HABITAT FOR HUMANITY OF EVANSVILLE, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

CONTENTS

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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Riney Hancock CPAs PSC

Evansville, Indiana
September 22, 2020

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HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,246,128	$ 609,419
Certificates of deposit	1,455,994	1,630,803
Promises to give, current	210,976	366,486
Houses available for sale	42,606	75,107
Construction in process	835,953	824,159
Land held for development	618,826	439,191
Mortgages receivable, net	722,784	696,936
Other current assets	97,625	62,177
Total current assets	5,230,892	4,704,278
Other assets:		
Cash restricted for joint venture expenses	41,325	51,007
Mortgages receivable, net	4,367,780	4,196,851
Investment in joint venture	951,791	961,571
Promises to give, net	119,757	252,153
Beneficial interest in assets held by others	53,504	49,379
Property and equipment, net	139,850	162,218
Total other assets	5,674,007	5,673,179
Total assets	$ 10,904,899	$ 10,377,457
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 20,029	$ 71,625
Accrued expenses	55,763	40,287
Deferred revenue	145,762	-
Other current liabilities	15,810	15,210
Total current liabilities	237,364	127,122
Long-term debt	1,376,906	1,374,211
Total liabilities	1,614,270	1,501,333
Net assets:		
Without Donor Restrictions	8,909,672	8,196,540
With Donor Restrictions	380,957	679,584
Total net assets	9,290,629	8,876,124
Total liabilities and net assets	$ 10,904,899	$ 10,377,457

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions and grants	$ 1,976,922	$ 67,209	$ 2,044,131	$ 1,682,486	$ 521,377	$ 2,203,863
Sales of homes	1,507,683	-	1,507,683	1,872,344	-	1,872,344
Mortgage discount amortization	492,622	-	492,622	544,733	-	544,733
ReStore income, net	422,177	-	422,177	469,006	-	469,006
Investment income	30,683	-	30,683	29,647	-	29,647
Other income	65,633	-	65,633	49,163	-	49,163
Change in beneficial interest in assets held by others	-	475	475	-	1,336	1,336
Net assets released from restrictions	366,311	(366,311)	-	256,815	(256,815)	-
Total revenue and other support	4,862,031	(298,627)	4,563,404	4,904,194	265,898	5,170,092
Expenses:						
Program services:						
Construction costs	2,149,900	-	2,149,900	2,639,841	-	2,639,841
Restore	351,678	-	351,678	391,966	-	391,966
Other program costs	1,217,394	-	1,217,394	1,417,083	-	1,417,083
	3,718,972	-	3,718,972	4,448,890	-	4,448,890
Supporting services:						
General and administrative	199,785	-	199,785	218,122	-	218,122
Fundraising	230,142	-	230,142	280,466	-	280,466
	429,927	-	429,927	498,588	-	498,588
Total expenses	4,148,899	-	4,148,899	4,947,478	-	4,947,478
Change in net assets	713,132	(298,627)	414,505	(43,284)	265,898	222,614
Net assets, beginning of year	8,196,540	679,584	8,876,124	8,239,824	413,686	8,653,510
Net assets, end of year	$ 8,909,672	$ 380,957	$ 9,290,629	$ 8,196,540	$ 679,584	$ 8,876,124

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2020 and 2019

2020

	Program Services				Supporting Services		
	Construction Costs	ReStore	Other	Total	General & Admin.	Fund-raising	Total
Cost of sales	$ 1,948,320	$ 14,517	$ -	$ 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
Bank charges	-	-	6,905	6,905	10,209	-	17,114
Depreciation	-	11,408	10,231	21,639	5,628	-	27,267
Insurance	-	10,747	5,884	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	-	-	13,172	13,172	23,895	-	37,067
Printing & postage	-	-	12,215	12,215	1,968	21,424	35,607
Professional fees	-	-	56,810	56,810	17,636	11,250.00	85,696
Rent	-	92,927	32,167	125,094	10,747	-	135,841
Repairs & maintenance	-	6,940	6,673	13,613	-	-	13,613
Special events	-	-	-	-	-	21,578	21,578
Supplies	-	-	10,473	10,473	-	1,665	12,138
Telephone & utilities	-	9,055	11,870	20,925	9,952	-	30,877
Tithe & contributions	-	-	53,400	53,400	-	-	53,400
Travel & education	-	5,503	4,267	9,770	14,272	1,711	25,753
Volunteer	-	-	5,561	5,561	7,119	-	12,680
	$ 2,149,900	$ 351,678	$ 1,217,394	$ 3,718,972	$ 199,785	$ 230,142	$ 4,148,899

