HABITAT FOR HUMANITY OF BROWARD, INC.

Financial Statements
and
Independent Auditor’s Report

For the Year Ended June 30, 2020
(With Summarized Comparative Financial Information for the Year Ended June 30, 2019)

Habitat for Humanity of Broward, Inc.

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HANCOCK ASKEW & CO LLP
ACCOUNTANTS & ADVISORS

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hancock Askew + Co., LLP

Coral Gables, Florida
November 24, 2020

Habitat for Humanity of Broward, Inc.

Statements of Financial Position

(With Summarized Comparative Financial Information for the Year Ended June 30, 2019)

June 30,		**2020**		2019
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**5,859,975**	$	6,291,421
Restricted cash		**40,578**		145,877
Receivables				
Mortgages receivable, net		**1,276,313**		1,165,596
Contributions receivable, net		**1,527,396**		625,095
Prepaids and other current assets		**889,675**		148,581
Total current assets		**9,593,937**		8,376,570
Property and equipment, net		**1,588,059**		1,664,680
Other assets				
Receivables				
Mortgages receivable, net		**10,435,558**		9,209,046
Contributions receivable, net		**503,041**		447,443
Single family homes under construction		**5,844,865**		7,114,438
Investment in joint venture		**4,191,733**		4,191,733
Total other assets		**20,975,197**		20,962,660
Total assets	**$**	**32,157,193**	$	31,003,910
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	**$**	**253,209**	$	181,404
Other liabilities		**40,578**		146,954
Total current liabilities		**293,787**		328,358
Long-term debt				
Note payable - HFHI NMTC Sub-CDE III, LLC, net		**5,486,065**		5,431,669
Total liabilities		**5,779,852**		5,760,027
Net assets				
Without donor restriction		**23,645,723**		23,355,143
With donor restriction		**2,731,618**		1,888,740
Total net assets		**26,377,341**		25,243,883
Total liabilities and net assets	**$**	**32,157,193**	$	31,003,910

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, 2019)

For the years ended June 30,			**2020**	2019
	Without Donor Restriction	**With Donor Restriction**	**Total**	Comparative Totals
Public support and revenue				
Home sales	$ **2,025,554**	$ **-**	$ **2,025,554**	$ 2,601,576
Contributions and grants	**1,515,203**	**2,418,624**	**3,933,827**	3,666,995
Sales - ReStore	**1,820,585**	**-**	**1,820,585**	1,660,333
Interest income	**1,049,645**	**-**	**1,049,645**	878,185
Donated goods and services	**240,767**	**-**	**240,767**	595,150
Other	**34,531**	**-**	**34,531**	41,566
Special events revenue, net of costs of direct benefits to donors of $20,980 and $26,836, respectively	**230,608**	**-**	**230,608**	49,437
Late-fee income	**13,953**	**-**	**13,953**	32,727
Rent income	**15,975**	**-**	**15,975**	16,745
Total public support and revenue	**6,946,821**	**2,418,624**	**9,365,445**	9,542,714
Net assets released from restriction due to completion of purpose restrictions and expiration of time restriction	**1,575,746**	**(1,575,746)**	**-**	-
Expenses				
Program services	**7,195,782**	**-**	**7,195,782**	6,778,529
Supporting services				
Management and general	**393,368**	**-**	**393,368**	405,626
Development, public relations, & fund-raising	**642,837**	**-**	**642,837**	477,216
Total expenses	**8,231,987**	**-**	**8,231,987**	7,661,371
Changes in net assets	**290,580**	**842,878**	**1,133,458**	1,881,343
Net assets - beginning of year	**23,355,143**	**1,888,740**	**25,243,883**	23,362,540
Net assets - end of year	$ **23,645,723**	$ **2,731,618**	$ **26,377,341**	$ 25,243,883

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

Habitat for Humanity of Broward, Inc.

