

Financial Statements

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

June 30, 2022 and 2021

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

Financial Statements

June 30, 2022 and 2021

(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.

Opinion

We have audited the accompanying financial statements of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Schaefer, Tscheng, Whitcomb, Mitchell & Shuiken, LLP

August 18, 2022
Maitland, Florida

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

Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Cash and cash equivalents	\$ 5,720,267	1,481,517
Accounts receivable	29,576	83,116
Other inventory	40,151	21,478
Construction in process	1,444,130	1,462,370
Land for development	-	9,349
Homes in inventory	83,726	83,726
Prepaid and other assets	37,486	22,442
Mortgages receivable, net (notes 3 and 6)	4,277,628	4,252,142
Property and equipment, net (notes 4 and 6)	125,973	563,734
Beneficial interest in assets held by Central Florida Foundation (note 5)	18,243	20,405
Total assets	\$ 11,777,180	8,000,279

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 100,055	15,485
Accrued expenses	55,166	63,021
Deferred revenue	40,000	60,000
Notes payable (note 6)	-	665,497
Total liabilities	195,221	804,003
Commitments (notes 7, 8 and 9)		
Net assets:		
Without donor restrictions	11,563,716	7,175,871
With donor restrictions:		
Perpetual	18,243	20,405
Total net assets	11,581,959	7,196,276
Total liabilities and net assets	\$ 11,777,180	8,000,279

See accompanying notes to financial statements

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

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Transfers to homeowners	\$ 1,581,754	-	1,581,754
Donations (note 10)	4,075,631	-	4,075,631
Grants	885,327	-	885,327
Amortization of mortgage interest	198,543	-	198,543
Special events, net of direct benefit to donor costs of \$0	129,744	-	129,744
Other income	117,947	-	117,947
In-kind contributions	234,959	-	234,959
Interest income	3,043	-	3,043
Gain on sale of ReStore	384,786	-	384,786
Net assets released from restrictions	2,162	(2,162)	-
Total support and revenue	7,613,896	(2,162)	7,611,734
Expenses:			
Program services	2,842,117	-	2,842,117
Management and general	270,722	-	270,722
Fundraising	113,212	-	113,212
Total expenses	3,226,051	-	3,226,051
Increase in net assets	4,387,845	(2,162)	4,385,683
Net assets, beginning of year	7,175,871	20,405	7,196,276
Net assets, end of year	\$ 11,563,716	18,243	11,581,959

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
	<u> </u>	<u> </u>	<u> </u>
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 9)	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	<u>3,785,319</u>	<u>4,261</u>	<u>3,789,580</u>
Expenses:			
Program services	3,068,835	-	3,068,835
Management and general	303,985	-	303,985
Fundraising	130,886	-	130,886
Total expenses	<u>3,503,706</u>	<u>-</u>	<u>3,503,706</u>
Increase in net assets	281,613	4,261	285,874
Net assets, beginning of year	<u>6,894,258</u>	<u>16,144</u>	<u>6,910,402</u>
Net assets, end of year	<u>\$ 7,175,871</u>	<u>20,405</u>	<u>7,196,276</u>

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, 2022

	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	\$ 1,691,557	-	-	1,691,557	-	-	-	1,691,557
Discounts on mortgages	191,115	-	-	191,115	-	-	-	191,115
Salaries and related costs	420,156	170,621	31,991	622,768	170,621	59,717	230,338	853,106
Advertising	-	-	5,385	5,385	-	-	-	5,385
Bank fee	-	-	8,531	8,531	-	-	-	8,531
Tithe to Habitat International and SOSI	22,200	-	-	22,200	-	-	-	22,200
Support to Habitat Florida	254	-	-	254	-	-	-	254
Dues and subscriptions	16,551	-	-	16,551	-	-	-	16,551
Occupancy	35,270	35,270	8,110	78,650	12,781	6,882	19,663	98,313
Telephone	3,855	3,855	513	8,223	3,427	2,056	5,483	13,706
Supplies	1,660	1,660	220	3,540	1,475	885	2,360	5,900
Postage	-	-	-	-	1,542	-	1,542	1,542
Printing and promotions	-	-	-	-	-	19,568	19,568	19,568
Travel	-	-	-	-	16,504	-	16,504	16,504
Outside services	36,547	36,547	4,874	77,968	32,487	19,492	51,979	129,947
Depreciation	-	-	2,299	2,299	24,198	-	24,198	26,497
Insurance	7,303	7,303	3,844	18,450	7,687	4,612	12,299	30,749
Vehicle	20,721	-	6,155	26,876	-	-	-	26,876
Interest expense	20,154	-	2,239	22,393	-	-	-	22,393
Website hosting and management	10,160	10,160	2,903	23,223	-	-	-	23,223
Miscellaneous	22,134	-	-	22,134	-	-	-	22,134
Total expenses	\$ 2,499,637	265,416	77,064	2,842,117	270,722	113,212	383,934	3,226,051

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, 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 APOPKA, FLORIDA, INC.

