Habitat for Humanity of Monroe County, Inc.

Financial Statements
June 30, 2022 and 2021, and
Independent Auditors' Report

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

June 30, 2022 and 2021

Contents

BARNES DENNIG
Accounting • Tax • Business Insight

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Independent Auditors' Report

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Monroe County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Monroe County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditors' Report
(Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity of Monroe County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Monroe County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Barnes, Dennig & Co., Ltd.

March 4, 2023
Indianapolis, Indiana

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 1,084,168	$ 1,683,399
Homes for sale or under construction	1,029,816	494,978
Other assets	126,169	108,723
Investment in Leverage Lender	865,419	-
Land held for development	2,382,097	1,276,922
Mortgages receivable	4,070,514	4,196,360
Property and equipment, net	108,181	125,503
Total assets	$ 9,666,364	$ 7,885,885
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 159,196	$ 149,122
Refundable advance	-	29,708
Mortgage repurchase obligation	192,631	192,631
Accrued expenses	161,012	103,919
Notes payable less issuance costs	1,107,230	63,203
Total liabilities	1,620,069	538,583
Net assets		
Without donor restrictions	7,875,745	7,160,302
With donor restrictions	170,550	187,000
Total net assets	8,046,295	7,347,302
Total liabilities and net assets	$ 9,666,364	$ 7,885,885

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

Statements of Activities
June 30, 2022 and 2021

	2022	2021
Revenues and support		
Contributions	$ 881,322	$ 548,183
Home sales	661,798	361,127
Imputed interest on non-interest bearing mortgages	212,617	319,836
Merchandise sales	637,618	620,452
Gain on sale of mortgages	-	573,190
Grant revenue	75,745	391,234
Other	29,140	27,884
Net assets released from donor restrictions	641,115	541,850
Total revenue and support	3,139,355	3,383,756
Expenses		
Program services:		
Habitat	1,752,390	1,263,784
Restore	501,390	515,511
Management and administrative	51,016	36,904
Fundraising	119,116	107,002
Total expenses and losses	2,423,912	1,923,201
Change in net assets without donor restrictions	715,443	1,460,555
Net assets with donor restrictions		
Contributions	540,629	487,000
Grant revenue	84,036	41,850
Net assets released from restrictions	(641,115)	(541,850)
Change in net assets with donor restrictions	(16,450)	(13,000)
Change in net assets	698,993	1,447,555
Net assets - beginning of year	7,347,302	5,899,747
Net assets - end of year	$ 8,046,295	$ 7,347,302

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF MONROE COUNTY, INC

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services					
	Habitat	Restore	Total Program Services	Management and Administrative	Fundraising	Total
Salaries and wages	$ 627,243	$ 240,562	$ 867,805	$ 29,664	$ 91,324	$ 988,793
Cost of homes sold	480,640	-	480,640	-	-	480,640
Mortgage discounts (net of payoffs)	321,912	-	321,912	-	-	321,912
Rent	36,672	173,956	210,628	-	3,183	213,811
Contributions	96,000	-	96,000	-	-	96,000
Insurance	29,507	10,222	39,729	1,306	2,522	43,557
Computer support	19,975	4,769	24,744	863	3,137	28,744
Vehicle expenses	13,080	13,033	26,113	852	1,446	28,411
Other expenses	24,421	2,246	26,667	-	-	26,667
Travel	23,967	-	23,967	798	1,865	26,630
Depreciation	8,232	14,432	22,664	737	1,169	24,570
Professional fees	21,957	-	21,957	732	1,707	24,396
Utilities	12,411	3,847	16,258	535	1,064	17,857
Bank service fees	346	14,875	15,221	1,527	538	17,286
Telephone	-	13,797	13,797	454	903	15,154
Postage	11,305	95	11,400	379	884	12,663
Training	7,964	154	8,118	270	617	9,005
Office supplies	3,749	2,999	6,748	222	415	7,385
Public relations	-	-	-	-	6,908	6,908
Interest	-	-	-	6,695	-	6,695
Repairs and maintenance	1,748	4,462	6,210	199	253	6,662
Temporary help	5,510	-	5,510	192	704	6,406
Mortgage servicing fees	5,751	-	5,751	192	447	6,390
Amortization	-	-	-	5,369	-	5,369
Printing	-	948	948	30	30	1,008
Dues and memberships	-	993	993	-	-	993
	$ 1,752,390	$ 501,390	$ 2,253,780	$ 51,016	$ 119,116	$ 2,423,912