Statements of Functional Expenses

(With Summarized Comparative Financial Information for the Year Ended June 30, 2019)

For the years ended June 30, 2020 and 2019

	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 2020	Comparative Totals 2019
Salaries and wages	$ 552,795	$ 612,006	$ 193,039	$ 1,357,840	$ 141,745	$ 381,736	$ 523,481	$ 1,881,321	$ 1,714,703
Payroll taxes	40,691	45,050	14,210	99,951	10,434	28,100	38,534	138,485	135,600
Benefits	85,312	94,450	29,791	209,553	21,875	58,913	80,788	290,341	260,982
Cost of homes sold	4,510,192	-	-	4,510,192	-	-	-	4,510,192	4,220,601
Affiliate dues & tithing	55,362	-	-	55,362	-	-	-	55,362	55,550
Home repairs	11,514	-	-	11,514	-	-	-	11,514	8,995
Property taxes	8,134	-	-	8,134	-	-	-	8,134	11,896
Cost of purchased ReStore inventory sold	-	81,228	-	81,228	-	-	-	81,228	56,291
Contract labor	-	-	12,203	12,203	1,937	-	1,937	14,140	34,272
Telephone and utilities	7,100	96,855	2,937	106,892	18,575	1,359	19,934	126,826	107,394
Vehicle and machinery expenses	8,666	56,161	-	64,827	32	23	55	64,882	67,513
Insurance	46,714	46,778	6,343	99,835	11,891	6,265	18,156	117,991	118,902
Professional fees	7,117	7,218	93,332	107,667	62,657	6,515	69,172	176,839	107,232
Bank and credit card fees	188	23,048	(309)	22,927	2,199	4,309	6,508	29,435	30,279
Rent	23,225	-	11,612	34,837	19,354	19,354	38,708	73,545	70,150
Repairs and maintenance	104	29,054	-	29,158	10,866	-	10,866	40,024	40,066
Office supplies & expenses	2,992	15,795	2,147	20,934	8,317	1,015	9,332	30,266	45,615
Office equipment & software	2,944	8,629	8,020	19,593	38,843	12,637	51,480	71,073	66,196
Advertising	-	89,710	1,030	90,740	7,429	69,237	76,666	167,406	141,240
Bad debt expense	-	-	20,360	20,360	-	-	-	20,360	9,147
Interest expense	54,396	-	-	54,396	-	-	-	54,396	45,330
Other	8,955	21,640	47,187	77,782	34,680	53,374	88,054	165,836	204,410
Depreciation expense	16,162	83,695	-	99,857	2,534	-	2,534	102,391	109,007
Total expenses	$ 5,442,563	$ 1,311,317	$ 441,902	$ 7,195,782	$ 393,368	$ 642,837	$ 1,036,205	$ 8,231,987	$ 7,661,371

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, 2019)

Years ended June 30,		**2020**		2019
Cash flows from operating activities				
Change in net assets	**$**	**1,133,458**	$	1,881,343
Adjustments to reconcile change in net assets to net cash used in operating activities				
Depreciation expense		**102,391**		109,007
Bad debt expense		**20,360**		9,147
Non-cash income from joint venture		**-**		-
Non-cash contribution		**(179,767)**		(534,150)
Imputed interest on non-interest bearing notes		**(1,049,645)**		(878,185)
Discount of mortgages on new home sales		**2,819,094**		2,643,740
Amortization of debt issuance costs included in interest expense		**54,396**		45,330
(Increase) decrease in assets				
Mortgages receivable		**(3,106,678)**		(2,971,559)
Contributions receivable		**(978,259)**		(167,743)
Single family homes		**1,449,340**		(1,107,193)
Other assets		**(741,094)**		(116,781)
(Decrease) increase in liabilities				
Account payable and accrued expenses		**71,805**		54,460
Other liabilities		**(106,376)**		(347,858)
Net cash used in operating activities		**(510,975)**		(1,380,442)
Cash flows from investing activities				
Purchase of property and equipment		**(25,770)**		(16,542)
Purchase of investment in joint venture		**-**		(4,191,733)
Net cash used in investing activities		**(25,770)**		(4,208,275)
Cash flows from financing activities				
Proceeds from note payable HFHI NMTC Sub-CDE III, LLC		**-**		6,022,743
Payments for deferred financing costs		**-**		(636,404)
Net cash provided by financing activities		**-**		5,386,339
Net decrease in cash, cash equivalents, and restricted cash		**(536,745)**		(202,378)
Cash, cash equivalents, and restricted cash, beginning of year		**6,437,298**		6,639,676
Cash, cash equivalents, and restricted cash, end of year	**$**	**5,900,553**	$	6,437,298

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 (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.

