

***HABITAT FOR HUMANITY OF EVANSVILLE, INC.  
AND SUBSIDIARY***

***CONSOLIDATED FINANCIAL STATEMENTS***

***Years Ended June 30, 2021 and 2020***

***(With Independent Auditor's Report Thereon)***

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Habitat for Humanity of Evansville, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Evansville, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Evansville, Inc. and Subsidiary 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.

*Riney Hancock CPAs PSC*

Evansville, Indiana  
October 4, 2021

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,995,055	\$ 1,246,128
Certificates of deposit	1,260,686	1,455,994
Promises to give, current	251,098	210,976
Houses available for sale	136,705	42,606
Construction in process	1,942,354	835,953
Land held for development	680,511	618,826
Mortgages receivable, net	737,544	722,784
Other current assets	<u>85,477</u>	<u>97,625</u>
Total current assets	7,089,430	5,230,892
Other assets:		
Cash restricted for joint venture expenses	34,747	41,325
Mortgages receivable, net	4,411,135	4,367,780
Investment in joint venture	942,012	951,791
Promises to give, net	118,843	119,757
Beneficial interest in assets held by others	68,466	53,504
Property and equipment, net	<u>128,948</u>	<u>139,850</u>
Total other assets	<u>5,704,151</u>	<u>5,674,007</u>
<b>Total assets</b>	<b><u>\$ 12,793,581</u></b>	<b><u>\$ 10,904,899</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 72,637	\$ 20,029
Accrued expenses	61,270	55,763
Deferred revenue - PPP Loan	-	145,762
Deferred revenue - other	71,401	-
Other current liabilities	<u>6,370</u>	<u>15,810</u>
Total current liabilities	211,678	237,364
Long-term debt	<u>1,379,601</u>	<u>1,376,906</u>
Total liabilities	1,591,279	1,614,270
Net assets:		
Without Donor Restrictions	10,760,741	8,909,672
With Donor Restrictions	<u>441,561</u>	<u>380,957</u>
Total net assets	<u>11,202,302</u>	<u>9,290,629</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 12,793,581</u></b>	<b><u>\$ 10,904,899</u></b>

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions and grants	\$ 2,809,732	\$ 324,871	\$ 3,134,603	\$ 1,903,421	\$ 67,209	\$ 1,970,630
Sales of homes	1,079,868	-	1,079,868	1,507,683	-	1,507,683
Mortgage discount amortization	510,795	-	510,795	492,622	-	492,622
ReStore income, net	433,982	-	433,982	422,177	-	422,177
PPP loan forgiveness	145,762	-	145,762	-	-	-
Donated assets and services	119,143	-	119,143	73,501	-	73,501
Investment income	19,679	-	19,679	30,683	-	30,683
Other income	26,751	-	26,751	65,633	-	65,633
Change in beneficial interest in assets held by others	-	12,612	12,612	-	475	475
Net assets released from restrictions	276,879	(276,879)	-	366,311	(366,311)	-
Total revenue and other support	5,422,591	60,604	5,483,195	4,862,031	(298,627)	4,563,404
Expenses:						
Program services:						
Home building	2,368,153	-	2,368,153	3,083,360	-	3,083,360
Restore	345,802	-	345,802	337,161	-	337,161
Other program costs	350,566	-	350,566	298,451	-	298,451
	3,064,521	-	3,064,521	3,718,972	-	3,718,972
Supporting services:						
General and administrative	204,831	-	204,831	199,785	-	199,785
Fundraising	302,170	-	302,170	230,142	-	230,142
	507,001	-	507,001	429,927	-	429,927
Total expenses	3,571,522	-	3,571,522	4,148,899	-	4,148,899
Change in net assets	1,851,069	60,604	1,911,673	713,132	(298,627)	414,505
Net assets, beginning of year	8,909,672	380,957	9,290,629	8,196,540	679,584	8,876,124
Net assets, end of year	\$ 10,760,741	\$ 441,561	\$ 11,202,302	\$ 8,909,672	\$ 380,957	\$ 9,290,629

See Notes to Consolidated Financial Statements.

**HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2021 and 2020

	2021						
	Program Services				Supporting Services		
	Home Building	ReStore	Family Services & Other	Total	General & Admin.	Fund- raising	Total
Cost of homes sold	\$ 1,471,970	\$ -	\$ -	\$ 1,471,970	\$ -	\$ -	\$ 1,471,970
Mortgage discount	555,835	-	-	555,835	-	-	555,835
Salaries & related costs	209,960	187,162	144,612	541,734	98,252	216,703	856,689
Advertising	-	22,753	-	22,753	-	9,564	32,317
Community projects	-	-	81,599	81,599	-	-	81,599
Credit reports	5,765	-	-	5,765	11,239	-	17,004
Depreciation	-	11,408	8,866	20,274	8,063	-	28,337
Insurance	5,918	8,322	-	14,240	5,200	-	19,440
Interest	12,475	-	-	12,475	-	-	12,475
Miscellaneous	-	712	14,369	15,081	3,493	6,133	24,707
Office	4,914	-	12,665	17,579	26,365	-	43,944
Printing & postage	-	-	12,741	12,741	1,585	50,956	65,282
Professional fees	10,425	-	32,101	42,526	15,978	14,355	72,859
Rent	21,600	90,794	10,800	123,194	11,206	-	134,400
Repairs & maintenance	3,880	6,809	-	10,689	-	-	10,689
Special events	-	-	-	-	-	4,123	4,123
Supplies	-	-	13,880	13,880	-	-	13,880
Telephone & utilities	4,227	13,524	9,198	26,949	16,411	-	43,360
Tithe & contributions	58,800	-	-	58,800	-	-	58,800
Travel & education	2,384	4,318	318	7,020	4,949	336	12,305
Volunteer	-	-	9,417	9,417	2,090	-	11,507
	<u>\$ 2,368,153</u>	<u>\$ 345,802</u>	<u>\$ 350,566</u>	<u>\$ 3,064,521</u>	<u>\$ 204,831</u>	<u>\$ 302,170</u>	<u>\$ 3,571,522</u>
	2020						
	Program Services				Supporting Services		
	Home Building	ReStore	Family Services & Other	Total	General & Admin.	Fund- raising	Total
Cost of homes sold	\$ 1,962,837	\$ -	\$ -	\$ 1,962,837	\$ -	\$ -	\$ 1,962,837
Mortgage discount	797,661	-	-	797,661	-	-	797,661
Salaries & related costs	201,580	176,682	171,106	549,368	89,299	163,390	802,057
Advertising	-	22,971	-	22,971	-	3,128	26,099
Credit reports	-	-	6,905	6,905	10,209	-	17,114
Depreciation	-	11,408	10,231	21,639	5,628	-	27,267
Insurance	5,884	10,747	-	16,631	3,230	-	19,861
Interest	12,475	-	-	12,475	-	-	12,475
Miscellaneous	-	928	6,524	7,452	5,830	5,996	19,278
Office	3,948	-	9,224	13,172	23,895	-	37,067
Printing & postage	-	-	12,215	12,215	1,968	21,424	35,607
Professional fees	10,425	-	46,385	56,810	17,636	11,250	85,696
Rent	21,088	92,927	11,079	125,094	10,747	-	135,841
Repairs & maintenance	6,673	6,940	-	13,613	-	-	13,613
Special events	-	-	-	-	-	21,578	21,578
Supplies	-	-	10,473	10,473	-	1,665	12,138
Telephone & utilities	4,026	9,055	7,844	20,925	9,952	-	30,877
Tithe & contributions	53,400	-	-	53,400	-	-	53,400
Travel & education	3,363	5,503	904	9,770	14,272	1,711	25,753
Volunteer	-	-	5,561	5,561	7,119	-	12,680
	<u>\$ 3,083,360</u>	<u>\$ 337,161</u>	<u>\$ 298,451</u>	<u>\$ 3,718,972</u>	<u>\$ 199,785</u>	<u>\$ 230,142</u>	<u>\$ 4,148,899</u>

See Notes to Consolidated Financial Statements.

**HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,911,673	\$ 414,505
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation and amortization	31,032	29,962
Origination of mortgages	(1,021,756)	(1,426,786)
Mortgage discount	555,835	797,661
Mortgage discount amortization	(510,795)	(492,622)
Donated property and equipment	(89,000)	-
Change in beneficial interest in assets held by others	(12,612)	(475)
Decrease (increase) in assets:		
Houses available for sale	(94,099)	32,501
Construction in process	(1,106,401)	(11,794)
Land held for development	23,315	(179,635)
Promises to give	(39,208)	287,906
Other current assets	12,148	(35,448)
Increase (decrease) in liabilities:		
Accounts payable	52,608	(51,596)
Accrued expenses	5,507	15,476
Deferred revenue	(74,361)	145,762
Other current liabilities	(9,440)	600
Net cash from (used for) operating activities	<u>(365,554)</u>	<u>(473,983)</u>
<b>Cash flows from investing activities:</b>		
Principal collected on mortgages	918,601	924,970
Purchases of property and equipment	(13,435)	(4,899)
Net sales (purchases) of certificates of deposit	195,308	174,809
Distribution from joint venture investment	9,779	9,780
Transfer to beneficial interest in assets held by others	(2,350)	(3,650)
Net cash from (used for) investing activities	<u>1,107,903</u>	<u>1,101,010</u>
Net change in cash, cash equivalents, and restricted cash	742,349	627,027
Cash, cash equivalents, and restricted cash:		
Beginning of year	<u>1,287,453</u>	<u>660,426</u>
End of year	\$ <u><u>2,029,802</u></u>	\$ <u><u>1,287,453</u></u>
<b>Cash, cash equivalents, and restricted cash:</b>		
Cash and cash equivalents	\$ 1,995,055	\$ 1,246,128
Cash restricted for joint venture expenses	<u>34,747</u>	<u>41,325</u>
Total cash, cash equivalents, and restricted cash	\$ <u><u>2,029,802</u></u>	\$ <u><u>1,287,453</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ <u><u>9,780</u></u>	\$ <u><u>9,780</u></u>

See Notes to Consolidated Financial Statements.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 1. Organization and Summary of Significant Accounting Policies

#### Nature of Organization

Habitat for Humanity of Evansville, Inc. (HFHE) is an Indiana not-for-profit organization founded in 1984 whose mission is to build safe, decent and affordable houses with low-income families in partnership with God's people in need in Vanderburgh and Posey counties in Indiana. HFHE is an affiliate of Habitat for Humanity International, Inc. (HFHI), a Christian not-for-profit organization that seeks to eliminate poverty housing from the world and to make decent shelter a matter of conscience and action. Although HFHI assists with information resources, training, publications, prayer support, and in other ways, HFHE is primarily and directly responsible for its own operations.

HFHE builds houses utilizing volunteer labor and donated materials, in addition to paid services and materials. The houses are sold to qualified homebuyers at no profit with non-interest-bearing mortgages. Prospective homeowners must have a need for housing, the ability to pay the mortgage, and are required to participate in the construction of homes.

Habitat for Humanity of Evansville ReStore LLC (ReStore) is an Indiana limited liability company formed in 2017 that is a wholly owned subsidiary of Habitat for Humanity of Evansville, Inc. ReStore operates a home improvement store in Evansville, Indiana that sells new and used home furnishings, building materials, and home improvement materials to the general public. Donations to the ReStore are made by contractors and other businesses, organizations, and individuals that have surplus or discontinued merchandise. The purpose of the ReStore is to raise funds to support HFHE programs.

#### Consolidated Financial Statements

The consolidated financial statements include the accounts of Habitat for Humanity of Evansville, Inc. and Habitat for Humanity of Evansville ReStore LLC. Such entities are collectively referred to as "Habitat" in the consolidated financial statements. All material inter-organization transactions have been eliminated.

#### Cash, Cash Equivalents, and Restricted Cash

Habitat considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to long-term purposes are excluded from this definition. Restricted cash represents cash received as a result of the New Market Tax Credit Program and will be used to pay future program expenses.



# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 1. **Organization and Summary of Significant Accounting Policies, Continued**

#### Houses Available for Sale and Land Held for Development

Houses available for sale represent the cost of homes that Habitat has received from a qualifying family due to foreclosure on the mortgage.

Land held for development is stated at cost and includes land under development, developed lots, and capitalized property taxes and other costs incurred for development. Donated land is recorded as a contribution at the estimated value at the date of receipt. If donors stipulate a time period during which the land must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of land are recorded as support without donor restrictions. Habitat received \$85,000 in donated land for the year ended June 30, 2021 and none in the year ended June 30, 2020.

Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable.

#### Construction In Process

Costs incurred in conjunction with home construction are capitalized as construction in process. Habitat does not generally write down the value of construction-in-process to estimated sales value, because any excess cost over sales value is a component of program services. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post-settlement costs are expensed as incurred.

#### Promises to Give

Unconditional promises to give are recognized as revenues in the period received, net of an allowance for uncollectible amounts. Management utilizes the allowance method of accounting for uncollectible promises to give, based on historical collection experience and current economic conditions. Promises to give are recorded at net realizable value. Promises to give expected to be collected in more than one year are discounted to the present value of future cash flows using a 2.86% discount rate.

#### Mortgages Receivable & Allowance

Mortgages arise in connection with Habitat's home building initiatives. They are non-interest-bearing, secured by the home sold, and payable in monthly installments over the life of the mortgage, which is usually 25 to 30 years. Mortgages are discounted based on prevailing market rates for low income housing at the inception of mortgages, as provided by Habitat for Humanity International, Inc., and range from 7.23% to 8.48%. Discounts are amortized using the straight-line method over the term of the mortgages.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 1. Organization and Summary of Significant Accounting Policies, Continued

#### Mortgages Receivable & Allowance, Continued

Management believes that losses resulting from non-payment of mortgages receivable, given its collateral value and discount, are not likely. Accordingly, Habitat has not recorded an allowance for mortgage notes receivable losses. Homeowners whose mortgages are more than 60 days past due, who have not made satisfactory payment arrangements, and who have not attended required counseling sessions, may be subject to foreclosure proceedings.

#### Investment in Joint Venture

Habitat invested in joint ventures to take advantage of New Market Tax Credit (NMTC) financing. Habitat's investment in joint ventures is accounted for on the cost basis method since the Organization does not have significant influence over the joint venture. Distributions received are reported as a return of the investment. Management has not identified any events or changes in circumstances that might have an adverse effect on value of the investment.

#### Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. If donors stipulate a time period during which the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Habitat received \$4,000 in donated equipment for the year ended June 30, 2021 and none in the year ended June 30, 2020.

#### Debt Issuance Costs

Unamortized costs related to the issuance of long-term debt are amortized to interest expense over the term of the debt using the straight-line method. The unamortized amount is presented in the consolidated statement of financial position as a reduction of the debt.

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. All contributions are considered available for Habitat's general programs unless specifically restricted by the donor.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 1. Organization and Summary of Significant Accounting Policies, Continued

#### Net Assets, Continued

*Net assets with donor restrictions:* Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

#### Reclassification

Certain items in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on total assets, liabilities or net assets.

#### Revenue Recognition

Homes are sold to buyers that meet Habitat's qualification guidelines. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Sales to homeowners in the statement of activities and changes in net assets are presented net of the applicable discount. Habitat recognizes the income from sales to homeowners when the title transfers to the homeowner upon closing.

ReStore revenue is recognized at the point of sale, net of discounts and expected returns. Historically, sales returns have not been significant. Sales taxes collected from customers are excluded from revenue. Revenue reported from the ReStores includes cash receipts plus the fair market value of donated goods sold, net of the cost of inventory sold.

Habitat recognizes special event revenue equal to the fair value of the direct benefits to donors and contribution revenue for the difference when the event takes place.

#### Contributions

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 1. Organization and Summary of Significant Accounting Policies, Continued

#### Contributions, Continued

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated materials consist primarily of construction materials and are recorded at fair value at the date of donation. Habitat recognized \$28,753 and \$64,585 in donated materials for the years ended June 30, 2021 and 2020, respectively.

Volunteers contribute significant amounts of time to Habitat's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Habitat records donated professional services at the respective fair values of the services received. Habitat recognized \$1,390 and \$8,916 in donated services for the years ended June 30, 2021 and 2020, respectively.

#### Advertising

Advertising costs are expensed as incurred.

