HABITAT FOR HUMANITY OF BROWARD, INC.

Financial Statements
and
Independent Auditor's Report

For the Year Ended June 30, 2021
(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

Habitat for Humanity of Broward, Inc.

Contents

Independent Auditor's Report

The Board of Directors
Habitat for Humanity of Broward, Inc.
Fort Lauderdale, Florida

We have audited the accompanying financial statements of Habitat for Humanity of Broward, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Broward, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Broward, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hancock Askew & Co., LLP

Coral Gables, Florida
October 26, 2021

Habitat for Humanity of Broward, Inc.

Statements of Financial Position

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

June 30,		**2021**		2020
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**11,114,829**	$	5,859,975
Restricted cash		**35,203**		40,578
Receivables				
Mortgages receivable, net		**1,317,735**		1,276,313
Contributions receivable, net		**1,159,845**		1,527,396
Prepaids and other current assets		**457,295**		889,675
Total current assets		**14,084,907**		9,593,937
Property and equipment, net		**1,537,097**		1,588,059
Other assets				
Receivables				
Mortgages receivable, net		**10,948,675**		10,435,558
Contributions receivable, net		**193,705**		503,041
Single family homes under construction		**4,407,552**		5,844,865
Investment in joint venture		**4,191,733**		4,191,733
Total other assets		**19,741,665**		20,975,197
Total assets	**$**	**35,363,669**	$	32,157,193
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	**$**	**275,285**	$	253,209
Other liabilities		**35,203**		40,578
Total current liabilities		**310,488**		293,787
Long-term debt				
Note payable - HFHI NMTC Sub-CDE III, LLC, net		**5,540,461**		5,486,065
Total liabilities		**5,850,949**		5,779,852
Net assets				
Without donor restriction		**26,481,353**		23,645,723
With donor restriction		**3,031,367**		2,731,618
Total net assets		**29,512,720**		26,377,341
Total liabilities and net assets	**$**	**35,363,669**	$	32,157,193

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity of Broward, Inc.

Statements of Activities and Changes in Net Assets

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

For the years ended June 30,							**2021**		2020
		Without Donor Restriction		**With Donor Restriction**		**Total**			Comparative Totals
Public support and revenue									
Home sales	**$**	**3,173,550**	**$**	**-**	**$**	**3,173,550**		$	2,025,554
Contributions and grants		**1,771,537**		**1,544,594**		**3,316,131**			3,933,827
Sales - ReStore		**2,079,377**		**-**		**2,079,377**			1,820,585
Interest income		**1,692,153**		**-**		**1,692,153**			1,049,645
Donated goods and services		**258,376**		**-**		**258,376**			240,767
Program revenue		**29,557**		**-**		**29,557**			-
Other		**29,708**		**-**		**29,708**			34,531
Special events revenue, net of costs of direct benefits to donors of $0 and $20,980, respectively		**486,782**		**-**		**486,782**			230,608
Late-fee income		**9,960**		**-**		**9,960**			13,953
Rent income		**25,810**		**-**		**25,810**			15,975
Total public support and revenue		**9,556,810**		**1,544,594**		**11,101,404**			9,365,445
Net assets released from restriction due to completion of purpose restrictions and expiration of time restriction		**1,244,845**		**(1,244,845)**		**-**			-
Expenses									
Program services		**6,872,523**		**-**		**6,872,523**			7,195,782
Supporting services									
Management and general		**383,159**		**-**		**383,159**			393,368
Development, public relations, & fund-raising		**710,343**		**-**		**710,343**			642,837
Total expenses		**7,966,025**		**-**		**7,966,025**			8,231,987
Changes in net assets		**2,835,630**		**299,749**		**3,135,379**			1,133,458
Net assets - beginning of year		**23,645,723**		**2,731,618**		**26,377,341**			25,243,883
Net assets - end of year	**$**	**26,481,353**	**$**	**3,031,367**	**$**	**29,512,720**		$	26,377,341

The accompanying notes are an integral part of these financial statements.