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, 2020 and 2019, the Organization had $2,731,618 and $1,888,740, respectively, in net assets with donor restrictions.

New Accounting Pronouncements

As of July 1, 2019, the Organization adopted the provisions of FASB Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for the year ending June 30, 2020 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods with no effect on net assets or previously issued financial statements.

1. Summary of Significant Accounting Policies (cont.)

New Accounting Pronouncements (cont.)

As of July 1, 2019, the Organization also 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 and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant.

Accounting Change

During the year ended June 30, 2020, the Organization adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. Management believes that the adoption of the new accounting standard provides a better presentation of cash flows to the users of its financial statements. Before the change, restricted cash and restricted cash equivalents were not included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts reported on the statement of cash flows.

The Organization applied the change on a retrospective basis beginning in 2019. The effect of this change was to increase total cash, cash equivalents, and restricted cash at the beginning of the year in the statement of cash flows by $145,877 and $494,812 for the years ended June 30, 2020 and 2019, respectively, for restricted cash.

Revenue Recognition

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard, as amended, supersedes existing revenue recognition guidance and applies to all entities that enter into contracts to provide goods or services to customers, requiring them to account for revenue from contracts with customers under a single five-step model. The new standard became effective for the Organization on July 1, 2019 and was applied to open contracts as of that date using the modified retrospective approach. 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 Habitat for Humanity International 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.

1. Summary of Significant Accounting Policies (cont.)

Revenue Recognition (cont.)

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. Management has concluded that no impact to revenue recognition has resulted from the adoption of ASC 606 as it relates to home sales.

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. Management has concluded that no impact to revenue recognition has resulted from adoption of ASC 606 as it relates to ReStore sales.

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 (Topic 958-605).

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 by the donor as typically all that is received is insignificant amounts of food and beverage during the event. As such, consideration received through the conducting of special events is considered a contribution transaction and no impact to revenue recognition has resulted from the adoption of ASC 606.

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.

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 9).

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, 2020 and 2019, the Organization had approximately $4,840,000 and $5,700,000, respectively, of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation (FDIC). Mortgages receivable are secured by real property.

1. Summary of Significant Accounting Policies (cont.)

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

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 amounted to $167,406 and $141,240, respectively, and is included in the accompanying statements of functional expenses.

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. 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.

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 12). Accordingly, the investment is recorded at transaction cost and distributions received from the investment are reported as revenue on the statement of activities.

1. Summary of Significant Accounting Policies (cont.)

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 7.38% and 7.66% for the years ended June 30, 2020 and 2019, 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 7.38% 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, 2020 and 2019, 19 homes and 22 homes, respectively, were sold.

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. At June 30, 2020 and 2019, 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% and 5.50% as of June 30, 2020 and 2019, respectively). The discount rates used reflect the assumptions about market risks that are not otherwise considered in the cash flows.

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 statement 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. At June 30, 2020, the Organization had $24,474 of purchased inventory and is included within prepaids and other assets in the accompanying statement of financial position.

1. Summary of Significant Accounting Policies (cont.)

Development and Public Relations Activities

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising". FASB 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.

Use of Estimates

The preparation of financial statements in conformity with 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.

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.

Donated Goods and Services

Donated services (in-kind donations) are recognized as contributions in accordance with FASB 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 special skills. Donations of construction materials are received and used in the construction of homes. GAAP require contributions (including donated materials) to be recorded at fair value at the date of receipt. During the year ended June 30, 2020, the Organization recognized in-kind donations for advertising, rent, and construction materials of approximately $8,000, $53,000, and $180,000, respectively. During the year ended June 30, 2019, the Organization recognized in-kind donations for advertising, rent, construction materials, and land of approximately $8,000, $53,000, $54,000, and $480,000 respectively.

