

**HABITAT FOR HUMANITY OF
GREATER GREENSBORO, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

*As of and for the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)*

And Report of Independent Auditor

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

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Report of Independent Auditor

To the Board of Directors
Habitat for Humanity of Greater Greensboro, Inc.
Greensboro, North Carolina

We have audited the accompanying financial statements of Habitat for Humanity of Greater Greensboro, Inc. (“Habitat”) (a nonprofit Habitat), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Habitat’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 Habitat’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 as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Habitat’s 2019 financial statements, and our report dated February 20, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Effect of Adopting New Accounting Standards

As discussed in Note 2, the Habitat adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These ASUs did not have any impact on prior year net assets. Our opinion is not modified with respect to these matters.

Other Matter – Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in related to the financial statements as a whole.



Raleigh, North Carolina
December 3, 2020

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash	\$ 422,073	\$ 129,716
Cash - escrow for homeowners' taxes, insurance, and maintenance	60,201	24,211
Net pledges receivable	65,450	152,909
Construction in process	1,054,241	1,000,775
Current portion of mortgage receivables	792,015	795,240
ReStore inventory	213,906	302,742
Other receivables	117,617	232,053
Prepaid expenses	19,609	19,609
Total Current Assets	<u>2,745,112</u>	<u>2,657,255</u>
Net property, plant, and equipment	<u>1,837,046</u>	<u>1,928,031</u>
Noncurrent Assets:		
Real estate held for development or resale, at cost	520,464	718,264
Long-term mortgages receivable	4,990,513	4,985,015
Endowment funds	144,464	173,068
Total Noncurrent Assets	<u>5,655,441</u>	<u>5,876,347</u>
Total Assets	<u><u>\$ 10,237,599</u></u>	<u><u>\$ 10,461,633</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of notes payable	\$ 265,467	\$ 205,393
Accounts payable and other liabilities	244,107	238,827
Escrow liability for homeowners' taxes, insurance, and maintenance	32,288	23,423
Total Current Liabilities	<u>541,862</u>	<u>467,643</u>
Noncurrent portion of notes payable	<u>1,348,337</u>	<u>1,075,428</u>
Total Liabilities	<u>1,890,199</u>	<u>1,543,071</u>
Net Assets:		
Without donor restriction	7,631,892	8,069,191
With donor restriction	715,508	849,371
Total Net Assets	<u>8,347,400</u>	<u>8,918,562</u>
Total Liabilities and Net Assets	<u><u>\$ 10,237,599</u></u>	<u><u>\$ 10,461,633</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2020 Total</u>	<u>2019 Total</u>
Support and Revenue:				
Public Support:				
Contributions	\$ 543,294	\$ 673,858	\$ 1,217,152	\$ 1,369,527
In-kind	79,545	27,998	107,543	92,878
Governmental and housing finance agency revenue	68,600	-	68,600	65,800
Mission trip donations	-	10,900	10,900	11,965
Total Public Support	<u>691,439</u>	<u>712,756</u>	<u>1,404,195</u>	<u>1,540,170</u>
Revenue:				
ReStore revenue	1,232,588	-	1,232,588	1,824,442
Home sales	805,977	-	805,977	861,685
Mortgage interest income	480,064	-	480,064	525,656
Other revenue	32,568	3,500	36,068	95,493
Net assets released from restriction	788,116	(788,116)	-	-
Total Revenue	<u>3,339,313</u>	<u>(784,616)</u>	<u>2,554,697</u>	<u>3,307,276</u>
Total Support and Revenue	<u>4,030,752</u>	<u>(71,860)</u>	<u>3,958,892</u>	<u>4,847,446</u>
Expenses:				
Program services	3,611,539	-	3,611,539	4,234,301
Supporting Services:				
General and administrative expenses	452,914	-	452,914	411,331
Fundraising	358,139	-	358,139	335,176
Total Expenses	<u>4,422,592</u>	<u>-</u>	<u>4,422,592</u>	<u>4,980,808</u>
Other Events:				
Pledges write-off	-	(45,499)	(45,499)	(13,525)
Loss on disposal of property	(45,459)	-	(45,459)	(98,340)
Investment loss on endowment funds	-	(16,504)	(16,504)	8,010
Total Other Events	<u>(45,459)</u>	<u>(62,003)</u>	<u>(107,462)</u>	<u>(103,855)</u>
Changes in net assets	(437,299)	(133,863)	(571,162)	(237,217)
Net assets, beginning	<u>8,069,191</u>	<u>849,371</u>	<u>8,918,562</u>	<u>9,155,779</u>
Net assets, ending	<u>\$ 7,631,892</u>	<u>\$ 715,508</u>	<u>\$ 8,347,400</u>	<u>\$ 8,918,562</u>