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF MONROE COUNTY, INC

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					
	Habitat	Restore	Total Program Services	Management and Administrative	Fundraising	Total
Salaries and wages	$ 568,123	$ 253,116	$ 821,239	$ 28,073	$ 86,423	$ 935,735
Cost of homes sold	327,496	-	327,496	-	-	327,496
Mortgage discounts (net of payoffs)	58,827	-	58,827	-	-	58,827
Rent	25,939	173,264	199,203	-	3,011	202,214
Contributions	74,800	-	74,800	-	-	74,800
Insurance	21,735	9,874	31,609	1,040	2,006	34,655
Computer support	12,881	191	13,072	455	1,658	15,185
Vehicle expense	11,104	10,622	21,726	709	1,203	23,638
Other expenses	17,217	2,380	19,597	650	1,415	21,662
Travel	10,348	-	10,348	345	805	11,498
Depreciation	11,083	14,708	25,791	838	1,331	27,960
Professional fees	20,559	-	20,559	685	1,599	22,843
Utilities	12,105	4,445	16,550	545	1,083	18,178
Bank service fees	1,764	13,305	15,069	484	562	16,115
Telephone	-	13,592	13,592	434	434	14,460
Postage	9,918	39	9,957	332	772	11,061
Training	4,712	165	4,877	162	371	5,410
Office supplies	5,002	2,774	7,776	256	478	8,510
Interest	33,215	-	33,215	1,107	2,583	36,905
Repairs and maintenance	3,229	13,481	16,710	538	681	17,929
Mortgage servicing fees	7,545	-	7,545	251	587	8,383
Advertising	6,182	120	6,302	-	-	6,302
Bad debt expense	20,000	-	20,000	-	-	20,000
Dues and memberships	-	3,435	3,435	-	-	3,435
	$ 1,263,784	$ 515,511	$ 1,779,295	$ 36,904	$ 107,002	$ 1,923,201

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF MONROE COUNTY, INC

Statements of Cash Flows
June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 698,993	$ 1,447,555
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	24,570	27,960
Bad debt expense	-	20,000
Mortgage discounts	321,912	58,827
Imputed interest on mortgages	(212,617)	(319,836)
Amortization of debt issuance costs	5,369	-
Gain on sale of mortgages	-	(573,190)
Changes in:		
Homes for sale or under construction	(534,838)	(243,048)
Land held for development	(1,105,175)	(236,428)
Other assets	(17,446)	(28,598)
Refundable advances	(29,708)	(133,642)
Mortgage repurchase obligation	-	192,631
Accounts payable and accrued expense	67,167	144,773
Net cash provided (used) by operating activities	(781,773)	357,004
Cash flows from investing activities		
Purchase of investments	(378,183)	(71)
Originations of mortgages receivable	(618,590)	(361,127)
Proceeds from sale of mortgages	-	307,416
Payments on mortgages receivable	635,141	666,840
Purchase of property and equipment	(7,248)	(13,350)
Net cash provided (used) by investing activities	(368,880)	599,708
Cash flows from financing activities		
Proceeds from notes payable	720,675	-
Payments on debt issuance costs	(143,063)	-
Payments on notes payable	(26,190)	(38,626)
Net cash provided (used) by financing activities	551,422	(38,626)
Net change in cash and cash equivalents	(599,231)	918,086
Cash and cash equivalents - beginning of year	1,683,399	765,313
Cash and cash equivalents - end of year	$ 1,084,168	$ 1,683,399
Interest paid	$ 6,695	$ 36,905
Non-cash transactions		
Sale of mortgages to extinguish line of credit	-	1,300,000
Non-cash contribution of CIP to HFHI investment	487,236	-

See accompanying 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.