Statements of Functional Expenses

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

For the years ended June 30, 2021 and 2020

	Program Services				Supporting Services				
	Home Constructions	ReStore	Family Services and Others	Total Program Services	Management and General	Development, Public Relations, & Fund-Raising	Total Supporting Services	Total 2021	Comparative Totals 2020
Salaries and wages	$ 545,265	$ 558,045	$ 310,546	$ 1,413,856	$ 144,511	$ 451,194	$ 595,705	$ 2,009,561	$ 1,881,321
Payroll taxes	42,698	43,698	24,317	110,713	11,316	35,331	46,647	157,360	138,485
Benefits	67,524	69,106	38,457	175,087	17,896	55,874	73,770	248,857	290,341
Cost of homes sold	3,930,371	-	-	3,930,371	-	-	-	3,930,371	4,510,192
Affiliate dues & tithing	47,000	-	-	47,000	-	-	-	47,000	55,362
Home repairs	32,273	-	-	32,273	-	-	-	32,273	11,514
Property taxes	-	4,017	-	4,017	-	-	-	4,017	8,134
Cost of purchased ReStore inventory sold	-	141,206	-	141,206	-	-	-	141,206	81,228
Homeowner mortgage / escrow relief	-	-	95,268	95,268	-	-	-	95,268	-
Contract labor	5,627	11,592	-	17,219	-	-	-	17,219	14,140
Telephone & utilities	10,357	95,118	2,014	107,489	17,647	634	18,281	125,770	126,826
Vehicle and machinery expenses	12,448	67,912	-	80,360	-	-	-	80,360	64,882
Insurance	57,888	60,801	9,335	128,024	16,405	9,175	25,580	153,604	117,991
Professional fees	7,103	8,605	110,584	126,292	64,188	10,036	74,224	200,516	176,839
Bank and credit card fees	188	25,116	199	25,503	2,636	5,392	8,028	33,531	29,435
Rent	28,267	-	14,775	43,042	6,424	21,628	28,052	71,094	73,545
Repairs and maintenance	414	27,166	-	27,580	8,270	-	8,270	35,850	40,024
Office supplies & expenses	2,384	12,501	1,022	15,907	7,428	1,231	8,659	24,566	30,266
Office equipment & software	85	9,052	3,553	12,690	22,711	6,069	28,780	41,470	71,073
Advertising	-	113,815	9,375	123,190	21,613	80,961	102,574	225,764	167,406
Bad debt expense	-	-	17,500	17,500	6,777	-	6,777	24,277	20,360
Interest expense	54,404	-	-	54,404	-	-	-	54,404	54,396
Other	3,863	15,099	38,406	57,368	32,969	32,818	65,787	123,155	165,836
Depreciation expense	13,043	73,121	-	86,164	2,368	-	2,368	88,532	102,391
Total expenses	$ 4,861,202	$ 1,335,970	$ 675,351	$ 6,872,523	$ 383,159	$ 710,343	$ 1,093,502	$ 7,966,025	$ 8,231,987

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity of Broward, Inc.

Statements of Cash Flows

(With Summarized Comparative Financial Information for the Year Ended June 30, 2020)

For the years ended June 30,		**2021**		2020
Cash flows from operating activities				
Change in net assets	**$**	**3,135,379**	$	1,133,458
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation expense		**88,532**		102,391
Bad debt expense		**24,277**		20,360
Non-cash contributions		**(136,241)**		(179,767)
Imputed interest on non-interest bearing notes		**(1,692,153)**		(1,049,645)
Discount of mortgages on new home sales		**2,304,043**		2,819,094
Amortization of debt issuance costs included in interest expense		**54,396**		54,396
(Increase) decrease in assets				
Mortgages receivable, net		**(1,166,429)**		(3,106,678)
Contributions receivable, net		**652,610**		(978,259)
Single family homes		**1,573,554**		1,449,340
Other assets		**432,380**		(741,094)
(Decrease) increase in liabilities				
Accounts payable and accrued expenses		**22,076**		71,805
Other liabilities		**(5,375)**		(106,376)
Net cash provided by (used in) operating activities		**5,287,049**		(510,975)
Cash flows from investing activities				
Purchase of property and equipment		**(37,570)**		(25,770)
Net cash used in investing activities		**(37,570)**		(25,770)
Net increase (decrease) in cash, cash equivalents, and restricted cash		**5,249,479**		(536,745)
Cash, cash equivalents, and restricted cash, beginning of year		**5,900,553**		6,437,298
Cash, cash equivalents, and restricted cash, end of year	**$**	**11,150,032**	$	5,900,553

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Habitat for Humanity of Broward, Inc. (the Organization) was incorporated in June of 1983 and is an affiliate of Habitat for Humanity International, Inc., (HFHI). HFHI and its affiliates (collectively, Habitat) are tax-exempt, not-for-profit ecumenical ministries whose mission is to provide low-income families with decent, affordable housing.