2019

	Program Services				Supporting Services		
	Construction Costs	ReStore	Other	Total	General & Admin.	Fund-raising	Total
Cost of sales	$ 2,410,804	$ 20,788	$ -	$ 2,431,592	$ -	$ -	$ 2,431,592
Mortgage discount	-	-	1,005,731	1,005,731	-	-	1,005,731
Salaries & related costs	229,037	186,378	150,820	566,235	89,227	176,807	832,269
Advertising	-	25,593	-	25,593	-	4,511	30,104
Bank charges	-	-	9,133	9,133	10,334	-	19,467
Depreciation	-	6,608	10,216	16,824	5,485	-	22,309
Insurance	-	5,993	6,146	12,139	2,828	-	14,967
Interest	-	-	12,473	12,473	-	-	12,473
Miscellaneous	-	1,105	5,361	6,466	9,579	10,070	26,115
Office	-	-	10,960	10,960	23,764	-	34,724
Printing & postage	-	-	9,532	9,532	2,139	33,766	45,437
Professional fees	-	-	62,578	62,578	17,794	-	80,372
Rent	-	92,348	32,400	124,748	12,090	-	136,838
Repairs & maintenance	-	28,340	2,491	30,831	-	-	30,831
Special events	-	-	-	-	-	51,191	51,191
Supplies	-	-	7,849	7,849	-	2,202	10,051
Telephone & utilities	-	10,421	13,362	23,783	13,133	-	36,916
Tithe & contributions	-	-	66,900	66,900	-	-	66,900
Travel & education	-	14,392	5,619	20,011	22,847	1,919	44,777
Volunteer	-	-	5,512	5,512	8,902	-	14,414
	$ 2,639,841	$ 391,966	$ 1,417,083	$ 4,448,890	$ 218,122	$ 280,466	$ 4,947,478

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 414,505	$ 222,614
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation and amortization	29,962	25,002
Origination of mortgages	(1,426,786)	(1,799,192)
Mortgage discount	797,661	1,005,731
Mortgage discount amortization	(492,622)	(544,733)
Donated land	-	(55,000)
Change in beneficial interest in assets held by others	(475)	(1,336)
Decrease (increase) in assets:		
Houses available for sale	32,501	63,131
Construction in process	(11,794)	(64,711)
Land held for development	(179,635)	14,974
Promises to give	287,906	(260,278)
Other current assets	(35,448)	73,097
Increase (decrease) in liabilities:		
Accounts payable	(51,596)	(5,000)
Accrued expenses	15,476	(1,222)
Deferred revenue	145,762	-
Other current liabilities	600	5,080
Net cash from (used for) operating activities	(473,983)	(1,321,843)
Cash flows from investing activities:		
Principal collected on mortgages	924,970	924,996
Purchases of property and equipment	(4,899)	(49,803)
Net sales (purchases) of certificates of deposit	174,809	(25,382)
Distribution from joint venture investment	9,780	9,780
Transfer to beneficial interest in assets held by others	(3,650)	(8,490)
Net cash from (used for) investing activities	1,101,010	851,101
Net change in cash, cash equivalents, and restricted cash	627,027	(470,742)
Cash, cash equivalents, and restricted cash:		
Beginning of year	660,426	1,131,168
End of year	$ 1,287,453	$ 660,426
Supplemental disclosure of cash flow information:		
Interest paid	$ 9,780	$ 9,780

See Notes to Consolidated Financial Statements.

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.

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.

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. 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 7.38% to 8.48%. Discounts are amortized using the straight-line method over the term of the mortgages.

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. 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 $55,000 of donated property for the year ended June 30, 2019 and none for 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:

1. Organization and Summary of Significant Accounting Policies, Continued

Net Assets, Continued

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.

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.

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.

Revenue and Revenue Recognition

Revenue from the sale of homes is recognized when a closing occurs. A closing occurs when title, possession, and risk transfer to the homebuyer, and Habitat is not obligated to perform significant activities after the sale.

ReStore revenue is recognized at the point of sale, net of discounts. Historically, sales returns have not been significant.

The State of Indiana imposes a sales tax of 7% on ReStore's sales to nonexempt customers. Habitat's accounting policy is to exclude the tax collected and remitted to the State from revenue and expenses.

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.

1. Organization and Summary of Significant Accounting Policies, Continued

Donated Materials and Services

Donated materials consist primarily of construction materials and are recorded at fair value at the date of donation. Habitat recognized $64,585 and $84,784 in donated materials for the years ended June 30, 2020 and 2019, 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 $8,916 and $21,704 in donated services for the years ended June 30, 2020 and 2019, 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. 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.

