

# **Habitat for Humanity of Monroe County, Inc.**

**Financial Statements  
June 30, 2019 and 2018, and  
Independent Auditors' Report**

# HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

June 30, 2019 and 2018

## Contents

---

	<b><u>Page(s)</u></b>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14

## Independent Auditors' Report

To the Board of Directors  
Habitat for Humanity of Monroe County, Inc.  
Bloomington, Indiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Monroe County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Monroe County, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Effect of Adopting New Accounting Standard***

As discussed in Note 1, Habitat for Humanity of Monroe County, Inc. has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profits Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

*Barnes, Dennig & Co., Ltd.*

December 6, 2019  
Indianapolis, Indiana

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

Statements of Financial Position  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 593,017	\$ 473,075
Homes for sale or under construction	456,433	377,818
Other assets	10,966	19,144
Investments	93,125	83,606
Land held for development	1,168,374	1,103,745
Mortgages receivable	4,763,937	4,604,000
Property and equipment	<u>151,253</u>	<u>147,969</u>
Total assets	<u><u>\$ 7,237,105</u></u>	<u><u>\$ 6,809,357</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 61,460	\$ 50,083
Accrued expenses	65,842	62,441
Line of credit	1,267,102	303,120
Notes payable	<u>431,730</u>	<u>412,928</u>
Total liabilities	<u>1,826,134</u>	<u>828,572</u>
<b>Net assets without donor restrictions</b>	<u>5,410,971</u>	<u>5,980,785</u>
Total liabilities and net assets	<u><u>\$ 7,237,105</u></u>	<u><u>\$ 6,809,357</u></u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

Statements of Activities  
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Revenues and support</b>		
Contributions	\$ 900,864	\$ 1,381,847
Home sales (net of imputed interest)	969,735	1,254,246
Merchandise sales	669,058	682,145
Grant revenue	10,250	151,076
Other	56,790	57,556
	<u>2,606,697</u>	<u>3,526,870</u>
<b>Expenses</b>		
Program services:		
Habitat	2,383,663	2,433,986
Restore	579,513	788,799
Management and administrative	49,606	47,340
Fundraising	163,729	152,824
	<u>3,176,511</u>	<u>3,422,949</u>
<b>Change in net assets</b>	(569,814)	103,921
<b>Net assets without donor restrictions - beginning of year</b>	<u>5,980,785</u>	<u>5,876,864</u>
<b>Net assets without donor restrictions - end of year</b>	<u>\$ 5,410,971</u>	<u>\$ 5,980,785</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF MONROE COUNTY, INC

Statement of Functional Expenses  
Year Ended June 30, 2019

	Program Services			Management and Administrative	Fundraising	Total
	Habitat	Restore	Total Program Services			
Cost of homes sold	\$ 1,268,409	\$ -	\$ 1,268,409	\$ -	\$ -	\$ 1,268,409
Salaries and wages	686,402	297,457	983,859	33,644	103,961	1,121,464
Rent	-	173,352	173,352	-	24,228	197,580
Travel	115,672	-	115,672	3,856	8,997	128,525
Computer support	45,948	3,254	49,202	1,709	6,054	56,965
Insurance	38,333	12,540	50,873	1,678	3,381	55,932
Interest	27,433	-	27,433	914	2,134	30,481
Vehicle expenses	13,698	13,542	27,240	889	1,497	29,626
Utilities	8,024	19,354	27,378	885	1,242	29,505
Mortgage servicing fees	23,598	-	23,598	787	1,835	26,220
Advertising	20,310	5,519	25,829	-	-	25,829
Contributions	25,000	-	25,000	-	-	25,000
Depreciation	36,426	14,783	51,209	1,686	3,305	56,200
Postage	15,607	957	16,564	551	1,245	18,360
Repairs and maintenance	7,183	9,261	16,444	535	855	17,834
Professional fees	15,077	-	15,077	503	1,173	16,753
Training	13,108	126	13,234	441	1,024	14,699
Bank service fees	12,297	188	12,485	416	962	13,863
Telephone	-	12,718	12,718	406	406	13,530
Office supplies	3,804	6,629	10,433	339	508	11,280
Dues and memberships	-	6,215	6,215	-	-	6,215
Other expenses	2,618	3,618	6,236	202	319	6,757
Temporary help	4,716	-	4,716	165	603	5,484
	<u>\$ 2,383,663</u>	<u>\$ 579,513</u>	<u>\$ 2,963,176</u>	<u>\$ 49,606</u>	<u>\$ 163,729</u>	<u>\$ 3,176,511</u>