In fulfilling its mission, the Organization builds single family homes in Broward County, Florida, sells them to low-income families (homeowners) and holds non-interest bearing mortgage receivables with payments commensurate with the family's ability to pay. The Organization also provides prospective homeowners in its program with counseling and training to prepare them for home ownership and its responsibilities. Homeowners are required to pledge a minimum of four hundred hours of service to the building of their home or the homes of other Habitat homeowners.

The Organization receives support from the local community by enlisting volunteer labor when practical and soliciting donations of land, building materials, and cash necessary in its building efforts. These donations and the cash from the collection of mortgages receivable are used to continue building houses for those in need.

The Organization operates a resale store (ReStore) as a supporting service to raise funds. The resale store primarily sells construction related materials and household furnishings and receives a majority of its merchandise from donations.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's Board may designate assets without restrictions for specific operational purposes from time to time. In addition, net assets whose donor restrictions are met in the same reporting period are also considered to be net assets without donor restrictions. As of June 30, 2021 and 2020, the Organization had $26,481,353 and $23,645,723, respectively, in net assets without donor restrictions.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2021 and 2020, the Organization had $3,031,367 and $2,731,618, respectively, in net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

All highly liquid cash investments with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash

Restricted cash represents deposits made by future homeowners for the purchase of homes and escrow payments made by current homeowners for property taxes and insurance (see Note 2).

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents (deposit and money market accounts) and mortgages. The Organization maintains cash and cash equivalents in what it believes to be high quality financial institutions, which it believes limits its risk. As of June 30, 2021 and 2020, the Organization had approximately $9,989,000 and $4,840,000, respectively, of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation (FDIC). Mortgages receivable are secured by real property.

Mortgages Receivable

The Organization's mortgages consist of amounts due from homeowners. The Organization performs extensive credit and work history evaluations before the sale of a home. The Organization also has a perfected security interest in all homes they sell. Mortgage receivable balances are stated net of discount and if applicable, net of an allowance for uncollectible amounts based on management's judgment and analysis of the credit-worthiness of the homeowners, past payment experience, and other relevant factors. As of June 30, 2021 and 2020, management determined that no allowance for mortgage receivables was necessary.

Contributions and Contributions Receivable

Contributions received with no restrictions or specified uses identified by the donor are included in net assets without donor restriction revenue in the statements of activities and changes in net assets when received. Contributions received with donor stipulations that limit the use of donated assets are reported as net assets with donor restriction revenue in the statements of activities and changes in net assets when received.

When donor restrictions expire or are fulfilled by actions of the Organization, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received, are reflected as revenue without donor restrictions in the accompanying statements of activities and changes in net assets.

Contributions receivable that are expected to be collected in future years, are recorded at their fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made (3.25% as of June 30, 2021 and 2020, respectively). The discount rates used reflect the assumptions about market risks that are not otherwise considered in the cash flows.

1. Summary of Significant Accounting Policies (cont.)

Donated Goods and Services

Donated services (in-kind donations) are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 958, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers have made contributions of their time by providing construction, administrative and fund-raising services to the Organization, the value of these amounts are not recorded because they don't require specialized skills. Donations of construction materials are received and used in the construction of homes. U.S. GAAP requires contributions (including donated materials) to be recorded at fair value at the date of receipt. During the year ended June 30, 2021, the Organization recognized in-kind donations for advertising, construction materials, food and beverage, and rent of approximately $69,000, $136,000, $3,000, and $50,000, respectively. During the year ended June 30, 2020, the Organization recognized in-kind donations for advertising, construction materials, and rent of approximately $8,000, $180,000, and $53,000, respectively.