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 7.49% 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.

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 the 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, 2022 and 2021, $153,676 and $66,918, respectively, were received in in-kind donations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Home Sales

A portion of HFH's revenue is derived from home sales during the year. Due to the nature of contracts, there is variable consideration in the form of a soft second mortgage that is due if a home is sold within a 30-year window and reduced to zero over the 30-year timeframe and only one performance obligation. Such revenue is conditioned upon meeting the performance obligation, and amounts received are recognized as revenue once the requirement has been met. Once construction is complete on a home and closing procedures have been completed, buyers take possession of the home and the performance obligation is considered to have been met. Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms.

ReStore Sales

A portion of HFH's revenue is derived from ReStore sales during the year. Such revenue is conditioned upon meeting one performance obligation, the sale transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payment in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

Functional Allocation of Expenses

For purposes of the statement of functional expenses, expenses are allocated directly or indirectly to Habitat, Restore, management and administrative and fundraising. Expenses that can be identified with Habitat, Restore, management and administrative, and fundraising are allocated using both statistical and non-statistical allocation methodologies. The most significant allocations are salaries and related expenses, which were allocated based on estimates of time spent by the Organizations 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Upcoming Accounting Standards

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 the ASU on its financial statements.

Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation. The reclassifications had no effect on net income for either year.

Subsequent Event Evaluation

Management has evaluated subsequent events through March 4, 2023, 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:

	2022	2021
Cash	$ 1,084,168	$ 1,683,399
Mortgages receivable to be collected within one year	503,732	500,731
Total financial assets available	$ 1,587,900	$ 2,184,130

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.

NOTE 3 MORTGAGES RECEIVABLE

Mortgages receivable as of June 30, 2022 were $7,262,668 and were valued, net of present value amortization of $4,070,514 on the statement of financial position. Mortgages receivable as of June 30, 2021 were $7,279,219 and were valued, net of present value amortization of $4,196,360 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.

During the year ended June 30, 2021 HFH sold 18 mortgages to repay its line of credit which resulted in a gain on sale in the amount of $573,190.

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 $43,400 and $52,000 as of June 30, 2022 and 2021, respectively.

NOTE 5 INVESTMENT IN LEVERAGE LENDER

In November 2021, HFH invested, along with five other Habitat affiliates, in a joint venture, USB NMTC Fund 2020-6, LLC, to take advantage of New Markets Tax Credit ("NMTC") financing under Section 45D of the Internal Revenue Code.

NMTC financing allows an entity to receive a loan or investment capital from outside investors, who received new markets tax credits to be applied against their federal tax liability. HFH invested a combination of cash and construction in progress totaling $865,419 for a 12.2% ownership stake, enabling it to secure a 30-year loan in the amount of $ 1,170,668 payable to HFHI NMTC Sub-CDE IV, LLC, a community development entity (See Note 7). After all transaction fees are deducted, the net benefit to HFH was $161,250 which was paid in November 2021. The loan proceeds will be used solely for the purpose of constructing and selling qualified housing properties to low-income residents. Although the transaction is structured as a loan, the exit strategy after the 7-year compliance period permits affiliates to satisfy their repayment obligations through an option agreement in lieu of repayment of the loan upon maturity.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	2022	2021
Leasehold Improvements	$ 203,080	$ 203,080
Equipment	45,260	38,012
Vehicles	200,824	200,824
Less accumulated depreciation	(340,983)	(316,413)
	$ 108,181	$ 125,503

NOTE 7 NOTES PAYABLE

Notes payable at June 30 consisted of the following:

	2022	2021
SHOP note 195001 (A)	$ -	$ 1,649
SHOP note 211044 (B)	13,800	20,976
SHOP note 221045 (C)	8,814	12,870
SHOP note 193005 (D)	-	2,240
SHOP note 194004 (E)	-	824
Note payable IUCU (F)	14,399	24,644
SHOP note 251017 (G)	10,043	-
City of Bloomington loan (H)	27,200	-
QLICI loans (I)	1,170,668	-
Less debt issuance costs	(137,694)	-
	$ 1,107,230	$ 63,203

(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 matured 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 of $338 are required. The note matures on August 1, 2024 and is unsecured.