See accompanying notes to financial statements

**HABITAT FOR HUMANITY OF MONROE COUNTY, INC**

**Statement of Functional Expenses  
Year Ended June 30, 2018**

	Program Services			Management and Administrative	Fundraising	Total
	Habitat	Restore	Total Program Services			
Cost of homes sold	\$ 1,486,497	\$ -	\$ 1,486,497	\$ -	\$ -	\$ 1,486,497
Salaries and wages	578,396	292,851	871,247	29,727	89,898	990,872
House Sponsorship Tithes	-	202,100	202,100	6,450	6,450	215,000
Rent	-	174,585	174,585	-	34,146	208,731
Travel	41,998	761	42,759	1,424	3,291	47,474
Computer support	16,745	5,119	21,864	751	2,420	25,035
Insurance	24,503	8,664	33,167	1,094	2,183	36,444
Interest	2,980	-	2,980	99	232	3,311
Vehicle expense	10,590	24,518	35,108	1,135	1,606	37,849
Utilities	7,635	12,232	19,867	645	984	21,496
Mortgage servicing fees	15,966	-	15,966	532	1,242	17,740
Advertising	20,141	2,374	22,515	-	-	22,515
Contributions	123,500	-	123,500	-	-	123,500
Depreciation	10,914	7,624	18,538	607	1,092	20,237
Postage	15,997	82	16,079	535	1,247	17,861
Repairs and maintenance	4,766	19,072	23,838	768	979	25,585
Professional fees	32,726	-	32,726	1,091	2,545	36,362
Training	8,434	336	8,770	291	666	9,727
Bank service fees	14,881	149	15,030	502	1,163	16,695
Telephone	-	13,935	13,935	444	445	14,824
Office supplies	4,437	4,849	9,286	303	500	10,089
Dues and memberships	-	3,682	3,682	-	-	3,682
Other expenses	8,339	15,866	24,205	784	1,155	26,144
Temporary help	4,541	-	4,541	158	580	5,279
	<u>\$ 2,433,986</u>	<u>\$ 788,799</u>	<u>\$ 3,222,785</u>	<u>\$ 47,340</u>	<u>\$ 152,824</u>	<u>\$ 3,422,949</u>

See accompanying notes to financial statements



**HABITAT FOR HUMANITY OF MONROE COUNTY, INC**

**Statements of Cash Flows**  
**Years ended June 30, 2019 and 2018**

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (569,814)	\$ 103,921
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	56,200	20,237
Unrealized gains	(8,544)	(12,883)
Discounts and amortization of mortgages receivable	443,646	349,657
Changes in:		
Homes for sale or under construction	(78,615)	212,839
Land held for development	(64,629)	72,682
Other assets	8,178	229
Accounts payable and accrued expense	14,778	20,748
	<u>(198,800)</u>	<u>767,430</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(975)	(3,002)
Originations of mortgages receivable	(1,413,381)	(1,548,782)
Payments on mortgages receivable	809,798	684,248
Purchase of property and equipment	(59,484)	(6,721)
	<u>(664,042)</u>	<u>(874,257)</u>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	963,982	303,120
Proceeds from notes payable	49,777	45,000
Payments on notes payable	(30,975)	(34,074)
	<u>982,784</u>	<u>314,046</u>
<b>Net change in cash and cash equivalents</b>	119,942	207,219
<b>Cash and cash equivalents - beginning of year</b>	<u>473,075</u>	<u>265,856</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 593,017</u>	<u>\$ 473,075</u>
Interest paid	\$ 30,481	\$ 3,311

See accompanying notes to financial statements

# HABITAT FOR HUMANITY OF MONROE COUNTY, INC

## Notes to Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Organization***

Habitat for Humanity of Monroe County, Inc. (HFH) is an independent and locally governed tax exempt non-profit Indiana Corporation formed in 1988 for the purpose of providing residential housing for low-income families who have been residents of Monroe County and adjacent counties for at least one year.

HFH works to end poverty housing in Monroe County and adjacent counties by creating opportunities for home ownership in partnership with low-income families and by making safe, decent, affordable housing a matter of community conscience and action. HFH builds market-quality homes utilizing volunteer labor and sells homes to qualified low-income families for minimal cash down and utilizing 15-30 year non-interest bearing mortgages. Families who purchase homes are identified by the Family Selection Committee who uses predetermined criteria which does not consider race, gender, nationality, age, handicap, religion, marital status or source of personal income. An approved applicant must provide 250 hours of "sweat equity" by participating in a significant amount of labor in its home construction program and/or in some other form of community service. In addition, each buyer must maintain the home as required by the mortgage contract and participate in HFH's nurturing program, which provides pre-purchase and post-purchase homeowner education and counseling.