Property and Equipment

Property and equipment are capitalized when the cost is in excess of $500 and with a useful life over one year. Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease.

The estimated useful lives of each asset group are as follows:

Asset Group	Years
Buildings	50
Leasehold improvements	10
Office furniture and equipment	3
Computer equipment and software	3
Automobiles	5

Single Family Homes Under Construction

Vacant land and construction in progress are stated at cost and include direct and indirect costs of housing construction, property taxes, and overhead incurred during the development period. Donated land and construction materials are required to be recorded at fair value at the time received. Land and offsite development costs associated with homes under construction are also included in construction in progress. Vacant land and construction in progress are evaluated for impairment if impairment indicators are present. U.S. GAAP requires vacant land and construction in progress to be recorded at the lower of its carrying amount or fair value. Since the purpose and mission of the Organization is to build affordable housing for low-income families, the Organization does not generally write down the value of construction in progress to estimated sales value, because any excess cost over sales value is a component of program services.

1. Summary of Significant Accounting Policies (cont.)

Investment in Joint Venture

The Organization recorded its investment in HFHI NMTC Leverage Lender 2018-1, LLC on the cost basis method since the Organization does not have significant influence over the joint venture as the operating agreement executed by the investors restricts individual investors' rights as members (see Note 7). Accordingly, the investment is recorded at transaction cost and distributions received from the investment are reported as revenue on the statements of activities and changes in net assets.

Revenue Recognition

The Organization accounts for revenue from contracts with customers under a single five-step model under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Organization's main revenue streams accounted for as exchange transactions derive from home sales and ReStore sales.

The Organization generates revenue through the sales of homes to program participants and financing the sale through a mortgage agreement with 0% interest. The Organization has identified two performance obligations associated with the sales of homes: 1) to transfer the title of the home to the homeowner, and 2) to finance the purchase price of the home. The transaction price for the property is identified and stated on the closing agreement and is consistent with the gross amount of revenue recorded at the time of an executed closing agreement. With respect to home sales, the Organization is the principal in the arrangement as the Organization maintains control of the property up until the time at which the property is sold to the homeowner. As the mortgages are at 0% interest, the Organization imputes interest on the mortgage by discounting the transaction price to present value based on a discount rate set by HFHI at the end of each fiscal year. The present value of the transaction price is allocated to the first performance obligation, with development costs of homes included as construction hard costs. The imputed interest or "discount" is allocated to the second performance obligation.

Revenue allocated to the first performance obligation is recorded at the point in time when control of the property transfers. This is the point in time at which the Organization has satisfied its first performance obligation to transfer control of the property to the homeowner as evidenced by an executed closing statement. Revenue allocated to the second performance obligation is recognized over the mortgage term as payments are collected. Contract liabilities relate mainly to homeowner deposits in escrow.

Revenue related to the ReStore sales is recognized at the time of sale. The income derived from ReStore sales are exempt from unrelated business income tax because substantially all sales consist of merchandise that the Organization received as gifts or contributions.

The Organization also recognizes revenue through both unconditional and conditional contributions and grants. Unconditional contributions are recognized when received, while a conditional contribution is recognized upon satisfaction of the donor's condition or when the grant funds have been expended in accordance with the provisions of the respective agreements. Management has determined that contributions and grants are non-reciprocal transactions and therefore fall under the scope of ASU 2018-08, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

1. Summary of Significant Accounting Policies (cont.)

Revenue Recognition (cont.)

The Organization generates revenue from special events. ASU 2018-08 notes that the exchange of assets or performance of services in exchange for assets of substantially lower value may be deemed to be a partial contribution. Such contribution would be measured at the difference between the fair value of the products provided or services performed, and the consideration received. Management concludes that the benefit to donors related to special events is immaterial in comparison to the consideration received from the donor as typically all that is received are insignificant amounts of food and beverages during the events. As such, consideration received through the conducting of special events is considered a contribution transaction.

The Organization's other revenue streams include interest income, rent income, late-fee income, and other income which are not included within the scope of ASC 606.

