

Habitat for Humanity of Grant County, Inc.

FINANCIAL STATEMENTS

For the Fiscal Year Ending June 30, 2019

Habitat for Humanity of Grant County, Inc.

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A Limited Liability Company
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Habitat for Humanity of Grant County, Inc.
Marion, IN

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of Habitat for Humanity of Grant County, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified cash basis as of June 30, 2019, and the related statement of revenues, expenses, and other changes in net assets—modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

THE SEIGEL GROUP, LLC
Certified Public Accountants
Auburn, Indiana
May 5, 2020

HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
Fiscal Year Ending June 30, 2019

ASSETS:

Cash and cash equivalents	\$ 57,739.65
Restricted cash	17,377.56
Construction in progress and repossessions	88,054.25
Noninterest bearing mortgage loans	963,445.85
Discount on noninterest bearing loans	(417,557.17)
Land for development	16,400.00
Property and Equipment	65,263.15
<u>Less: Accumulated depreciation</u>	<u>(36,857.02)</u>
 Total Assets	 <u><u>\$ 753,866.27</u></u>

LIABILITIES:

Homeowner escrow	\$ 17,377.56
Payroll tax liabilities	813.55
	<u>813.55</u>
 Total Liabilities	 \$ 18,191.11

NET ASSETS:

Without donor restrictions	\$ 735,675.16
With donor restrictions	
Restricted by purpose or time	-
Restricted in perpetuity	-
Total with donor restrictions	<u>-</u>
Total Net Assets	<u>\$ 735,675.16</u>
 Total Liabilities and Net Assets	 <u><u>\$ 753,866.27</u></u>

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Statement of Revenue, Expenses, and Other Changes in Net Assets - Modified Cash Basis Fiscal Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenue:</u>			
Contributions	\$ 114,668.49	\$ 21,467.32	\$ 136,135.81
In-kind donations	5,900.00	-	5,900.00
	<u>\$ 120,568.49</u>	<u>\$ 21,467.32</u>	<u>\$ 142,035.81</u>
Mortgage loan discount amortization	\$ 74,280.69	\$ -	\$ 74,280.69
Warehouse sales	11,243.87	-	11,243.87
Late fees	970.80	-	970.80
Transfer to homeowners	3,150.00	-	3,150.00
Investment income	33.58	-	33.58
Miscellaneous income	2,014.72	-	2,014.72
Net assets released from restrictions	<u>21,467.32</u>	<u>(21,467.32)</u>	<u>-</u>
Total Revenue and Support	\$ 233,729.47	\$ -	\$ 233,729.47
<u>Expenses:</u>			
Program	\$ 65,855.44	\$ -	\$ 65,855.44
Management and general	69,451.69	-	69,451.69
Fundraising	1,305.58	-	1,305.58
Habitat for Humanity International	5,000.00	-	5,000.00
Total Expenses	<u>\$ 141,612.71</u>	<u>\$ -</u>	<u>\$ 141,612.71</u>
Changes in Net Assets	\$ 92,116.76	\$ -	\$ 92,116.76
Net Assets, June 30, 2018	<u>643,558.40</u>	<u>-</u>	<u>643,558.40</u>
Net Assets, June 30, 2019	<u>\$ 735,675.16</u>	<u>\$ -</u>	<u>\$ 735,675.16</u>

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Statement of Functional Expenses - Modified Cash Basis
Fiscal Year Ended June 30, 2019

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising & promotions	\$ 70.00	\$ 649.00	\$ 1,305.58	\$ 2,024.58
Building costs	1,120.54	-	-	1,120.54
Depreciation	-	2,621.57	-	2,621.57
Discount on mortgages issued	6,440.00	-	-	6,440.00
Dues & subscriptions	-	837.00	-	837.00
Insurance	6,059.50	7,237.25	-	13,296.75
Maintenance	347.94	910.58	-	1,258.52
Miscellaneous	189.99	2,816.40	-	3,006.39
Mowing	5,100.00	140.00	-	5,240.00
Payroll taxes	976.37	2,436.25	-	3,412.62
Printing & postage	-	1,092.17	-	1,092.17
Professional development	-	2,342.05	-	2,342.05
Professional services	-	6,409.54	-	6,409.54
Real estate taxes	-	233.00	-	233.00
Rent	-	450.00	-	450.00
Repair & rehabilitation costs	18,154.85	-	-	18,154.85
Salaries & wages	13,038.34	32,533.44	-	45,571.78
Supplies	1,521.44	2,462.98	-	3,984.42
Telephone & internet	389.63	2,838.01	-	3,227.64
Travel	4,126.41	502.73	-	4,629.14
Utilities	8,320.43	2,939.72	-	11,260.15
Total Expenses	<u>\$ 65,855.44</u>	<u>\$ 69,451.69</u>	<u>\$ 1,305.58</u>	<u>\$ 136,612.71</u>

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Statement of Cash Flows - Modified Cash Basis

