HABITAT FOR HUMANITY
OF HILLSBOROUGH COUNTY FLORIDA, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Hillsborough County Florida, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Hillsborough County Florida, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, 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 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Hillsborough County Florida, Inc. 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.

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Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. 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.

Accell Audit & Compliance, PA

Tampa, Florida
November 24, 2020

3001 N. Rocky Point Dr. East, Suite 200 • Tampa, Florida 33607 • 813.367.3527 ext 3527

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
Statements of Financial Position

	June 30, 2020	June 30, 2019
ASSETS		
Cash and cash equivalents	$ 1,257,641	$ 468,245
Due from related party	-	14,949
Unconditional promise to give	20,000	2,714
Other receivables	28,664	20,933
Inventory - construction and ReStore	420,366	463,781
Assets held in escrow	138,464	120,800
Mortgages receivable, net	1,147,965	696,570
Land held for development	862,530	272,993
Beneficial interest in assets held by foundations	53,875	56,441
Property and equipment, net	804,700	903,893
Other assets	49,405	67,055
Total assets	$ 4,783,610	$ 3,088,374
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 431,340	$ 301,024
Deferred rent	36,831	55,240
Escrow deposits	138,464	120,800
Agency payable	86,267	40,886
Line of credit	500,000	-
Notes payable - Small Business Administration	675,369	-
Notes payable	125,508	182,808
Total liabilities	1,993,779	700,758
Net assets		
Without donor restrictions	2,460,475	2,331,175
With donor restrictions	329,356	56,441
Total net assets	2,789,831	2,387,616
Total liabilities and net assets	$ 4,783,610	$ 3,088,374

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
Statement of Activities and Change in Net Assets for the Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	Year ended June 30, 2020			Summarized Comparative Totals Year Ended June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions				
Cash	$ 166,832	$ 822,733	$ 989,565	$ 796,688
Donated lots	-	167,617	167,617	148,453
In-kind	470,142	242,751	712,893	525,408
Transfers to homeowners	2,657,750	-	2,657,750	1,507,000
Mortgage discount amortization	12,644	-	12,644	33,134
Sales - Habitat ReStore	2,015,913	-	2,015,913	2,276,244
Foundations and grants	815,637	-	815,637	295,544
Fundraising events	30,231	-	30,231	17,556
Other	274,190	-	274,190	343,731
Net assets released from restrictions	960,186	(960,186)	-	-
Total support and revenue	7,403,525	272,915	7,676,440	5,943,758
EXPENSES				
Program services				
Rehab/Construction and mortgage discounts	3,689,145	-	3,689,145	2,438,428
Homeowner services	378,356	-	378,356	396,203
Habitat ReStore	2,314,140	-	2,314,140	2,492,885
Supporting services:				
Management and general	516,545	-	516,545	479,154
Fundraising	277,093	-	277,093	247,113
Total expenses	7,175,279	-	7,175,279	6,053,783
Change in net assets before Other Changes	228,246	272,915	501,161	(110,025)
Other changes - Revenue (Expense)				
Interest expense	(19,909)	-	(19,909)	(7,733)
Gain/(Loss) on sale of mortgages	(79,037)	-	(79,037)	123,180
Total other changes	(98,946)	-	(98,946)	115,447
Change in net assets	129,300	272,915	402,215	5,422
Net assets, beginning of year	2,331,175	56,441	2,387,616	2,382,194
Net assets, end of year	$ 2,460,475	$ 329,356	$ 2,789,831	$ 2,387,616