Home Sales

Homes are sold to qualified buyers and the mortgage terms are based on the amount the purchaser is able to pay. Consideration received is mortgages receivable which are non-interest bearing. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at 7.23% and 7.38% for the years ended June 30, 2021 and 2020, respectively, based upon prevailing market rates for low-income housing at inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages with rates ranging from 7.23% to 9.00% and is recorded as interest income in the accompanying statements of activities and changes in net assets. During the years ended June 30, 2021 and 2020, 20 homes and 19 homes, respectively, were sold.

Sales - ReStore

Revenue related to the ReStore sales are recognized at the time of the sale. The value for the purchased inventory of the ReStore is included in other assets within the statements of financial position. Habitat ReStore inventory includes donated and purchased household building materials, appliances, and furniture that are sold at the Habitat ReStore. Donated merchandise is recorded at fair market value where objectively measurable. Purchased merchandise is recorded at lower of cost or market, with cost being determined by the first-in, first-out method. As of June 30, 2021 and 2020, the Organization had $41,226 and $24,474, respectively, of purchased inventory and is included within prepaids and other current assets in the accompanying statements of financial position.

Land Lease

The Organization entered into a 99-year land lease agreement during December 2015, to maintain the common area land of the Hallandale Beach Townhome community, consisting of approximately 16 homes. The Organization is responsible for all operating expenses on the common area land. During the year ended June 30, 2021, the Organization recognized $14,595 of land lease income and $26,114 of land lease expenses. During the year ended, June 30, 2020, the Organization recognized $13,675 of land lease income and $25,826 of land lease expenses. These amounts are included in rent income and program services expense, respectively, in the accompanying statements of activities and changes in net assets.

1. Summary of Significant Accounting Policies (cont.)

Development and Public Relations Activities

The Organization's financial statements are presented in accordance with FASB ASC 958, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising*. ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Directly identifiable development and public relations activities expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Functional Allocation of Expenses

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the time spent.

Income Taxes

The Organization received a determination (via HFHI) from the Internal Revenue Service (IRS) indicating that it is exempt from Federal income tax on all income except unrelated business income under Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes has been recorded in the accompanying financial statements. For the years ended June 30, 2021 and 2020, the Organization had no unrelated business income tax resulting from unrelated business income.

The Organization accounts for uncertainty in income taxes in accordance with U.S. GAAP, which requires recognition in the accompanying financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its financial position, activities or cash flows were required.

The Organization did not record any interest or penalties on uncertain tax positions in the statements of financial position as of June 30, 2021 and 2020, or the statements of activities and changes in net assets for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization is generally no longer subject to examination by the IRS for years before 2018.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2021 and 2020 amounted to $225,764 and $167,406, respectively, and is included in the accompanying statements of functional expenses.

2. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

	2021	2020
Cash and cash equivalents	**$ 11,114,829**	$ 5,859,975
Restricted cash	**35,203**	40,578
Total cash, cash equivalents, and restricted cash	**$ 11,150,032**	$ 5,900,553

3. Mortgages Receivable, Net

A home is considered sold when a formal closing transaction has been finalized. At that time, a first non-interest bearing mortgage is given to the homeowner based on the amount the homeowner is able to pay. The Organization records the revenue for the sale at the amount equal to the first mortgage net of imputed interest. If the fair value of the property is greater than the first mortgage, the Organization obtains a second mortgage for the difference of the sales price and the fair value. The second mortgage is to protect the value of the collateral and is not recorded in the books and records of the Organization. At the time the first mortgage is paid in full, the Organization cancels the second mortgage. As of June 30, 2021, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

For the year ending June 30,	Amount
2022	$ 1,317,735
2023	1,279,349
2024	1,246,635
2025	1,216,941
2026	1,154,755
Thereafter	19,910,076
	26,125,491
Less unamortized discount	(13,859,081)
Mortgage receivable, net	$ 12,266,410

4. Contributions Receivable, net

Contributions receivable, net, consists of the following as of June 30, 2021 and 2020:

	2021	2020
Due in less than one year	$ 1,174,845	$ 1,542,396
Due in one to three years	200,000	520,000
Less: allowance for doubtful accounts	(15,000)	(15,000)
Less: unamortized discount on pledges	(6,295)	(16,959)
Contributions receivable, net	$ 1,353,550	$ 2,030,437