1. Summary of Significant Accounting Policies (cont.)

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, 2020, the Organization recognized approximately $13,700 of land lease income and $25,800 of land lease expenses. During the year ended, June 30, 2019, the Organization recognized approximately $12,500 of land lease income and $11,800 of land lease expenses. These amounts are included in rent income and program expenses, respectively in the accompanying statements of activities and changes in net assets.

Income Taxes

The Organization received a determination (via Habitat for Humanity International Inc.) from the Internal Revenue Service 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, 2020 and 2019, the Organization had no unrelated business income tax resulting from unrelated business income.

The Organization accounts for uncertainty in income taxes in accordance with 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, 2020 and 2019, 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 Internal Revenue Service for years before 2017.

2. 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, 2020, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

2. Mortgages Receivable, Net (cont.)

For the year ending June 30,		Amount
2021	$	1,276,313
2022		1,257,822
2023		1,212,169
2024		1,174,887
2025		1,138,005
Thereafter		19,018,140
		25,077,336
Less unamortized discount		(13,365,465)
Mortgage receivable, net	$	11,711,871

3. Property and Equipment, net

Property and equipment, net at June 30, 2020 and 2019 consist of the following:

		2020		2019
Land, building, and improvements	**$**	**2,596,982**	$	2,571,212
Vehicles		**145,665**		145,665
Construction equipment		**46,621**		46,621
Computer equipment and software		**33,675**		33,675
Office furniture and equipment		**22,624**		22,624
		2,845,567		2,819,797
Less: accumulated depreciation		**(1,257,508)**		(1,155,117)
Property and equipment, net	**$**	**1,588,059**	$	1,664,680

Depreciation expense was $102,391 and $109,007 for the years ended June 30, 2020 and 2019, respectively.

4. Single Family Homes Under Construction

Single family homes under construction at June 30, 2020 and 2019 consist of the following:

		2020		2019
Construction in progress	**$**	**4,336,217**	$	5,508,459
Land		**1,508,648**		1,605,979
Total	**$**	**5,844,865**	$	7,114,438

4. 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, 2020 and 2019 was approximately $2,300 and $4,200, 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, 2020 and 2019, these prepayments were approximately $31,000 and $55,000, respectively, and are included within other liabilities in the accompanying statements of financial position.

5. 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, 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

5. 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, 2019 consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Contributions			
Faith community	$ 81,815	$ -	$ 81,815
Commerce and industry	872,596	652,946	1,525,542
Foundations and other charitable organizations	276,275	585,780	862,055
Individuals	683,999	101,584	785,583
Total contributions	1,914,685	1,340,310	3,254,995
Grants			
Commerce and industry	70,000	-	70,000
Foundations and other charitable organizations	92,000	250,000	342,000
Total grants	162,000	250,000	412,000
Total contributions and grants	$ 2,076,685	$ 1,590,310	$ 3,666,995

6. Contributions Receivable, net

Contributions receivable, net consists of the following as of June 30, 2020 and 2019:

	2020	2019
Due in less than one year	**$ 1,542,396**	$ 634,235
Due in one to three years	**520,000**	470,000
Less: allowance for doubtful accounts	**(15,000)**	(9,140)
Less: unamortized discount on pledges	**(16,959)**	(22,557)
Contributions receivable, net	**$ 2,030,437**	$ 1,072,538

7. 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, 2020 and 2019, the Organization contributed $43,696 and $39,872, respectively, to the Plan.