In addition to home building activities, HFH also operated a retail thrift operation (dba ReStore). ReStore specializes in selling surplus new and used building and home improvement materials, appliances and furniture to the public. ReStore receives donated usable materials from retail businesses, contractors, individuals and other organizations. Costs associated with operation of ReStore are expensed in program-ReStore in the accompanying statement of activities and changes in net assets. All net proceeds from the operation of ReStore help support and enhance HFH's non-profit mission-related activities.

#### ***Financial Statement Presentation***

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). HFH is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### ***Fair Value Measurements***

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

#### ***Cash***

For purposes of the statements of cash flows, HFH considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts. HFH maintains its cash in bank accounts which, at times, may exceed federally insured limits. HFH has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risks on cash and cash equivalents.

## HABITAT FOR HUMANITY OF MONROE COUNTY, INC

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

##### ***Mortgages Receivable***

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. Most of the mortgages mature in 20-30 years. The receivable has been discounted using an imputed interest rate of 7.66% based upon Habitat for Humanity International averages for low income housing. Interest income is recorded over the lives of the mortgages using the effective interest method. HFH's estimate for allowance of loan losses is zero. HFH has had historical success in collecting and makes every effort for homebuyers to arrange repayment even when experiencing financial difficulties. HFH also believes the homes securing the notes are sufficient collateral to not experience loan losses.

##### ***Investments***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments at June 30, 2019 and 2018 consisted of exchange-traded funds and are valued using Level 1 inputs in the fair value hierarchy. Investments primarily consist of the Pat Wilson Education Fund "the fund" which is restricted to assist in encouraging secondary education opportunities for the children of Habitat families in Monroe County. As of June 30, 2019, no amount has been appropriated for expenditure. The fund is open to donations from other donors. Board can modify the fund and expenditures if circumstances or opportunities warrant change.

##### ***Assets Held for Development***

Assets held for development are reported at cost or if donated, at fair market value at date of donation. Once development is complete, the properties are sold to arranged buyers with selling price based upon a budgeted formula with excess basis expensed as program cost.

##### ***Property and Equipment***

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

##### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as donor restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue.

##### ***In-Kind Donations***

The Organization receives certain in-kind donations during the year, which are recorded at fair market value as contribution revenue and an expense in the financial statements. For the years ended June 30, 2019 and 2018, \$97,618 and \$209,280, respectively, were received in in-kind donations.

## HABITAT FOR HUMANITY OF MONROE COUNTY, INC

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

##### ***Effect of Adopting New Accounting Standard***

In 2018, HFH adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2016-14, (*Presentation of Financial Statements of Not-for-Profit Entities*). The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. HFH adopted ASU 2016-14 as of July 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

##### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based upon estimates of the time spent by the Organization's personnel.

##### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Indiana law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by Federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

##### ***Advertising Costs***

Advertising costs are expensed as incurred. Costs totaled \$25,829 and \$22,515 for the year ending June 30, 2019 and 2018, respectively.

##### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

## HABITAT FOR HUMANITY OF MONROE COUNTY, INC

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

##### ***New Accounting Standards***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contract with customers. This standard will be effective for the calendar year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for calendar year ending June 30, 2022.

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. This standard will be effective for the calendar ending June 30, 2020.

HFH is currently in the process of evaluating the impact of adoption of these ASUs on its financial statements.

##### ***Subsequent Event Evaluation***

Management has evaluated subsequent events through December 6, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

#### NOTE 2 LIQUIDITY AND AVAILABILITY

HFH’s financial assets available within one year of the statement of financial position date for general expenses are as follows as of June 30, 2019:

Cash	\$ 593,017
Mortgages receivable to be collected within one year	<u>587,846</u>
Total financial assets available	<u>\$ 1,180,863</u>

As part of HFH’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## HABITAT FOR HUMANITY OF MONROE COUNTY, INC

### Notes to Financial Statements (Continued)

#### NOTE 3 MORTGAGES RECEIVABLE

Mortgages receivable as of June 30, 2019 were \$8,828,322 and were valued, net of present value amortization of \$4,064,385 on the statement of financial position. Mortgage receivable as of June 30, 2018 were \$8,224,739 and were valued, net of present value amortization of \$3,620,739 on the statements of financial position.

HFH also records a second mortgage on properties sold below market value to protect the value of the sale. These mortgages are valued at \$0 as collection is unlikely and are not included in these financial statements.