5. Property and Equipment, net

Property and equipment, net, consists of the following as of June 30, 2021 and 2020:

	2021	2020
Land, building, and improvements	$ 2,632,573	$ 2,596,982
Vehicles	145,665	145,665
Construction equipment	46,621	46,621
Computer equipment and software	35,655	33,675
Office furniture and equipment	22,624	22,624
	2,883,138	2,845,567
Less: accumulated depreciation	(1,346,041)	(1,257,508)
Property and equipment, net	$ 1,537,097	$ 1,588,059

Depreciation expense was $88,532 and $102,391, respectively, for the years ended June 30, 2021 and 2020.

6. Single Family Homes Under Construction

Single family homes under construction at June 30, 2021 and 2020 consist of the following:

	2021	2020
Construction in progress	$ 2,876,192	$ 4,336,217
Land	1,531,360	1,508,648
Total	$ 4,407,552	$ 5,844,865

6. Single Family Homes Under Construction (cont.)

Potential homeowners must meet certain requirements before they can close on a home. If the home is completed before these requirements are met, then the family is allowed to rent the home while working to meet the requirements. Rent income from unsold homes for the years ended June 30, 2021 and 2020 was $11,217 and $2,300, respectively, and is included within rent income in the accompanying statements of activities and changes in net assets. Before closing on a home, potential homeowners must prepay a certain amount of closing costs. At June 30, 2021 and 2020, these prepayments were $25,350 and $30,725, respectively, and are included within other liabilities in the accompanying statements of financial position.

7. New Market Tax Credits and Associated Joint Venture

On August 22, 2018, the Organization closed on a transaction to participate in a New Market Tax Credit (NMTC) program. The program provides funds to eligible organizations for investment in "qualified low-income community investment". The Organization invested, along with other similar Habitat affiliates, in a joint venture (HFHI NMTC Leverage Lender 2018-1, LLC) with a 27.75% ownership to take advantage of the NMTC financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. As a result, the Organization invested $4,191,733 in the joint venture and secured a 30-year loan in the amount of $6,022,743 (see Note 8), payable to a community development entity (an affiliate of the joint venture). The net proceeds less fees are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

Program compliance requirements include creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period. A portion of the Leverage Lender proceeds are used to pre-fund the joint expenses account. The joint expenses will be used during the seven-year compliance period to pay for the expenses of the affiliates and the CDE associated with the reporting obligations required in this transaction. These expenses are administered by the CDE and any unused amounts will be returned to the affiliates at the end of the compliance period.

8. Note Payable - HFHI NMTC Sub-CDE III, LLC, Net

Note payable due to HFHI NMTC Sub-CDE III, LLC is a result of the NMTC financing (see Note 7). The note is a 30-year loan in the amount of $6,022,743. The Organization had unamortized debt issuance costs of $482,282 and $536,678, respectively, as of June 30, 2021 and 2020. Unamortized debt issuance costs are netted against the principal outstanding on the note payable as presented on the statements of financial position. Amortization of debt issuance costs are recorded as interest expense. The note accrues interest for 7 years at a rate of .6941%, on an annual basis commencing on November 5, 2018. Commencing on August 23, 2025, the principal balance of the loan is reduced by a 23-year amortization at the same rate of .6941%. The loan matures on August 22, 2048 and is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The note has a put option feature that is exercisable after August 22, 2025. This put option is expected to be exercised and this exercise of the put option will effectively allow the Organization to extinguish its outstanding debt.

Pursuant to the agreement, the Organization is required to comply with the NMTC requirements as generally set forth in the Internal Revenue Code (IRC) Section 45D, including that the Organization maintain a separate business activity such that the separate business activity will qualify as a qualified active low-income community business as defined in IRC Section 45D.

8. Note Payable - HFHI NMTC Sub-CDE III, LLC, Net (net)

In accordance with the agreement, the Organization is required to maintain a separate affiliate expense reserve, which is used to fund guaranteed obligations and the servicing fee to HFHI. The initial required funding under the agreement as it relates to the Organization was $636,404.