8. 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, 2020 and 2019. Net assets with donor restrictions are available with the following restrictions as of June 30, 2020 and 2019:

		2020		2019
Home sponsorships received – purpose and time restriction	**$**	**797,581**	$	375,000
Contributions receivable, net – time restriction		**20,000**		90,000
Other contributions received – purpose restrictions		**1,914,037**		1,344,028
Rick Case infrastructure sponsorships – purpose and time restrictions		**-**		79,712
Total net assets with donor restrictions	**$**	**2,731,618**	$	1,888,740

9. Cash, Cash Equivalents, and Restricted Cash

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

		2020		2019
Cash and cash equivalents	**$**	**5,859,975**	$	6,291,421
Restricted cash		**40,578**		145,877
Total cash, cash equivalents, and restricted cash	**$**	**5,900,553**	$	6,437,298

10. 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	**$**	**2,608,357**
Current portion of mortgages receivable, net		**1,276,313**
Current portion of contributions receivable, net		**735,046**
Other current assets		**829,613**
Total	**$**	**5,449,329**

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.

11. Transactions with Affiliated Organization

During the years ended June 30, 2020 and 2019, the Organization contributed $55,362 and $55,550, 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. At June 30, 2020, $25,163 was included in accounts payable as due to Habitat affiliates. At June 30, 2019, $25,788 was included in accounts payable as due to Habitat affiliates.

12. 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". Habitat 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 and was able to secure a 30-year loan in the amount of $6,022,743, 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. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The note accrues interest only for 7 years at a rate of .6941%, on a semi-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. 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 Habitat to extinguish its outstanding debt.

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.

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

Note payable due to HFHI NMTC Sub-CDE III, LLC is a result of the New Market Tax Credit financing (see Note 12). The note is a 30-year loan in the amount of $6,022,743. The Organization had unamortized debt issuance costs of $536,678 as of June 30, 2020. Such amount is netted against the amount outstanding on the note payable as presented on the statement of financial position. Amortization of direct issuance costs are recorded as interest expense. The note accrues interest at a rate of .6941%, on an annual basis commencing on August 22, 2018. 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. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds.

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 Habitat for Humanity International. The initial required funding under the agreement as it relates to the Organization was $636,404.

14. 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 Habitat.

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, 2020 and 2019, the Organization has no liability in accounts payable and accrued expenses to be transferred to Affiliate Mortgage Services.

15. Revenue from Contracts with Customers

Disaggregation of Revenues

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

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 statement 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,	**2020**	2019
Mortgages receivable, net - current	**$ 1,276,313**	$ 1,165,596
Mortgages receivable, net – noncurrent	**23,801,023**	20,805,062
Unamortized discount on mortgages receivable	**(13,365,465)**	(11,596,016)
Homeowners deposits in escrow	**40,578**	146,954
Total	**$ 40,578**	$ 146,954

16. Subsequent Events

The Organization has evaluated all subsequent events through November 24, 2020, which is the date these financial statements were available to be issued.

17. Paycheck Protection Program

The Organization entered into a Paycheck Protection Promissory Note with Amerant Bank on April 16, 2020, in the amount of $427,300. The loan was made under, and is subject to, the terms and conditions of the Paycheck Protection Program which was established under the Coronavirus Aid, relief, and Economics Security Act (CARES Act), enacted on March 27, 2020, and is administered by the U.S. Small Business Administration. The loan has a maturity date of April 16, 2022, and a fixed annual interest rate of 1%. The Organization intends to seek forgiveness for this loan and has considered it a conditional contribution following guidance from FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition. 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 has been accounted for as a contribution in the statement of activities.

18. COVID-19 Considerations

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a global pandemic. On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of the COVID-19 outbreak and the risks to the international community as the virus spreads 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 2021.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it will have an adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2021.

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 “Coronavirus Aid, Relief, and Economic Security (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 December 31, 2020 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. As of the date of issuance of these financial statements, the potential impact could not be reasonably estimated; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

18. COVID-19 Considerations (cont.)

The CARES Act also appropriated funds for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Organization applied for a PPP loan and received $427,300 on April 16, 2020. See Note 17 for details. The loan is used solely for payment of salaries, health benefits, and utilities. The Organization has not gone through the forgiveness application process. Management believes it has met all the conditions required for the loan to be forgiven.

The Organization continues to examine the impact that the CARES Act may have on the Organization. Currently, the Organization is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.