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF FUNCTIONAL EXPENSES

*YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)*

	Program Services				Support Services				
	Construction Services	Homeowner Services	Volunteer Services	ReStore Services	Total Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries	\$ 329,959	\$ 174,810	\$ 10,178	\$ 524,956	\$ 1,039,903	\$ 166,322	\$ 230,354	\$ 1,436,579	\$ 1,493,013
Payroll taxes and employee benefits	87,963	45,240	2,662	197,527	333,392	36,581	56,649	426,622	423,991
Professional development	7,451	2,894	-	149	10,494	6,803	2,001	19,298	25,623
Meetings and conferences	1,753	570	-	881	3,204	4,587	3,429	11,220	13,775
Travel	256	1,974	34	718	2,982	1,424	559	4,965	6,437
AmeriCorps	10,868	-	-	-	10,868	-	-	10,868	10,567
Contract labor	-	-	-	62,618	62,618	1,441	200	64,259	58,596
Marketing	33	1,632	100	13,277	15,042	1,724	12,067	28,833	42,218
Events	-	-	-	-	-	-	11,795	11,795	3,017
Rental and maintenance	12,819	-	-	196,311	209,130	45,964	-	255,094	260,214
Office expenses	2,334	-	87	67,227	69,648	18,128	268	88,044	61,871
Utilities	14,589	1,718	-	67,379	83,686	-	958	84,644	96,883
Information technology	567	1,493	3,565	24,224	29,849	70,168	22,007	122,024	49,427
Insurance	9,654	-	4,874	3,143	17,671	29,182	-	46,853	48,592
Interest expense	60	-	-	34,720	34,780	20,887	-	55,667	50,117
Professional services	3,103	52,355	-	50,897	106,355	46,178	17,852	170,385	206,275
Vehicle expense	23,002	-	-	30,640	53,642	251	-	53,893	77,570
Depreciation	17,620	-	-	83,007	100,627	22,912	-	123,539	117,658
Miscellaneous	2,041	19,957	-	755	22,753	(19,638)	-	3,115	20,158
Cost of sales	1,234,580	-	-	-	1,234,580	-	-	1,234,580	1,669,983
Warranty and lot acquisition and maintenance Habitat for Humanity International Tithe/ Stewardship & Organizational Sustainability	2,503	-	-	-	2,503	-	-	2,503	16,004
Initiative & NC Stat Support Organization	-	28,169	-	-	28,169	-	-	28,169	49,018
Mission trips and outreach	-	23,587	-	-	23,587	-	-	23,587	17,352
Education and training	-	3,546	-	-	3,546	-	-	3,546	2,985
Volunteer appreciation	-	-	6,463	61	6,524	-	-	6,524	13,179
Cost of inventory	-	-	-	105,986	105,986	-	-	105,986	146,285
	<u>\$ 1,761,155</u>	<u>\$ 357,945</u>	<u>\$ 27,963</u>	<u>\$ 1,464,476</u>	<u>\$ 3,611,539</u>	<u>\$ 452,914</u>	<u>\$ 358,139</u>	<u>\$ 4,422,592</u>	<u>\$ 4,980,808</u>