9. Contributions and Grants

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2021 consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Contributions			
Faith community	$ 49,659	$ 4,739	$ 54,398
Commerce and industry	440,509	1,095,225	1,551,472
Foundations and other charitable organizations	326,666	112,745	423,673
Individuals	287,313	192,450	479,763
Paycheck Protection Program	427,325	-	427,325
Total contributions	1,531,472	1,405,159	2,936,631
Grants			
Commerce and industry	30,065	97,435	127,500
Foundations and other charitable organizations	210,000	42,000	252,000
Total grants	240,065	139,435	379,500
Total contributions and grants	$ 1,771,537	$ 1,544,594	$ 3,316,131

9. Contributions and Grants (cont.)

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2020 consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Contributions			
Faith community	$ 50,450	$ 20,000	$ 70,450
Commerce and industry	291,505	461,378	752,883
Foundations and other charitable organizations	242,818	1,704,413	1,947,231
Individuals	355,235	74,870	430,105
Paycheck Protection Program	427,300	-	427,300
Total contributions	1,367,308	2,260,661	3,627,969
Grants			
Commerce and industry	38,895	77,963	116,858
Foundations and other charitable organizations	109,000	80,000	189,000
Total grants	147,895	157,963	305,858
Total contributions and grants	$ 1,515,203	$ 2,418,624	$ 3,933,827

10. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of funds restricted for the construction of specific homes or that are time restricted to future periods and are included in cash and cash equivalents and contributions receivable on the statements of financial position as of June 30, 2021 and 2020. Net assets with donor restrictions are available with the following restrictions as of June 30, 2021 and 2020:

	2021	2020
Home sponsorships received – purpose and time restriction	**$ 200,000**	$ 797,581
Contributions receivable, net – time restriction	**-**	20,000
Other contributions received – purpose restrictions	**2,831,367**	1,914,037
Total net assets with donor restrictions	**$ 3,031,367**	$ 2,731,618

11. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$	**7,883,462**
Current portion of mortgages receivable, net		**1,317,735**
Current portion of contributions receivable, net		**435,276**
Other current assets		**241,813**
Total	$	**9,878,286**

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

12. Transactions with Affiliated Organization

During the years ended June 30, 2021 and 2020, the Organization contributed $47,000 and $55,362, respectively, to HFHI. These contributions are included within affiliate dues and tithing within the accompanying statements of functional expenses. These funds are used to construct homes in economically depressed areas around the world. As of June 30, 2021 and 2020, $1,676 and $25,163, respectively, was included in accounts payable and accrued expenses as due to Habitat affiliates.

13. Mortgage Servicing Agreement

On June 1, 2019, the Organization transferred its mortgage servicing activities to Affiliate Mortgage Services, a third-party mortgage service provider. This agreement allows Affiliate Mortgage Services to collect all payments due under the terms of the mortgage loans and keep a complete, accurate and separate accounting of all sums collected by it from mortgagors. The agreement also provides that Affiliate Mortgage Services will act as the escrow agent for homeowners who have obtained mortgages through the purchase of a home from the Organization.

The agreement states that Affiliate Mortgage Services will initially fund the loan and prepare all loan origination documents. After closing, the loan proceeds are temporarily transferred to the Organization and remitted back once the mortgage loan is established. As of June 30, 2021 and 2020, the Organization has no liability in accounts payable and accrued expenses to be transferred to Affiliate Mortgage Services.

14. Revenue from Contracts with Customers

Disaggregation of Revenues

The Organization has disaggregated revenue into various categories in the accompanying statements of activities which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

14. Revenue from Contracts with Customers (cont.)

Contract Balances

The timing of revenue recognition, billings and cash collections results in mortgages receivable from homeowners, net, unamortized discount on mortgages receivable, and homeowners' deposits in escrow on the statements of financial position. Mortgages receivable from homeowners are recorded at the time revenue is recognized, while cash collections occur after revenue recognition. Generally, billing and cash collections associated with homeowners' deposits in escrow occur before revenue recognition. These deposits are liquidated when revenue is recognized.