Fiscal Year Ending June 30, 2019

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Increase (decrease) in net assets	\$ 92,116.76
<u>NON-CASH CHARGES (CREDITS) TO NET INCOME:</u>	
Depreciation	\$ 2,621.57
In-kind contributions	(5,900.00)
<u>CHANGES IN CERTAIN OPERATING ASSETS AND LIABILITIES:</u>	
Noninterest bearing mortgage loans	\$ 130,612.21
Discount on noninterest bearing loans	(74,409.77)
Construction in progress and repossessions	(75,560.30)
Homeowner escrow	593.44
Payroll taxes payable	<u>(134.26)</u>
Cash Provided by (used for) Operating Activities	\$ 69,939.65
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Purchase of land and buildings	<u>\$ (5,744.77)</u>
Cash Provided by (used for) Investing Activities	\$ (5,744.77)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
	<u>\$ -</u>
<u>INCREASE (DECREASE) IN CASH</u>	\$ 64,194.88
<u>CASH AT BEGINNING OF YEAR</u>	<u>10,922.33</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 75,117.21</u>

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Notes to Financial Statements June 30, 2019

NOTE A - COMPANY DESCRIPTION:

Habitat for Humanity of Grant County, Inc. (Habitat) was incorporated on July 10, 1992 as an Indiana nonprofit corporation and is an affiliate of Habitat for Humanity International, Inc. a non-denominational Christian nonprofit organization whose purpose is to create decent affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Habitat's mission is a not a hand-out, but a hand-up. Habitat does not give away homes. Instead, they provide access to the opportunity of homeownership for hardworking individuals and families in the community. Through house sponsorships, individual donations, and volunteer time, they build homes that are quality, safe, affordable, and beautiful. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations and funding which is done through community support and various grant funding.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of Accounting:

The financial statements of the Organization have been prepared using the modified cash basis of accounting. Under that basis, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred. Depreciation of property and equipment, accruals for payroll taxes and related liabilities, and discounts on zero interest mortgage loans are reports on the financial statements.

2. Public Support and Revenue:

Contributions are recognized as revenue when received.

3. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization defines cash and cash equivalents as all highly liquid investments available for current use with an initial maturity of three months or less.

4. Property and Depreciation:

Property and equipment are recorded at acquisition cost if purchased or fair market value if contributed. Assets are being depreciated over estimated useful lives for financial statement purposes using the straight-line method of depreciation. It is the general policy of the Board to capitalize expenditures for these items in excess of \$500.00. Expenditures for maintenance and repairs are charged to operations as incurred.

5. Restricted Cash:

Habitat currently services some mortgages on the homes it sells. Included in cash are the amounts received for insurance and property taxes on such homes. Also included are contributions for which the donors have specified the use. When the specific use is paid, the cash will be removed for the restricted cash. The Restricted cash balance on June 30, 2019 was \$17,377.56.

6. Mortgages Receivable:

Mortgages receivable consists of noninterest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage.

HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Notes to Financial Statements

June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

7. Income Taxes:

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. Management evaluates all tax positions taken or expected to be taken on its annual information returns, including the position that the Organization continues to qualify to be treated as a 501(c)(3) Organization for both federal and state purposes. For the fiscal years ended June 30, 2019, management does not feel it has taken any tax positions that would not be sustained under examination. Therefore, no interest or penalties have been accrued or charged to expense as of June 30, 2019 or the year then ended. The annual information returns for the Organization are subject to examination by taxing authorities for a period of three years from the date they are filed.

8. Estimates:

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Functional Expenses:

Habitat has allocated expenses for management and general and fundraising expenses based on estimates of personnel time, space, and usage of supplies.

10. Net Assets:

Habitat for Humanity of Grant County, Inc. records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

11. Subsequent Events:

The Organization did not have any reportable subsequent events through May 5, 2020, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended June 30, 2019. However, there has been a significant event that requires disclosure as of the report issue date. In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. This has resulted in several stay-at-home orders that have affected the health of the economy. In addition, the Governor of Indiana issued an Executive Order on March 19, 2020 that prohibited foreclosure actions or proceedings within the state of Indiana until the state of emergency is terminated. This will not have an effect on the carrying value of any assets or liabilities at June 30, 2019 but it may impact homeowners' ability to pay their mortgages due to the Organization.

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Notes to Financial Statements

June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

12. Donated Services:

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

13. Accounting Pronouncements Adopted:

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources. Habitat for Humanity of Grant County, Inc. implemented this ASU effective for the fiscal year ended June 30, 2019.

NOTE C – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

Unrestricted cash and cash equivalents	\$ 53,877.71
Mortgages receivable - current	<u>66,728.52</u>
	<u>\$ 120,606.23</u>

On June 30, 2019, the Organization had enough liquidity available to them to cover at least 8 months of budgeted operating expenses excluding the cost of a new build. In addition, the Board of Directors has been working diligently at obtaining new grants and contributions to help support the organization.