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ (571,162)	\$ (237,217)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	123,539	117,658
(Increase) decrease in related assets:		
Net pledges receivable	87,459	(66,562)
Construction in process	(53,466)	68,592
Mortgages receivable	(2,273)	50,895
ReStore inventory	88,836	(76,445)
Other receivables	114,436	(155,940)
Prepaid expenses	-	35,885
Real estate held for development or resale	197,800	715,418
Contributions and gains to endowment funds	28,604	(8,010)
Increase (decrease) in related liabilities:		
Accounts payable and other liabilities	5,280	(5,917)
Escrow liability for homeowners' taxes, insurance, and maintenance	8,865	(385,491)
Net cash from operating activities	<u>27,918</u>	<u>52,866</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(47,638)	(105,982)
Proceeds on disposal of property, plant, and equipment	15,084	-
Net cash from investing activities	<u>(32,554)</u>	<u>(105,982)</u>
Cash flows from financing activities:		
Proceeds from notes payable	5,047,404	3,246,233
Payments on notes payable	(4,714,421)	(3,521,699)
Net cash from financing activities	<u>332,983</u>	<u>(275,466)</u>
Net change in cash	328,347	(328,582)
Cash, cash in escrow, and cash equivalents, beginning of year	153,927	482,509
Cash, cash in escrow, and cash equivalents, end of year	<u>\$ 482,274</u>	<u>\$ 153,927</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 28,258</u>	<u>\$ 27,470</u>

The accompanying notes to the financial statements are an integral part of this statement.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Nature of operations

Habitat for Humanity of Greater Greensboro, Inc. (“Habitat”) was incorporated on October 12, 1987 as a nonprofit Habitat which works with donors, volunteers, contractors, and homeowners to create affordable housing for those in need in Greensboro, North Carolina. Habitat also promotes self-reliance through home ownership, providing affordable mortgages and preparing its applicant families for home ownership through the provision of family support services, credit counseling, and resource management training.

Program services provided by Habitat are as follows:

Construction Services – This program constructs or rehabilitates modest housing for sale to low-income residents.

Homeowner Services – This program recruits and selects eligible homeowners, recruits, and trains volunteers who provide family support and services. Additionally, it provides affordable mortgage financing for low-income residents.

Volunteer Services – This program recruits and trains volunteers to assist in the construction of homes, retail services, and administrative work.

ReStore Services – This program sells donated household and salvaged building materials to the general public at below market prices, with the net proceeds going towards the support of Habitat’s mission.

Note 2—Summary of significant accounting policies

Basis of Presentation – As required by generally accepted accounting principles in the United States of America (“U.S. GAAP”), Habitat is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Habitat or by passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of Accounting – The financial statements of Habitat are prepared on the accrual basis of accounting, whereby, revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to U.S. GAAP.

Financial Statement Presentation – As required by U.S. GAAP, Habitat reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the net reported results of operations.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Habitat’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Summary of significant accounting policies (continued)

Cash – Habitat maintains its cash in several North Carolina financial institutions. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Habitat from time to time may have amounts on deposit in excess of the insured limits. Habitat considers all highly liquid investments to be cash equivalents.

Restricted and Unrestricted Revenues and Support – Grants and contributions of cash and other assets are reported as without donor restriction and with donor restriction. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions received with donor restrictions that are satisfied in the same year as received are classified as without donor restriction in the statement of activities and changes in net assets.

Cost-reimbursement type grant revenues are recorded when the costs are incurred.

In-Kind Donated Materials, Services, and Facilities – A substantial number of volunteers have made significant contributions of their time to Habitat, principally in the areas of house construction, administration, and fundraising. The value of non-professional contributed time is not reflected in the accompanying financial statements. However, donated materials, specialized services, and facilities received by Habitat are reflected as both contributions and expenses in the accompanying statements at their estimated fair market value at the time of receipt.

Net Pledges Receivable – Net pledges receivable represent valid pledges and are reported at their estimated net realizable value. Pledges receivable due in more than one year are recorded at the present value of estimated future cash flows using current prime interest rates. If amounts are deemed uncollectible after periodic review by management, they will be charged to activities when the determination is made. Long-term pledges receivable due in more than one year are recorded at the present value of estimated future cash flows. Habitat uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give. An allowance for uncollectible pledges of \$-0- has been provided based on management's evaluation of potential uncollectible pledges receivable as of June 30, 2020.