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 4,385,683	285,874
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Transfers to homeowners	(226,885)	(389,151)
Depreciation	26,497	39,478
Amortization of discount mortgage loans	(198,543)	(193,019)
(Gain) loss on disposal of fixed asset	(384,786)	9,051
Loan forgiveness	-	(29,445)
Change in operating assets and liabilities:		
Accounts receivable	53,540	(39,288)
Contributions receivable	-	85,000
ReStore inventory	-	34,689
Other inventory	(18,673)	(21,478)
Construction in process	(96,570)	(293,006)
Land for development	9,349	42,390
Prepaid and other assets	(15,044)	(338)
Assets held by Central Florida Foundation	2,162	(4,261)
Accounts payable	84,570	11,360
Accrued expenses	(7,855)	(34,033)
Deferred revenue	(20,000)	60,000
Cash provided by operating activities	<u>3,593,445</u>	<u>(436,177)</u>
Cash flows from investing activities:		
Mortgage payments received	399,942	232,312
Purchase of property and equipment	(53,950)	(38,232)
Proceeds from sale of ReStore	850,000	-
Proceeds from sale of homes	114,810	180,000
Cash provided by (used in) investing activities	<u>1,310,802</u>	<u>374,080</u>
Cash flows from financing activities:		
Payments on long-term debt	(665,497)	(62,097)
Cash used in financing activities	<u>(665,497)</u>	<u>(62,097)</u>
Net change in cash and cash equivalents	4,238,750	(124,194)
Cash at beginning of year	1,481,517	1,477,657
Cash at end of year	<u>\$ 5,720,267</u>	<u>1,353,463</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 22,393	34,916
Issuance of non-interest bearing mortgage loans	<u>\$ 418,000</u>	<u>460,000</u>

See accompanying notes to financial statements

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

Notes to Financial Statements

June 30, 2022 and 2021

(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, 2022 and 2021

(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**

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

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

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

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

Notes to Financial Statements

June 30, 2022 and 2021

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

(d) Contributions (Continued)

Home Sales and Mortgages Receivable - Home sales represent the sale to qualified families of houses built in Seminole County and Apopka by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. The mortgages are secured by the underlying real estate, and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. There are \$4,277,628 and \$4,252,142 of mortgages receivable at June 30, 2022 and 2021, respectively, that are over 90 days old.

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

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.

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

Notes to Financial Statements

June 30, 2022 and 2021

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

(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.

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.

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

Notes to Financial Statements

June 30, 2022 and 2021

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

(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.

(h) Advertising

Advertising costs are expensed the first time the advertising takes place. Total advertising costs were \$5,385 and \$8,050 during 2022 and 2021, 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.

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

Notes to Financial Statements

June 30, 2022 and 2021

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

(k) **Contributed Services and Materials (Continued)**

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.

(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

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

Notes to Financial Statements

June 30, 2022 and 2021

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

(n) **Income Taxes (Continued)**

position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2022, 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 2019 to 2021 are open to examination by federal authorities.

(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.

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

Notes to Financial Statements

June 30, 2022 and 2021

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

(p) Estimates in the Financial Statements (Continued)

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 18, 2022, which is the date the financial statements were available to be issued.

(2) Liquidity and Availability

As of June 30, 2022, the Organization has \$5,969,922 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, 2022. 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, 2022 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	\$ 5,720,267
Accounts receivable	29,576
Mortgages receivable (current)	<u>220,079</u>
Total financial assets	5,969,922
Restricted cash	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,969,922</u>

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

Notes to Financial Statements

June 30, 2022 and 2021

(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:

	2022	2021
First mortgages receivable (remaining face value)	\$ 6,181,984	6,267,330
Less: unamortized discounts (2-12% imputed interest)	(1,904,356)	(2,015,188)
	\$ 4,277,628	4,252,142

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, 2022, the principal balances due on the mortgages were scheduled to be received as follows:

Year Ended June 30,	Mortgage Payment
2023	\$ 220,079
2024	227,408
2025	223,156
2026	227,261
2027	223,602
Thereafter	3,156,122
Total	\$ 4,277,628

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

Notes to Financial Statements

June 30, 2022 and 2021

(4) **Property and Equipment**

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ -	133,128
Buildings	66,452	749,195
Fixtures and equipment	65,632	90,076
Vehicles	85,842	37,120
	<u>217,926</u>	<u>1,009,519</u>
Less accumulated depreciation	<u>(91,953)</u>	<u>(445,785)</u>
	<u>\$ 125,973</u>	<u>563,734</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$26,497 and \$39,478, 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, 2022 and 2021

(6) Notes Payable

Notes payable consist of the following at June 30:

	2022	2021
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
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
	\$ -	665,497

(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, 2022 and 2021, the Organization contributed \$7,200 each year. During the years ended June 30, 2022 and 2021, the Organization contributed \$15,000 and \$9,000 to the Habitat International Stewardship and Sustainability Initiative (SOSI), respectively, each year.

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

Notes to Financial Statements

June 30, 2022 and 2021

(8) **Operating Lease Commitments**

The Organization leases its administrative office, a construction warehouse and office equipment under non-cancelable operating leases. Rental expense under these leases amounted to approximately \$60,000 for the year ended June 30, 2022. The following is a schedule by years of future minimum rentals under the leases:

<u>Year Ended June 30,</u>	
2023	\$ 47,939
2024	42,348
2025	<u>25,130</u>
	<u>\$ 115,417</u>

(9) **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, recorded that amount as PPP grant revenue in the 2020 statement of activities. In the year ended 2021, the remaining expenses were incurred and the loan was forgiven in full and the remaining \$29,445 was recognized as revenue for the year ended June 30, 2021.

(10) **Significant Contribution**

In March 2022 the Organization received a contribution from philanthropist MacKenzie Scott in the amount of \$3,500,000. This contribution is nonrecurring and has no donor restrictions which allows for this to be used at any time at the discretion of the Organization.

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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, 2022, 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 18, 2022.

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.

Schater, Tschagg, Whitcomb, Mitchell & Shuilen, LLP

August 18, 2022
Maitland, Florida