#### Income Taxes

Habitat is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The income derived from ReStore sales is exempt from unrelated business income tax because substantially all sales consist of merchandise that Habitat received as contributions. Habitat believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

#### Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy costs, which are allocated on a square footage basis, and salaries and related costs, which are allocated on the basis of estimates of time and effort.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 1. Organization and Summary of Significant Accounting Policies, Continued

#### Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

#### New Accounting Pronouncement

Habitat adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended, during the year. Management believes the standard improves the usefulness and understandability of Habitat’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way Habitat recognizes revenue, and therefore no changes to the previously identified audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

### 2. Liquidity and Availability of Financial Assets

Financial assets available for general operating expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date were as follows at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,920,500	\$ 1,228,568
Certificates of deposit	1,260,686	1,455,994
Promises to give	-	10,640
Mortgages receivable	<u>737,544</u>	<u>722,784</u>
	<u>\$ 3,918,730</u>	<u>\$ 3,417,986</u>

Habitat’s goal is generally to maintain financial assets to meet at least 90 days of operating expenses. As part of its liquidity plan, Habitat invests cash in excess of daily requirements in short-term investments.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 3. Promises to Give

Promises to give consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 251,098	\$ 210,976
Receivable in one to five years	<u>125,761</u>	<u>125,000</u>
Total promises to give	376,859	335,976
Less discount to net present value	<u>(6,918)</u>	<u>(5,243)</u>
Promises to give, net	<u>\$ 369,941</u>	<u>\$ 330,733</u>

### 4. Mortgages Receivable

Mortgages receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mortgages receivable – current	\$ 737,544	\$ 722,784
Mortgages receivable – long-term	<u>10,652,079</u>	<u>10,563,684</u>
Total mortgages receivable	11,389,623	11,286,468
Less discount to net present value	<u>(6,240,944)</u>	<u>(6,195,904)</u>
Mortgages receivable, net	<u>\$ 5,148,679</u>	<u>\$ 5,090,564</u>

### 5. Investment in Joint Venture

In 2017, Habitat participated in a New Market Tax Credit (NMTC) program that provides tax credits over a seven year period to eligible investors for making a qualified low-income community investment. Program compliance requirements include creation of a promissory note and investment in a qualified community development entity (CDE). As a part of the NMTC, Habitat invested \$977,844 in a joint venture, HFHI NMTC Leverage Lender 2016-1, LLC, for a 10.5% ownership interest and secured a 30-year loan in the amount of \$1,450,557 payable to an affiliate of the joint venture (see Note 8). The loan proceeds are to be used solely for the purpose of constructing qualified homes to low-income residents. Remaining investment in the joint venture was \$942,012 and \$951,791 at June 30, 2021 and 2020, respectively.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 6. Beneficial Interest in Assets Held by Others and Fair Value

Habitat contributed donor-restricted funds to the Community Foundation Alliance (CFA) and specified itself as the beneficiary. CFA was granted variance power to modify any restriction or condition of the distribution of the funds for any specified charitable purposes or to specified organizations if such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community and area served. Income from these funds is distributed to Habitat for unrestricted purposes and the principal must remain intact for perpetuity. The historical cost of the beneficial interest was \$50,665 and \$48,315 at June 30, 2021 and 2020, respectively.

The fair value of the beneficial interest in assets held by others is measured on a recurring basis using the unadjusted fair value of the assets held in the fund as reported by CFA. Habitat considers the measurement to be a Level 3 input (based on significant unobservable inputs) because Habitat will never receive those assets or have the ability to direct CFA to redeem them.

The table below presents information about the fair value measurements of the beneficial interest in assets held by others for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 53,504	\$ 49,379
Contributions transferred to CFA	2,350	3,650
Total gains recognized in the change in net assets with donor restrictions	<u>12,612</u>	<u>475</u>
End of year	<u>\$ 68,466</u>	<u>\$ 53,504</u>

### 7. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 165,392	\$ 151,957
Vehicles	74,862	70,862
Leasehold improvements	<u>78,850</u>	<u>78,850</u>
	319,104	301,669
Accumulated depreciation	<u>(190,156)</u>	<u>(161,819)</u>
Property and equipment, net	<u>\$ 128,948</u>	<u>\$ 139,850</u>

## HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

#### 8. Long-Term Debt

Long term debt at June 30, 2021 and 2020 consisted of a \$1,450,557 note payable to HFHI NMTC Sub-CDE II, LLC, an affiliate of the joint venture discussed in Note 5, in conjunction with Habitat's participation in NMTC. This note requires interest only payments until November 2024 at 0.674252% and matures November 2047. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The loan has a put option exercisable in November 2024 that will enable the joint venture to become owner of the affiliate, which will effectively extinguish Habitat's ownership in the joint venture and the outstanding debt owed to the affiliate. Unamortized debt issuance costs were \$70,956 and \$73,651 at June 30, 2021 and 2020, respectively.