NOTE D – MORTGAGE RECEIVABLE:

The mortgages receivable is for noninterest bearing mortgages and are recorded at their expected amount to be received over the life of the mortgage. For a fair value presentation, the mortgages have been discounted using the discount rate established by Habitat International for the year each mortgage was issued. The discount rate ranges from 7.39% to 8.34%. Discounts will be amortized over the life of each mortgage.

NOTE E – HOME CONSTRUCTION COST IN PROCESS AND REPOSSESSIONS:

On June 30, 2019, there were two homes being rehabilitated (included one repossession) at a cost of \$88,054.25. These homes will be transferred to homeowners in the future. Habitat for Humanity International's accounting policy is to capitalize the costs of construction until the completion of each home and it is transferred to the homeowner. The carrying value of the home that was repossessed was \$55,420.24 at the time that the Organization regained possession of the property.

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Notes to Financial Statements

June 30, 2019

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at each fiscal year end consist of restrictions due to time restrictions, purpose restrictions, or permanent restrictions. As of June 30, 2019, there were no assets with donor restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor.

Those amounts released from restrictions during the fiscal years ended June 30, 2019 was \$21,467.32 for Neighborhood assistance credits.

NOTE G – FIXED ASSETS:

The components of fixed assets are as follows:

	<u>Asset Cost</u>	<u>Estimated Lives</u>	<u>Accumulated Depreciation</u>
Land	\$ 6,334.14		\$ -
Buildings	52,110.44	20 years	30,115.82
Computers & equipment	4,468.23	5 years	4,390.85
Furniture & fixtures	2,350.35	7 years	2,350.35
	<u>\$ 65,263.16</u>		<u>\$ 36,857.02</u>

NOTE H - IN-KIND DONATIONS:

Occasionally some in-kind donations are received by the Organization and are included as both a contribution and an asset or an expense in the financial statements at donor cost. In-kind donations received in 2019 consisted of \$5,900.00 in donated land.

NOTE I - OPERATING LEASE:

Habitat began leasing office space from the local Chamber of Commerce on an annual basis. The Organization signed a new lease starting June 1, 2019. Rent is due at the beginning of each month at a rate of \$225.00 per month. Rent expense for the fiscal years ended June 30, 2019 was \$450.00

NOTE J – CONCENTRATION OF CREDIT RISK:

The Organization maintains all cash balances at one financial institution located in Grant County. The balances are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.00 (per institution). As of June 30, 2019, there were no uninsured balances.

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Notes to Financial Statements
June 30, 2019

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The organization's valuation techniques are based on observable pricing inputs. These inputs are comprised by the following fair value hierarchy.

Level 1 – Observable inputs in the form of quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than Level 1, 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 derived from observable market data substantially in full term of asset or liabilities.

Level 3 – Unobservable pricing inputs in which little or no market activity exists therefore requiring an entity to develop its own assumptions that market participants would use in pricing an assets or liability.

The discounts on the noninterest bearing loans are classified as Level 3, as the Organization is estimating the interest discount rate for each mortgage. The discount rate is determined by the discount rate established by Habitat International for the year each mortgage was issued. The discount rate ranges from 7.39% to 8.34%. The interest discount is amortized over the life of the mortgage with the amount amortized each year determined by the amount of mortgage payments made on the loan. The balance of the unamortized discount on noninterest bearing loans at the beginning of the year was \$491,966.94. The amount amortized during the fiscal year was \$74,409.77 with a remaining unamortized discount balance on June 30, 2019 of \$417,557.17.

NOTE L - CONCENTRATIONS:

The Organization received contributions of \$94,730.62 from an estate during the fiscal year ended June 30, 2019. This amount from a donor represents approximately 40.5% of total support and revenue for the fiscal year ended June 30, 2019.

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HABITAT FOR HUMANITY OF GRANT COUNTY, INC.

Notes to Financial Statements
June 30, 2019

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The organization's valuation techniques are based on observable pricing inputs. These inputs are comprised by the following fair value hierarchy.

Level 1 – Observable inputs in the form of quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than Level 1, 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 derived from observable market data substantially in full term of asset or liabilities.

Level 3 – Unobservable pricing inputs in which little or no market activity exists therefore requiring an entity to develop its own assumptions that market participants would use in pricing an assets or liability.

The discounts on the noninterest bearing loans are classified as Level 3, as the Organization is estimating the interest discount rate for each mortgage. The discount rate is determined by the discount rate established by Habitat International for the year each mortgage was issued. The discount rate ranges from 7.39% to 8.34%. The interest discount is amortized over the life of the mortgage with the amount amortized each year determined by the amount of mortgage payments made on the loan. The balance of the unamortized discount on noninterest bearing loans at the beginning of the year was \$491,966.94. The amount amortized during the fiscal year was \$74,409.77 with a remaining unamortized discount balance on June 30, 2019 of \$417,557.17.

NOTE L - CONCENTRATIONS:

The Organization received contributions of \$94,730.62 from an estate during the fiscal year ended June 30, 2019. This amount from a donor represents approximately 40.5% of total support and revenue for the fiscal year ended June 30, 2019.

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