Real Estate Held for Development or Resale – Real estate, including acquisition and building materials, are recorded at cost when the assets are acquired. Foreclosed homes purchased by Habitat are recorded at fair market value when the homes are acquired.

Mortgages Receivable – Mortgages receivable are reported at their outstanding principal balances discounted to their present value. Habitat has established an allowance for uncollectible accounts of \$57,751 as of June 30, 2020 to cover to cover the principal balance for under reported number of months delinquent that are uncollectible. Mortgages receivable are generally considered delinquent when payment is 30 days past due; however, delinquency status may be mitigated by other qualitative factors.

Other Receivables – Other receivables are stated at unpaid balances less an allowance for doubtful accounts. Habitat provides for losses on receivables using the allowance method. The allowance method is based on experience, third party contracts, and other circumstances which may affect the ability of debtors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. It is Habitat's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Property, Plant, and Equipment – Property, plant, and equipment are recorded at cost, and if donated, are recorded at the approximate fair value at the date of donation. The resale store ("ReStore") building is depreciated using the straight-line basis over an estimated useful life of 50 years and equipment, vehicles, leasehold improvements, building improvements, and rental property are depreciated over estimated useful lives of 5 to 25 years for the respective assets using the straight-line basis. Maintenance, repair costs, and minor replacements are charged to expense as incurred.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Summary of significant accounting policies (continued)

ReStore Inventory – ReStore inventory is purchased or donated and valued at fair value which due to the quick turnover of inventory, is typically subsequent sales.

ReStore Services – Habitat operates ReStore to raise additional funds for programs. Donations of building materials, supplies, equipment, household, and other items by businesses and individuals are maintained in inventory. Due to the nature of the donated items, the value of the inventory is not recognized until sold.

Advertising – Advertising costs for the year ended June 30, 2020 were \$16,262.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – Habitat is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Habitat and recognize a tax liability or asset if Habitat has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Habitat is not currently under examination for any tax periods. Habitat, by expiration of the statute of limitations, is generally no longer subject to examination by taxing authorities for the fiscal year ended June 30, 2016 or earlier.

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

Endowment Funds – The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Habitat has the ability to access.

Level 2 – Inputs to the valuation methodology which include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2020. There were no transfers in or out of Levels 1, 2, or 3 investments for the year ended June 30, 2020. Endowment funds are invested in mutual funds which were considered a Level 1 investment.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Summary of significant accounting policies (continued)

Retirement Plan – Habitat has a 403(b) tax deferred annuity plan (the “Plan”) available to qualified employees. Habitat offers their employees the opportunity to make a voluntary contribution and Habitat contributes 2% of compensation after completion of one thousand hours and a year of service. Habitat contributed \$22,176 for the year ended June 30, 2020 to the Plan.

Current Pronouncements – The Habitat has adopted 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*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The Habitat has adopted this standard during the year ended June 30, 2020, and has adjusted the presentation of the statements accordingly. The update had no impact on prior year net assets.

The Habitat also adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard’s core principle is that a company will recognize revenue when it transfer promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing the users of financial statements with comprehensive information about the nature, timing, and uncertainty of revenue. The Habitat adopted this standard during the year ended June 30, 2020, and has adjusted the presentation of the statements accordingly. Analysis of various provisions of this standard resulted in no significant changes in the way the Habitat recognizes revenue and, therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Future Pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard, ASU 2016-02, *Leases (Topic 842)*, which says lessees will be required to recognize a lease liability and a right-of-use asset for all leases, operating and capital, at the commencement date. The new standard will be effective for the Habitat on July 1, 2022. Early adoption is permitted. Habitat is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

Note 3—Liquidity and availability

Financial assets available for general expenditures consisting of expenses for program, fundraising, and management and general expenses that are without donor or other restrictions, limiting their use within one year of the statement of financial position date, are comprised of the following as of June 30, 2020:

Financial assets:

Cash	\$ 422,073
Accounts receivable	117,617
Net pledges receivable	65,450
Current portion of long-term receivable	<u>792,015</u>
Total financial assets	1,397,155

Less those unavailable for general expenditures within one year:

Contributions with donor restrictions	<u>(715,508)</u>
Financial assets available to meet cash needs to general expenditures within one year	<u><u>\$ 681,647</u></u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4—Valuation of investments

Fair Value Hierarchy – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In accordance with FASB Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified within a fair value hierarchy. All of Habitat's investments at June 30, 2020 consist of a beneficial interest in an endowment fund of \$144,464, and are Level 3 investments.

Note 5—Pledges receivable

The following is a reconciliation of the activity in net pledges receivable:

Net pledges receivable, beginning of year	\$ 152,909
Current year pledges and donations (not including in-kind)	215,791
Less cash received for pledges and donations	(277,124)
Less write-offs of uncollectible pledges	(45,499)
Increase in allowance for uncollectible pledges	19,373
Total net pledges receivable, end of year	<u>\$ 65,450</u>

Note 6—Mortgages receivable

It is Habitat's policy to sell homes to selected families through the issuance of noninterest bearing mortgages. Mortgages receivable consists of amounts due from home sales to first time homeowners who complete Habitat's program for home ownership. Mortgages are discounted to their present value and adjusted annually, based on the interest rate applicable in the year of issuance of each mortgage, ranging from 7.38% to 9.00%. Gross mortgages receivable of \$13,638,392 were outstanding as of June 30, 2020. The mortgages receivable are secured by their respective homes.

Habitat participates in a program sponsored by the North Carolina Housing Finance Agency ("NCHFA"), whereby NCHFA provides a co-first to Habitat's homeowners. Habitat also receives grants from the city of Greensboro that provide a second mortgage to homeowners. These programs allow Habitat to recover those funds immediately and Habitat is paid a nominal servicing fee by NCHFA. Habitat has the contingency to continue payments, if a homeowner is not paying co-first or second mortgage.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6—Mortgages receivable (continued)

At June 30, 2020, mortgages receivable consisted of the following:

Gross mortgages receivable	\$ 13,638,392
Mortgage discount	(4,210,571)
Mortgage allowance	(57,751)
NCHFA mortgage liability	(3,359,511)
City of Greensboro mortgage liability	<u>(228,031)</u>
Net mortgages receivable	5,782,528
Less current portion	<u>(792,015)</u>
Noncurrent portion of mortgages receivable	<u><u>\$ 4,990,513</u></u>

These mortgages do not earn interest and are secured by deeds of trust on the houses. As of June 30, 2020, the total discount was \$4,210,571.

U.S. GAAP requires that receivables that are contractual rights to receive money in the future at a fixed or determinable date be recorded at the present value of the consideration given in the exchange.

Prior to the fiscal year ended June 30, 2001, homebuyers purchased houses from Habitat at less than fair value with the equity amount determined as the difference between the purchase price and the fair value. Beginning with the fiscal year ended June 30, 2001, homebuyers purchased houses at fair value and Habitat discounts the mortgages receivable. Under both methods, homebuyers pay the equity over the life of their mortgages, typically between 20 and 30 years (not to exceed 40 years) or as the mortgages are repaid. If the homebuyers default on their mortgages, Habitat retains all or a portion of the equity in the house. If homebuyers wish to dispose of their property, Habitat retains the right of first refusal.

At June 30, 2020, the delinquencies in Habitat's mortgages receivables consisted of the following:

	<u>0-29 Days Past Due</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Over 90 Days Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Mortgages Receivable</u>
Mortgages receivable	<u>\$ 20,944</u>	<u>\$ 13,257</u>	<u>\$ 7,515</u>	<u>\$ 62,209</u>	<u>\$ 103,925</u>	<u>\$ 5,678,603</u>	<u>\$ 5,782,528</u>

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. Habitat considers single family mortgage loans and consumer installment loans to be homogeneous and, therefore, does not generally evaluate them for impairment, unless they are considered troubled debt restructurings. All other loans are evaluated for impairment on an individual basis. AmeriNat services all of these mortgages.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6—Mortgages receivable (continued)