#### 9. PPP Loan

In April 2020, Habitat qualified for and received a \$145,762 loan pursuant to the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan had an interest of 1% per year, with the first six months of interest deferred, had a term of five years, and guaranteed by the U.S. Small Business Administration. The loan was subject to 100% forgiveness to the extent that the loan proceeds were used to pay permitted expenses. Since Habitat expected to meet the PPP's eligibility criteria for loan forgiveness, Habitat accounted for the loan under FASB ASC 958-605 as a conditional contribution and the loan proceeds were reported as a refundable advance at June 30, 2020. In January 2021, Habitat received full forgiveness on the loan and reported the loan as contribution revenue for the year ended June 30, 2021.

#### 10. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Subject to passage of time or specific purpose:		
Building of homes	\$ 369,941	\$ 320,093
Learning center	3,154	7,360
Net assets to be maintained in perpetuity:		
Beneficial interest in assets held by others	<u>68,466</u>	<u>53,504</u>
	<u>\$ 441,561</u>	<u>\$ 380,957</u>



# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 10. Net Assets with Donor Restrictions, Continued

Net assets released from restrictions were as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Building of homes	\$ 272,673	\$ 362,105
Learning center	<u>4,206</u>	<u>4,206</u>
	<u>\$ 276,879</u>	<u>\$ 366,311</u>

### 11. Leases

Habitat leases office and warehouse space under cancelable and noncancelable operating lease agreements which expire at various dates through March 2022. These leases generally contain renewal options for periods ranging from three to five years and require Habitat to pay all executory costs such as taxes, maintenance, and insurance. Total rent expense was \$134,400 and \$135,841 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under operating leases are \$31,267 as follows for the year ended June 30, 2022.

### 12. Retirement Plan

Habitat maintains a Simple IRA defined contribution plan covering substantially all of its employees. Habitat matches employee contributions up to 3% of eligible wages. Plan contributions were \$23,063 and \$15,042 for the years ended June 30, 2021 and 2020.

### 13. Transactions with Affiliate

Habitat remits a portion of its contributions to HFHI annually. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$51,300 and \$45,900 to HFHI for the years ended June 30, 2021 and 2020, respectively. In addition, Habitat paid HFHI \$7,500 for operational support for each of the years ended June 30, 2021 and 2020.

### 14. Contingencies

Habitat is a defendant in a legal action regarding their alleged involvement in a wrongful death claim arising from a motor vehicle accident. Habitat believes it has meritorious defenses and intends to vigorously contest any such claims or litigation. Habitat believes that resolution of this suit will not have a material adverse effect on its financial position.

# HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 15. Risks and Uncertainties

Financial instruments that potentially subject Habitat to credit risk consist principally of cash on deposit at financial institutions, promises to give, and mortgages receivable. Cash in banks may, at times, exceed federal deposit insurance limits. Habitat attempts to minimize this risk by using high-credit quality financial institutions. Promises to give, which represent unsecured support, are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary. Mortgages receivable are secured by the property purchased.

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale and created significant uncertainty across economies and financial markets. The extent of the impact of COVID-19 on Habitat's financial results will depend on future developments, including the duration and spread of the outbreak, and the related impact on consumer confidence and spending, all of which are highly uncertain.

### 16. Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments and a right-to-use asset representing its right to use the underlying asset for the lease term for all leases with a lease term of more than 12 months. The amendments of this ASU are effective for reporting periods beginning after December 15, 2021.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade and finance receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard is effective for the fiscal beginning after December 15, 2022.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for annual reporting periods beginning after June 15, 2021 and should be applied on a retrospective basis.

Management is currently assessing the impact the adoption of these ASUs will have on its consolidated financial statements.

**HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended June 30, 2021 and 2020

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**17. Subsequent Events**

Habitat has evaluated subsequent events through October 4, 2021, the date the consolidated financial statements were available to be issued.