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.

1. Organization and Summary of Significant Accounting Policies, Continued

New Accounting Pronouncement

During the year, the Habitat adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction. If no commensurate value is received by the grant maker, the transfer is a contribution. There was no material impact to the financial statements as a result of the adoption.

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:

	2020	2019
Cash and cash equivalents	$ 1,228,568	$ 597,853
Certificates of deposit	1,455,994	1,630,803
Promises to give	10,640	123,717
Mortgages receivable	722,784	696,936
	$ 3,417,986	$ 3,049,309

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

3. Promises to Give

Promises to give consisted of the following at June 30:

	2020	2019
Receivable in less than one year	$ 210,976	$ 366,486
Receivable in one to five years	125,000	266,848
Total promises to give	335,976	633,334
Less discount to net present value	(5,243)	(14,695)
Promises to give, net	$ 330,733	$ 618,639

4. Mortgages Receivable

Mortgages receivable consisted of the following at June 30:

	2020	2019
Mortgages receivable – current	$ 722,784	$ 696,936
Mortgages receivable – long-term	10,563,684	10,087,717
Total mortgages receivable	11,286,468	10,784,653
Less discount to net present value	(6,195,904)	(5,890,866)
Mortgages receivable, net	$ 5,090,564	$ 4,893,787

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 $951,791 and $961,571 at June 30, 2020 and 2019, respectively.

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 $48,315 and $44,665 at June 30, 2020 and 2019, 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:

	2020	2019
Beginning of year	$ 49,379	$ 39,553
Transfer of assets to community foundation	3,650	8,490
Total gains recognized in the change in net assets with donor restrictions	475	1,336
End of year	$ 53,504	$ 49,379

7. Property and Equipment

Property and equipment consisted of the following at June 30:

	2020	2019
Equipment	$ 151,957	$ 147,058
Vehicles	70,862	70,862
Leasehold improvements	78,850	78,850
	301,669	296,770
Accumulated depreciation	(161,819)	(134,552)
Property and equipment, net	$ 139,850	$ 162,218

8. Long-Term Debt

Long term debt at June 30, 2020 and 2019 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 $73,651 and $76,346 at June 30, 2020 and 2019, respectively.

9. Deferred Revenue

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 bears interest at 1% per year, with the first six months of interest deferred, has a term of five years, is unsecured, and guaranteed by the U.S. Small Business Administration. The loan is subject to 100% forgiveness to the extent that the loan proceeds are used to pay permitted expenses, including certain payroll costs, rent, and utility payments. Since Habitat expects to meet the PPP's eligibility criteria for loan forgiveness, Habitat has accounted for the loan under FASB ASC 958-605 as a conditional contribution and the loan proceeds have been reported as a refundable advance at June 30, 2020.

10. Net Assets with Donor Restrictions

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

	2020	2019
Subject to passage of time	$ -	$ 125,870
Subject to passage of time and specific purpose:		
Building of homes	320,093	492,769
Subject to specific purpose:		
Learning center	7,360	11,566
Net assets to be maintained in perpetuity:		
Beneficial interest in assets held by others	53,504	49,379
	$ 380,957	$ 679,584

10. Net Assets with Donor Restrictions, Continued

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

	2020	2019
Passage of time	$ 362,105	$ 252,609
Satisfaction of program restrictions:		
Learning center	4,206	4,206
	$ 366,311	$ 256,815

11. Leases

Habitat leases office and warehouse space under 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 $135,841 and $136,838 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows for the years ended June 30:

2021	61,285
2022	31,267
	$ 92,552

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 $15,042 and $16,697 for the years ended June 30, 2020 and 2019.

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 $45,900 and $59,400 to HFHI for the years ended June 30, 2020 and 2019, respectively. In addition, Habitat paid HFHI $7,500 for operational support for each of the years ended June 30, 2020 and 2019.

14. 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, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The extent of the impact of COVID-19 on Habitat's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which Habitat operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

15. 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.

16. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The amendments of this ASU will be effective for annual reporting periods beginning after December 15, 2019.

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 recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. The amendments of this ASU are effective for reporting periods beginning after December 15, 2020, with early adoption permitted.

16. Recently Issued Accounting Pronouncements, Continued

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

17. Subsequent Events

The Organization has evaluated subsequent events through September 22, 2020, the date the consolidated financial statements were available to be issued.