Current changes in the mortgages receivable accounts are summarized as follows:

Beginning balance, June 30, 2019	\$ 5,780,255
New loans	596,430
Write-offs	(18,149)
Change in reserve	21,414
Payments received	<u>(597,422)</u>
Ending balance, June 30, 2020	<u><u>\$ 5,782,528</u></u>

Note 7—Property, plant, and equipment

Property, plant, and equipment consisted of the following as of June 30, 2020:

ReStore:	
Land	\$ 750,000
Building	457,247
Building roof	275,706
Leasehold improvements	374,408
Office equipment	57,205
Vehicles	149,255
Equipment	<u>84,697</u>
Total ReStore	<u>2,148,518</u>
Office equipment	70,898
Vehicles	41,235
Leasehold improvements	257,086
Construction equipment	<u>83,481</u>
Total property, plant, and equipment	<u>452,700</u>
Less accumulated depreciation	<u>(764,172)</u>
Net property, plant, and equipment	<u><u>\$ 1,837,046</u></u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8—Notes payable and line of credit

Notes payable consisted of the following:

Line of credit with a bank up to \$900,000 secured by specific real estate; interest accrues at a rate of 4.25%. Accrued interest on the line of credit is payable in monthly payments beginning July 2020. Any outstanding principal is to be paid in full along with any unpaid interest in June 2023.	\$ 428,545
Note payable to a bank secured by specific real estate; interest is variable between 5.00 to 5.75%. Accrued interest on the note is payable in monthly payments beginning May 2018. Principal is to be paid in full along with any unpaid interest on April 13, 2021.	255,000
Note payable to a bank secured by specific real estate; interest accrues at a rate of 4.25%. Note is payable in 119 equal and consecutive monthly payments of principal and interest, with a single balloon payment of the unpaid balance due June 5, 2030.	598,531
Paycheck Protection Program loan granted by the Small Business Administration and serviced through Self-Help Federal Credit Union. The loan will accrue interest at 1% per year. The loan matures in April 2022.	301,107
Various unsecured noninterest bearing notes payable to Habitat for Humanity International; monthly principal payments of approximately \$2,400 through June 2020, \$1,630 through June 2020, \$888 through June 2021, and \$216 through June 2023.	<u>30,621</u>
Total long-term notes payable	1,613,804
Less current portion	<u>(265,467)</u>
Long-term portion of notes payable	<u><u>\$ 1,348,337</u></u>

Estimated future maturities of notes payable are as follows:

Years Ending June 30:

2021	\$ 265,467
2022	355,789
2023	452,221
2024	24,370
2025	22,975
Thereafter	<u>492,982</u>
Total	<u><u>\$ 1,613,804</u></u>

The terms of the notes payable to Habitat for Humanity International contain financial reporting requirements. At June 30, 2020, Habitat was in compliance with these requirements.

Note 9—In-kind donations

For the year ended June 30, 2020, Habitat received in-kind donations totaling \$107,543. The donations are valued using estimated current market values for the items donated and have been included in both revenues and expenses.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 10—Leases

Habitat entered into a new lease for its administrative offices effective August 2017, with monthly payments due beginning December 2018 through November 2028, ranging from \$5,109 to \$6,074 over that period.

Habitat entered into a new lease for its second ReStore location effective January 2018, with monthly payments of \$14,500 due through April 2023.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2020 are as follows:

Fiscal Years Ending June 30:

2021	\$	259,017
2022		262,017
2023		227,079
2024		69,649
2025		72,920
Thereafter		259,079
	\$	<u>1,149,761</u>

Total rent expense for the year ended June 30, 2020 was \$257,148.

