Expenses:			
Program services	3,068,835	-	3,068,835
Management and general	303,985	-	303,985
Fundraising	130,886	-	130,886
Total expenses	3,503,706	-	3,503,706
Decrease in net assets	281,613	4,261	285,874
Net assets, beginning of year	6,894,258	16,144	6,910,402
Net assets, end of year	\$ 7,175,871	20,405	7,196,276

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 \$38,251	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>
Increase 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 Functional Expenses

Year ended June 30, 2021

	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	\$ 1,477,166	-	-	1,477,166	-	-	-	1,477,166
Discounts on mortgages	363,249	-	-	363,249	-	-	-	363,249
Salaries and related costs	230,319	204,728	307,093	742,140	204,728	76,773	281,501	1,023,641
Advertising	-	-	8,050	8,050	-	-	-	8,050
Bank fee	-	-	18,442	18,442	-	-	-	18,442
Tithe to Habitat International and SOSI	16,200	-	-	16,200	-	-	-	16,200
Dues and subscriptions	12,209	-	-	12,209	-	-	-	12,209
Occupancy	10,087	10,087	95,111	115,285	18,734	10,087	28,821	144,106
Telephone	2,838	2,838	5,677	11,353	4,731	2,838	7,569	18,922
Supplies	2,231	2,231	4,462	8,924	3,719	2,231	5,950	14,874
Postage	-	-	-	-	1,585	-	1,585	1,585
Printing and promotions	-	-	-	-	-	6,379	6,379	6,379
Travel	-	-	-	-	9,478	-	9,478	9,478
Outside services	27,486	27,486	54,973	109,945	45,811	27,486	73,297	183,242
Depreciation	-	-	32,767	32,767	6,711	-	6,711	39,478
Insurance	5,092	5,092	10,185	20,369	8,488	5,092	13,580	33,949
Vehicle	-	-	41,978	41,978	-	-	-	41,978
Interest expense	8,729	-	26,187	34,916	-	-	-	34,916
Website hosting and management	-	-	44,464	44,464	-	-	-	44,464
Miscellaneous	11,378	-	-	11,378	-	-	-	11,378
Total expenses	\$ 2,166,984	252,462	649,389	3,068,835	303,985	130,886	434,871	3,503,706

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, 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.

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 285,874	(58,223)
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Depreciation	39,478	38,933
Discounts on mortgage originations	363,249	359,686
Amortization of discount mortgage loans	(193,019)	(175,936)
Loss on disposal of fixed asset	9,051	9,888
Loan forgiveness	(29,445)	-
Change in operating assets and liabilities:		
Accounts receivable	(39,288)	(43,828)
Contributions receivable	85,000	(85,000)
ReStore inventory	34,689	26,215
Other inventory	(21,478)	-
Construction in process	(293,006)	(347,473)
Land for development	42,390	326,651
Prepaid and other assets	(338)	51,845
Assets held by Central Florida Foundation	(4,261)	(207)
Accounts payable	11,360	(7,811)
Accrued expenses	(34,033)	(165,959)
Deferred revenue	60,000	-
Cash provided by (used in) operating activities	316,223	(71,219)
Cash flows from investing activities:		
Mortgage payments received	(392,034)	(247,265)
Purchase of property and equipment	(38,232)	(10,446)
Proceeds from sale of homes	180,000	194,575
Cash used in investing activities	(250,266)	(63,136)
Cash flows from financing activities:		
Proceeds from Payroll protection program loan	-	29,445
Payments on long-term debt	(62,097)	(59,556)
Cash used in financing activities	(62,097)	(30,111)
Net change in cash and cash equivalents	3,860	(164,466)
Cash at beginning of year	1,477,657	1,642,123
Cash at end of year	\$ 1,481,517	1,477,657
Supplemental cash flow information:		
Cash paid for interest	\$ 34,916	37,457
Issuance of non-interest bearing mortgage loans	\$ 460,000	784,300

See accompanying notes to financial statements

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

Notes to Financial Statements

June 30, 2021 and 2020

(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. In June 2021, the Organization elected to also close the second store.

(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, 2021 and 2020

(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, 2021, in-kind contributions consisted of donated inventory, materials and supplies valued at \$476,247 and was recorded as inventory and revenue to be sold in the two ReStores. Sales of donated inventory during the year were \$510,936. The result is a net decrease in inventory for the year of \$34,689. 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 and the second in June 2021.

(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, 2021 and 2020

(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, 2021 and 2020

(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 \$8,050 and \$4,923 during 2021 and 2020, 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, 2021 and 2020

(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, 2021, 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 2018 to 2020 are open to examination by federal authorities.

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

Notes to Financial Statements

June 30, 2021 and 2020

(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 August 13, 2021, 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, 2021 and 2020

(2) **Liquidity and Availability**

As of June 30, 2021, the Organization has \$1,773,675 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, 2021. 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, 2021 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	\$ 1,481,517
Accounts receivable	83,116
Mortgages receivable (current)	<u>209,042</u>
Total financial assets	1,773,675
Restricted cash	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,773,675</u>

(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:

	2021	2020
First mortgages receivable (remaining face value)	\$ 6,267,330	6,278,340
Less: unamortized discounts (2-12% imputed interest)	<u>(2,015,188)</u>	<u>(2,068,002)</u>
	<u>\$ 4,252,142</u>	<u>4,210,338</u>

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

Notes to Financial Statements

June 30, 2021 and 2020

(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, 2021, the principal balances due on the mortgages were scheduled to be received as follows:

Year Ended June 30,	Mortgage Payment
2022	\$ 209,042
2023	214,243
2024	219,772
2025	215,308
2026	220,481
Thereafter	3,173,296
Total	\$ 4,252,142

(4) Property and Equipment

Property and equipment consists of the following at June 30:

	2021	2020
Land	\$ 133,128	133,128
Buildings	749,195	749,195
Fixtures and equipment	90,076	99,385
Vehicles	37,120	18,282
	1,009,519	999,990
Less accumulated depreciation	(445,785)	(425,959)
	\$ 563,734	574,031

Depreciation expense for the years ended June 30, 2021 and 2020 was \$39,478 and \$38,933, respectively.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY
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Notes to Financial Statements

June 30, 2021 and 2020

(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.

(6) Notes Payable

Notes payable consist of the following at June 30:

	2021	2020
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	\$ 428,318	467,636
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.	237,179	259,958
	\$ 665,497	727,594

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

Notes to Financial Statements

June 30, 2021 and 2020

(6) Notes Payable (Continued)

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

<u>Year Ended June 30,</u>	
2022	\$ 291,829
2023	57,446
2024	60,385
2025	63,474
2026	66,722
Thereafter	<u>125,641</u>
	<u>\$ 665,497</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, 2021 and 2020, the Organization contributed \$7,200 and \$12,000, respectively. During the years ended June 30, 2021 and 2020, the Organization contributed \$9,000 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 \$63,000 for the year ended June 30, 2021. The following is a schedule by years of future minimum rentals under the leases:

<u>Year Ended June 30,</u>	
2022	\$ 59,584
2023	51,974
2024	53,208
2025	35,990
2026	<u>9,050</u>
	<u>\$ 209,806</u>

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

Notes to Financial Statements

June 30, 2021 and 2020

(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, 2021 and 2020, the Organization paid \$40,866 and \$37,626, 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. In June 2021, the loan was forgiven in full and the remaining \$29,445 was recognized as revenue for the year ended June 30, 2021.

(11) **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.

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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, 2021, 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 August 13, 2021.

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, Tschoff, Whitcomb, Mitchell & Shuilen, LLP

August 13, 2021
Maitland, Florida