#### NOTE 4 FUNDS HELD BY COMMUNITY FOUNDATION

Certain donors have transferred assets to the Community Foundation of Bloomington and Monroe County. The funds are designated to HFH. Since the Community Foundation of Bloomington and Monroe County retains variance power over these funds, they are not recorded on HFH's financial statements. The fair value of the funds held by Community Foundation of Bloomington and Monroe County was approximately \$43,000 and \$45,000 as of June 30, 2019 and 2018, respectively.

#### NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$ 203,080	\$ 203,080
Equipment	38,012	38,012
Vehicles	189,200	136,313
Less accumulated depreciation	<u>(279,039)</u>	<u>(229,436)</u>
	<u>\$ 151,253</u>	<u>\$ 147,969</u>

**HABITAT FOR HUMANITY OF MONROE COUNTY, INC**

**Notes to Financial Statements  
(Continued)**

**NOTE 6 NOTES PAYABLE**

Notes payable at June 30 consisted of the following:

	2019	2018
SHOP note 195001 (A)	\$ 4,461	\$ 6,237
SHOP note 211044 (B)	28,750	28,750
SHOP note 221045 (C)	16,250	16,250
SHOP note 181075 (D)	10,839	18,039
SHOP note 191035 (E)	1,080	1,788
SHOP note 192009 (F)	13,627	22,711
SHOP note 193005 (G)	10,695	16,035
SHOP note 194004 (H)	2,230	3,118
Note Payable John McDaniel (I)	300,000	300,000
Note payable IUCU (J)	43,798	-
Convertible line of credit (K)	1,267,102	303,120
	\$ 1,698,832	\$ 716,048

- (A) During the year, HFH obtained a note from Habitat for Humanity International (loan no. 195001) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2021 and is unsecured.
- (B) On July 1, 2017, HFH obtained a note from Habitat for Humanity International (loan no. 211044) which bears an interest rate of 0%. Monthly payments of \$598 are required. The note matures on January 1, 2020 and is unsecured.
- (C) On July 1, 2017, HFH obtained a note from Habitat for Humanity International (loan no. 221045) which bears an interest rate of 0%. Monthly payments of \$598 are required. The note matures on January 1, 2020 and is unsecured.
- (D) On December 4, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 181075) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured.
- (E) On August 5, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 191035) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured.
- (F) On August 5, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 192009) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured.
- (G) On February 15, 2015, HFH obtained a note from Habitat for Humanity International (loan no. 193005) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on June 30, 2021 and is unsecured.
- (H) During the year, HFH obtained a note from Habitat for Humanity International (loan no. 194004) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2021 and is unsecured.

## HABITAT FOR HUMANITY OF MONROE COUNTY, INC

### Notes to Financial Statements (Continued)

#### NOTE 6 NOTES PAYABLE (CONTINUED)

- (I) During 2015, HFH extended a loan from an individual which bears an interest rate of 0%. Monthly payments are not required. The note matures July 1, 2019 at which point a balloon payment of \$300,000 is required. This loan was repaid in July 2019.
- (J) HFH has a \$1,000,000 revolving line of credit agreement which was further increased to \$1,300,000 in 2019. As of June 30, 2019, and 2018 \$1,267,102 and \$303,120, respectively, was borrowed against this line. The line is collateralized by substantially all of the HFH's assets. The outstanding balance at February 15, 2020 shall convert to a term note and lender shall not authorize further advances to borrower as of the date of conversion. The outstanding amount at February 15, 2020 is to be amortized for a fixed term of 10 years from the date of conversion and shall accrue interest at a rate of 4.5%.
- (K) During 2018, HFH obtained a note from the Indiana University Credit Union for \$49,777 which bears interest at the annual rate of 4.5% and requires monthly payments of \$929. The note is secured by the vehicle the loan was used to acquire. The note matures on October 15, 2023.

Scheduled maturities of notes payable are as follows:

Year ending June 30,	
2020	\$ 385,077
2021	126,739
2022	122,068
2023	126,119
2024	121,592
Thereafter	<u>817,237</u>
Total	<u>\$ 1,698,832</u>

#### NOTE 7 OPERATING LEASE

HFH leases property for its Restore facility under a noncancelable operating lease that expires May 31, 2021. The lease can be extended for 2 five-year terms and was extended through May 31, 2026. Rent expense for this lease included in the statement of activities was approximately \$173,000 for both of the years ended June 30, 2019 and 2018. HFH is also responsible for real estate taxes under this lease. Future annual minimum lease payments are \$173,000 for 2020 through 2023 and \$179,000 for 2024 and 2025.