Note 11—Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2020 consisted of the following:

Net Assets With Donor Restrictions:

Home sponsorship	\$	362,794
Net donations for specific sponsored homes		18,783
Endowment funds		144,464
Net pledges receivable		65,450
Mission trips & Scholarships		36,714
Grants restricted for time		87,303
	\$	<u>715,508</u>

Note 12—Related party transactions

Habitat, as an affiliate of Habitat for Humanity International (“International”), made contributions to International of \$25,619 for the year ended June 30, 2020. These contributions represent a portion of unrestricted donations received, plus additional amounts approved by Habitat’s Board of Directors and are used to support International’s programs in Honduras and Kenya.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 13—Endowment funds

Habitat follows the Uniform Prudent Management of Institutional Funds Act of 2006 as enacted by the state of North Carolina on March 19, 2009 (“UPMIFA”) and its own governing documents.

The Board of Directors of Habitat has interpreted the enacted versions of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Habitat classifies as permanently or temporarily restricted net assets as (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, or (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Changes in the endowment funds for the year ended June 30, 2020 were as follows:

	With Donor Restrictions
Endowment funds, June 30, 2019	<u>\$ 173,068</u>
Investment returns:	
Interest and dividends	4,912
Net realized and unrealized gains	<u>(21,416)</u>
Total investment returns	<u>(16,504)</u>
Contributions	10,000
Distributions	<u>(22,100)</u>
Endowment funds, June 30, 2020	<u>\$ 144,464</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Habitat to retain as a fund of perpetual duration. These deficiencies result primarily from unfavorable market fluctuations that occur during the year.

The value, liquidity, and related income of the securities held by the endowment funds is sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market’s perception of the issuers and changes in interest rates.

Note 14—Escrow funds

Habitat held \$60,201, which had been collected from homebuyers by Habitat for payment of deposits towards closing costs as of June 30, 2020. This amount was held in a separate escrow account by Habitat.

Note 15—Grant audits

Habitat receives grant funds at times from various federal, state, and local governments. Such costs are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of Habitat.

Note 16—Construction in process

During the year ended June 30, 2020, Habitat had 12 houses under construction which were still in progress at year-end. Houses under construction totaled \$1,054,241 as of June 30, 2020.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 17—Home sales

During the current year, Habitat sold 9 homes at a net income of the following:

Home sales	\$ 805,977
Contributions and in-kind related to home sales	825,183
Cost of construction	<u>(1,234,580)</u>
Net home sales	<u>\$ 396,580</u>

Note 18—COVID-19 pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (“COVID-19”) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures of certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Habitat operates. The Habitat’s office, store locations, and home building construction sites were initially closed to all staff and volunteers temporarily for the safety of employees, families, and the community. The Habitat began reopening in June 2020 using a phased approach that allows a small number of employees to return to work.

While it is unknown how long these conditions will last and what the complete financial impact will be to the Habitat, they are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

On April 29, 2020, the Habitat received a Paycheck Protection Program (“PPP”) loan for \$301,107 from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This loan was funded by Self-Help Federal Credit Union. PPP loans are considered conditional contributions, with right of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following the receipt of the loan funds. As the application for the forgiveness process is considered to be a barrier for recognition, the Habitat recognized \$301,107 as long-term debt for the year ended June 30, 2020 representing funds received. The Habitat selected Accounting Standards Codification 470 as the applicable standard for not-for-profits. As of June 30, 2020, the Habitat was still in the process of applying for full loan forgiveness.

Note 19—Subsequent events

Habitat has evaluated subsequent events through December 3, 2020, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
RESTORE SERVICES SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Revenues and Support:	
Revenues	\$ 1,225,437
Cash donations	7,151
Total Revenues and Support	<u>1,232,588</u>
Operating Expenses:	
Cost of inventory	105,986
Salaries and wages	524,956
Insurance	3,143
Volunteer appreciation	60
Interest expense	34,720
Utilities	67,379
Professional services	50,897
Depreciation and amortization	83,008
Marketing	13,277
Vehicle expense	30,640
Payroll taxes and benefits	197,527
Office expenses	67,227
Professional development	149
Information technology	24,224
Miscellaneous	2,354
Contract labor	62,618
Rent and maintenance	196,311
Total Operating Expenses	<u>1,464,476</u>
Expenses in Excess of Revenues	<u>\$ (231,888)</u>