

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

**Financial Statements  
June 30, 2020 and 2019, and  
Independent Auditors' Report**

# HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

June 30, 2020 and 2019

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

***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 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

*Barnes, Dennig & Co., Ltd.*

December 16, 2020  
Indianapolis, Indiana

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

Statements of Financial Position  
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 765,313	\$ 593,017
Homes for sale or under construction	251,930	456,433
Other assets	34,226	13,462
Investments	65,828	93,125
Land held for development	1,040,494	1,168,374
Mortgages receivable	5,094,081	4,763,937
Property and equipment	<u>140,113</u>	<u>148,757</u>
Total assets	<u>\$ 7,391,985</u>	<u>\$ 7,237,105</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 37,096	\$ 61,460
Refundable advance	163,350	-
Accrued expenses	71,172	65,842
Line of credit	1,300,000	1,267,102
Notes payable	<u>101,829</u>	<u>431,730</u>
Total liabilities	1,673,447	1,826,134
<b>Net assets</b>		
Without donor restrictions	5,518,538	5,410,971
With donor restrictions	<u>200,000</u>	<u>-</u>
Total net assets	<u>5,718,538</u>	<u>5,410,971</u>
Total liabilities and net assets	<u>\$ 7,391,985</u>	<u>\$ 7,237,105</u>

See accompanying notes to financial statements

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

**Statements of Activities  
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenues and support</b>		
Contributions	\$ 907,947	\$ 900,864
Home sales (net of imputed interest)	1,074,432	969,735
Merchandise sales	540,038	669,058
Grant revenue	75,474	10,250
Other	44,199	56,790
	<u>2,642,090</u>	<u>2,606,697</u>
<b>Expenses</b>		
Program services:		
Habitat	1,858,735	2,383,663
Restore	493,121	579,513
Management and administrative	40,826	49,606
Fundraising	141,841	163,729
	<u>2,534,523</u>	<u>3,176,511</u>
<b>Change in net assets without donor restrictions</b>	<u>107,567</u>	<u>(569,814)</u>
<b>Net assets with donor restrictions</b>		
Contributions	<u>200,000</u>	<u>-</u>
<b>Change in net assets with donor restrictions</b>	<u>200,000</u>	<u>-</u>
<b>Change in net assets</b>	307,567	(569,814)
<b>Net assets - beginning of year</b>	<u>5,410,971</u>	<u>5,980,785</u>
<b>Net assets - end of year</b>	<u>\$ 5,718,538</u>	<u>\$ 5,410,971</u>

See accompanying notes to financial statements

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

**Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program Services			Management and Administrative	Fundraising	Total
	Habitat	Restore	Total Program Services			
Cost of homes sold	\$ 888,583	\$ -	\$ 888,583	\$ -	\$ -	\$ 888,583
Salaries and wages	646,947	242,703	889,650	30,483	95,940	1,016,073
Rent	-	159,002	159,002	-	23,491	182,493
Travel	12,478	813	13,291	442	996	14,729
Computer support	36,350	1,979	38,329	1,333	4,757	44,419
Insurance	21,838	10,430	32,268	1,061	2,031	35,360
Interest	55,271	-	55,271	1,842	4,299	61,412
Vehicle expenses	13,001	12,644	25,645	837	1,415	27,897
Utilities	10,215	8,896	19,111	625	1,079	20,815
Mortgage servicing fees	6,993	-	6,993	233	544	7,770
Advertising	17,775	2,302	20,077	-	-	20,077
Contributions	76,000	-	76,000	-	-	76,000
Depreciation	10,022	15,520	25,542	829	1,274	27,645
Postage	17,861	143	18,004	600	1,394	19,998
Repairs and maintenance	3,710	9,322	13,032	422	587	14,041
Professional fees	12,586	-	12,586	420	979	13,985
Training	10,034	931	10,965	364	810	12,139
Bank service fees	863	922	1,785	58	96	1,939
Telephone	-	12,520	12,520	400	400	13,320
Office supplies	4,203	3,461	7,664	250	437	8,351
Dues and memberships	-	6,567	6,567	-	-	6,567
Other expenses	12,732	4,966	17,698	583	1,149	19,430
Temporary help	1,273	-	1,273	44	163	1,480
	<u>\$ 1,858,735</u>	<u>\$ 493,121</u>	<u>\$ 2,351,856</u>	<u>\$ 40,826</u>	<u>\$ 141,841</u>	<u>\$ 2,534,523</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 expense	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**

**Statements of Cash Flows**  
**Years ended June 30, 2020 and 2019**

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 307,567	\$ (569,814)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	27,645	56,200
Unrealized gains	(2,617)	(8,544)
Discounts and amortization of mortgages receivable	177,350	443,646
Changes in:		
Homes for sale or under construction	204,503	(78,615)
Land held for development	127,880	(64,629)
Other assets	(20,764)	8,178
Refundable advances	163,350	-
Accounts payable and accrued expense	(19,034)	14,778
Net cash provided (used) by operating activities	965,880	(198,800)
<b>Cash flows from investing activities</b>		
Purchase of investments	(86)	(975)
Withdrawal of investment funds	30,000	-
Originations of mortgages receivable	(1,251,782)	(1,413,381)
Payments on mortgages receivable	744,288	809,798
Purchase of property and equipment	(19,001)	(59,484)
Net cash used by investing activities	(496,581)	(664,042)
<b>Cash flows from financing activities</b>		
Proceeds from lines of credit	185,000	963,982
Payments on lines of credit	(152,102)	49,777
Payments on notes payable	(329,901)	(30,975)
Net cash provided (used) by financing activities	(297,003)	982,784
<b>Net change in cash and cash equivalents</b>	172,296	119,942
<b>Cash and cash equivalents - beginning of year</b>	593,017	473,075
<b>Cash and cash equivalents - end of year</b>	\$ 765,313	\$ 593,017
Interest paid	\$ 61,412	\$ 30,481