The beginning and ending contract balances were as follows:

June 30,	**2021**	2020
Mortgages receivable, net – current	**$ 1,317,735**	$ 1,276,313
Mortgages receivable, net – noncurrent	**24,807,756**	23,801,023
Unamortized discount on mortgages receivable	**(13,859,081)**	(13,365,465)
Homeowners deposits in escrow	**35,203**	40,578
Total	**$ 12,301,613**	$ 11,752,449

15. Employee Benefit Plans

The Organization sponsors a defined contribution retirement plan (the Plan) covering substantially all of its full-time employees. Employees become eligible for Plan participation after completing six months of service. The Organization contributes 3% of eligible employees' gross compensation to the Plan. All contributions made on behalf of employees become fully vested upon completing six months of service. For the years ended June 30, 2021 and 2020, the Organization contributed $50,543 and $43,696, respectively, to the Plan.

16. Paycheck Protection Program

On April 16, 2020, the Company closed on a Paycheck Protection Program (PPP) loan in the amount of $427,300 from a commercial bank, pursuant to the PPP administered by the Small Business Administration (SBA) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted and signed into law March 27, 2020. The loan had a maturity date of April 16, 2022, and an interest rate of 1% per annum, with principal and interest of any unforgiven balance payable on April 16, 2022. For the year ended June 30, 2020, the Organization seeked forgiveness for this loan and had considered it a conditional contribution following guidance from ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Management believed that the conditions for recognition of the refundable advance as a contribution (including incurring eligible expenses, limitations on reductions to compensation and meeting certain full-time equivalent (FTE) headcount requirements) had been substantially met. Accordingly, the receipt of cash was accounted for as a contribution in the statement of activities. The Organization's application for full forgiveness of the loan was accepted and approved in 2021.

16. Paycheck Protection Program (cont.)

On February 3, 2021, the Company closed on an additional PPP loan in the amount of $427,325 from a commercial bank. The loan had a maturity date of February 3, 2026, and an interest rate of 1% per annum, with principal and interest of any unforgiven balance payable on February 3, 2026. For the year ended June 30, 2021, the Organization intends to seek forgiveness for this loan and has considered it a conditional contribution following guidance from ASC 958-605. Management believes that the conditions for recognition of the refundable advance as a contribution (including incurring eligible expenses, limitations on reductions to compensation and meeting certain full-time equivalent (FTE) headcount requirements) have been substantially met. Accordingly, the receipt of cash was accounted for as a contribution in the statement of activities.

17. COVID-19 Considerations

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization (WHO) had declared COVID-19 to constitute a global pandemic. On January 30, 2020, the WHO announced a global health emergency because of the COVID-19 outbreak and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

The Organization’s operations are dependent on private and public donations from individuals, foundations, and corporations, which may be adversely impacted as donors may experience financial constraints. These and other economic events have had a significant adverse impact on investment portfolios. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown.

On March 27, 2020, President Trump signed into law the CARES Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

Additionally, the Federal Housing Administration (FHA) has extended its foreclosure and eviction moratorium through September 31, 2021 for homeowners with FHA-insured single-family mortgages covered under the CARES Act. The Organization faces the risk of an increase in mortgage defaults and foreclosures due to the pandemic’s financial impact on homeowners.

18. Subsequent Events

The Organization has evaluated all subsequent events through October 26, 2021, which is the date these financial statements were available to be issued.

18. Subsequent Events (cont.)

On July 30, 2021, the Organization closed on a transaction to participate in NMTC program (see Note 7). As a result, the Organization invested $2,117,784 and was able to secure 30-year loans totaling $2,864,763 payable to two different community development entities (affiliates of the joint venture). The net proceeds less fees are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The notes accrue interest only for 7 years at a rate of 0.737931%, on a semi-annual basis commencing on November 5, 2021. Commencing on May 5, 2029, the principal balances of the loans are reduced by a 23-year amortization at the same rate of 0.737931%. The loans mature on May 5, 2051. The notes have a put option feature that is exercisable after May 5, 2029. These put options are expected to be exercised and this exercise of the put options will effectively allow Habitat to extinguish its outstanding debts.

Program compliance requirements include creation of promissory notes and investment in a qualified CDE. Tax credit recapture is required if compliance requirements are not met over a seven-year period.