NOTE 7 NOTES PAYABLE (CONTINUED)

(D) 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 matured on November 30, 2021 and is unsecured.

(E) During 2022, 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 matured on May 31, 2022 and is unsecured.

(F) 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.

(G) On April 14, 2022, HFH obtained a note from Habitat for Humanity International for $10,043 (loan no. 251017) which bears an interest rate of 0%. Monthly payments of $209 are required. The note matures on April 1, 2028 and is unsecured.

(H) During 2022, HFH obtained a note from the City of Bloomington for up to $40,000 for a non-interest bearing forgivable loan for HFH to construct and sell to a qualified income buyer a property with loan to be forgiven at the end of a 20 year affordability period.

(I) On November 9, 2021, HFH obtained two notes from HFHI NMTC SUB – CDE IV and V, LLC for $1,053,601 and $117,067, respectively. Both loans require semi-annual interest only payments until 2028 at .7379%. Semi-annual payments totaling approximately $69,000 are due beginning November 2029 through the maturity date of November 2051. The loans are secured by certain property for qualified low-income housing projects. The NMTC investor has the option to waive the loans in January 2029. The balance of the loans is reduced by unamortized loans costs of $137,694 at June 30, 2022.

Scheduled maturities of notes payable are as follows excluding closing costs and forgivable loan to City of Bloomington:

Year ending June 30,	
2023	$ 21,948
2024	14,990
2025	3,210
2026	2,508
2027	2,508
Thereafter	1,172,560
Total	$ 1,217,724

NOTE 8 PAYCHECK PROTECTION PROGRAM (PPP) GRANT

On March 4, 2021 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 $180,830. 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 covered period after issuance. After the initial 6-month covered period expires and following an additional 10-month deferral period, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 45 equal installments through the maturity date in March 2026. HFH has elected to apply the conditional contribution guidance pursuant to ASC 958-605. As of June 30, 2021 HFH estimated a portion of the conditions have been substantially met and recognized $29,708 and $151,122 of the Program funds during 2022, and 2021, respectively. The outstanding balance for this refundable advance was $0 and $29,708 as of June 30, 2022 and 2021, respectively. The loan was forgiven on June 6, 2022.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 net assets with donor restrictions consists of $170,550 for house sponsorships. At June 30, 2021 net assets with donor restrictions consists of $187,000 for development of the Osage Place development.

NOTE 10 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 $174,000 for 2022 and $173,000 for 2021. HFH is also responsible for real estate taxes under this lease. Future annual minimum lease payments are $176,000 for 2023 and $182,000 a year for 2024 through 2026.

HFH also leases its office location from First Christian Church (Church) for $1 from 2006 through 2026. However, beginning in 2016 the Church may be terminate the lease by giving HFH 120 days notice. The entity recognized $28,100 and $26,750 of in-kind rent revenue and expense in fiscal years 2022 and 2021, respectively.

NOTE 11 CONTINGENCIES – LOANS SOLD WITH RECORSE

During 2021, HFH sold certain loans to an investor (refer to Note 3) pursuant to an agreement which includes recourse provisions that gives the investor the authority to require HFH to repurchase loans in the event a borrower defaults on the loan for 90 days or more. The principal balance of loans subject to these recourse provisions amounted to approximately $1,700,000 at June 30, 2021. Based on previous loan default history it was estimated approximately 11% of the loans sold could potentially default and be required to be repurchased due to the recourse obligations which amounted to approximately $192,000 at June 30, 2022 and 2021. HFH was not required to repurchase any loans under this agreement during the years ended June 30, 2022 or 2021.

NOTE 12 SUBSEQUENT EVENT

In October 2022, twenty-two additional mortgages were sold for approximately $2,034,000.