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 7.38% 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, 2020 and 2019 consisted of money market accounts and certificates of deposit and are valued using Level 2 inputs in the fair value hierarchy. Investments primarily consist of the Pat Wilson Education Fund "the fund" which is designated by the board to assist in encouraging secondary education opportunities for the children of Habitat families in Monroe County. During the year ended June 30, 2020, \$30,000 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 without donor restrictions 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 without donor restrictions 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, 2020 and 2019, \$66,638 and \$97,618, 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 2020, HFH adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved previous guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarified how an entity determined whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also required 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. The ASU has been applied using the modified prospective basis for all grants and contracts that were not completed as of July 1, 2019. The adoption of this standard did not have a material impact on the presentation of these financial statements or disclosures.

##### ***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 \$20,077 and \$25,829 for the year ending June 30, 2020 and 2019, 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, 2021.

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, 2023.

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 16, 2020, 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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 765,313	\$ 593,017
Mortgages receivable to be collected within one year	<u>615,611</u>	<u>587,846</u>
Total financial assets available	<u>\$ 1,380,924</u>	<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, 2020 were \$9,335,816 and were valued, net of present value amortization of \$4,241,735 on the statement of financial position. Mortgage receivable as of June 30, 2019 were \$8,828,322 and were valued, net of present value amortization of \$4,064,385 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 \$40,000 and \$43,000 as of June 30, 2020 and 2019, respectively.

#### NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Leasehold Improvements	\$ 203,080	\$ 203,080
Equipment	38,012	38,012
Vehicles	187,474	186,704
Less accumulated depreciation	<u>(288,453)</u>	<u>(279,039)</u>
	<u>\$ 140,113</u>	<u>\$ 148,757</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:

	2020	2019
SHOP note 195001 (A)	\$ 3,129	\$ 4,461
SHOP note 211044 (B)	26,956	28,750
SHOP note 221045 (C)	16,250	16,250
SHOP note 181075 (D)	5,439	10,839
SHOP note 191035 (E)	549	1,080
SHOP note 192009 (F)	6,814	13,627
SHOP note 193005 (G)	6,690	10,695
SHOP note 194004 (H)	1,564	2,230
Note Payable John McDaniel (I)	-	300,000
Convertible line of credit (J)	1,300,000	1,267,102
Note payable IUCU (K)	34,438	43,798
	\$ 1,401,829	\$ 1,698,832

- (A) In 2019, HFH obtained a note from Habitat for Humanity International (loan no. 195001) which bears an interest rate of 0%. Monthly payments of \$148 are required. The note matures on May 31, 2022 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 May 31, 2024 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 are not yet required. The note does not yet have a maturity date set as all SHOP notes have 48-month maturity dates and this will be set once payments are initiated.
- (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 of \$600 are required. The note matures on May 31, 2021 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 of \$59 are required. The note matures on May 31, 2021 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 of \$757 are required. The note matures on May 31, 2021 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 of \$445 are required. The note matures on November 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 of \$74 are required. The note matures on May 31, 2022 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, 2020, and 2019 \$1,300,000 and \$1,267,102, respectively, was borrowed against this line. The line is collateralized by substantially all of the HFH's assets. The outstanding balance at May 15, 2021 shall convert to a term note and lender shall not authorize further advances to borrower as of the date of conversion. The outstanding amount through May 15, 2021 requires monthly payments of interest only at a rate of 4% and then is to be amortized for a fixed term of 10 years and shall accrue interest at a rate of 4.5%. HFH also has an additional \$200,000 line of credit agreement. This line had no outstanding balance at June 30, 2020 or 2019 but \$152,102 was drawn and repaid in 2020. This line is collateralized by substantially all of the HFH's assets. Interest accrues at a rate of 5.5% annually and the line matures on December 15, 2020.
- (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,	
2021	\$ 54,892
2022	126,225
2023	128,160
2024	124,444
2025	120,633
Thereafter	<u>847,475</u>
Total	<u>\$ 1,401,829</u>

#### NOTE 7 PPP FUNDS

On April 23, 2020 HFH entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Payroll Protection Program (the Program) for \$207,900. All or a portion of the note may be forgiven in accordance with the Program requirements. To the extent the loan is not forgiven, interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal installments of \$11,700 of principal and interest commencing in November 2020 through the maturity date in April 2022. In the case that all the PPP loan is not forgiven, future minimum annual maturities will be \$92,483 in 2021 and \$115,417 in 2022. Future annual maturities are subject to change if part or all of the PPP loan is forgiven. The terms of the PPP loan provide the customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default. As HFH believes the loan will be forgiven in its entirety they treat the funds as a refundable advance and have recognized \$44,550 of forgiveness in accordance with the program guidelines. The outstanding balance for this refundable advance was \$163,350 as of June 30, 2020.



## HABITAT FOR HUMANITY OF MONROE COUNTY, INC

### Notes to Financial Statements (Continued)

#### **NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2020, net assets with donor restrictions included \$200,000 of donations awarded for development of the Osage Place development.

#### **NOTE 9 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 \$159,000 for 2020 and \$173,000 for 2019. HFH is also responsible for real estate taxes under this lease. Future annual minimum lease payments are \$176,000 for 2021 through 2023 and \$182,000 for 2024 through 2026.

#### **NOTE 10 COVID-19 PANDEMIC**

On March 11, 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. As a result, several of HFH’s activities have been closed or postponed for various periods of time. Through the date of issuance of these financial statements, all services have been restored at some level including the ReStore and housing activities. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Habitat for Humanity business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Habitat for Humanity operates and the related impact on consumer confidence and spending, all of which are highly uncertain.