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
Statement of Activities and Change in Net Assets for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Cash	$ 279,374	$ 517,314	$ 796,688
Donated lots	-	148,453	148,453
In-kind	448,557	76,851	525,408
Transfers to homeowners	1,507,000	-	1,507,000
Mortgage discount amortization	33,134	-	33,134
Sales - Habitat ReStore	2,276,244	-	2,276,244
Foundations and grants	295,544	-	295,544
Fundraising events	17,556	-	17,556
Other	343,731	-	343,731
Net assets released from restrictions	686,177	(686,177)	-
Total support and revenue	5,887,317	56,441	5,943,758
EXPENSES			
Program services			
Rehab/Construction and mortgage discounts	2,438,428	-	2,438,428
Homeowner services	396,203	-	396,203
Habitat ReStore	2,492,885	-	2,492,885
Supporting services:			
Management and general	479,154	-	479,154
Fundraising	247,113	-	247,113
Total expenses	6,053,783	-	6,053,783
Change in net assets before Other Changes	(166,466)	56,441	(110,025)
Other changes - Revenue (Expense)			
Interest expense	(7,733)	-	(7,733)
Gain/(Loss) on sale of mortgages	123,180	-	123,180
Total other changes	115,447	-	115,447
Change in net assets	(51,019)	56,441	5,422
Net assets, beginning of year	2,382,194	-	2,382,194
Net assets, end of year	$ 2,331,175	$ 56,441	$ 2,387,616

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
Statement of Activities and Change in Net Assets for the Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	Year Ended June 30, 2020									Summarized Comparative Totals Year Ended June 30, 2019
	Program Services					Supporting Services				
	Rehab/ Construction	Mortgage Discounts	Homeowner Services	Habitat ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	TOTAL	
Personnel expenses	$ 651,036	$ -	$ 254,967	$ 1,369,410	$ 2,275,413	$ 169,100	$ 180,938	$ 350,038	$ 2,625,451	$ 2,627,308
Other Expenses										
Admin and general	137,657	-	119,464	183,165	440,286	64,969	153,190	218,159	658,445	660,387
Cost of home/land sales	2,543,215	-	-	-	2,543,215	-	-	-	2,543,215	1,646,248
Facilities	15,882	-	1,373	500,827	518,082	1,344	72,529	73,873	591,955	642,268
Cost of goods sold, Restore	-	-	-	91,663	91,663	-	-	-	91,663	73,022
Home rehabiliation	102,315	-	-	-	102,315	-	-	-	102,315	48,627
Mortgage discounts	-	223,715 *	-	-	223,715	-	-	-	223,715	57,778
Special events	-	-	-	-	-	33,147	550	33,697	33,697	32,503
Other	111	-	1,803	56,335	58,249	7,176	82,956	90,132	148,381	129,697
Total expenses before other non-cash items	3,450,216	223,715	377,607	2,201,400	6,252,938	275,736	490,163	765,899	7,018,837	5,917,838
Depreciation	15,214	-	749	112,740	128,703	1,357	26,382	27,739	156,442	135,945
Total Functional Expenses	$ 3,465,430	$ 223,715	$ 378,356	$ 2,314,140	$ 6,381,641	$ 277,093	$ 516,545	$ 793,638	$ 7,175,279	$ 6,053,783

* See Note 4

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
Statement of Functional Expenses for the Year Ended June 30, 2019

	Rehab/ Construction	Mortgage Discounts	Homeowner Services	Habitat ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	TOTAL
Personnel expenses	$ 599,936	$ -	$ 244,833	$ 1,464,096	$ 2,308,865	$ 159,208	$ 159,235	$ 318,443	$ 2,627,308
Other Expenses									
Admin and general	58,501	-	147,102	217,528	423,131	47,327	189,929	237,256	660,387
Cost of home/land sales	1,645,678	-	570	-	1,646,248	-	-	-	1,646,248
Facilities	13,692	-	1,060	563,020	577,772	898	63,598	64,496	642,268
Cost of goods sold, Restore	-	-	-	73,022	73,022	-	-	-	73,022
Home rehabiliation	48,627	-	-	-	48,627	-	-	-	48,627
Mortgage discounts	-	57,778 *	-	-	57,778	-	-	-	57,778
Special events	-	-	-	-	-	32,503	-	32,503	32,503
Other	2,146	-	1,671	74,167	77,984	6,267	45,446	51,713	129,697
Total expenses before other non-cash items	2,368,580	57,778	395,236	2,391,833	5,213,427	246,203	458,208	704,411	5,917,838
Depreciation	12,070	-	967	101,052	114,089	910	20,946	21,856	135,945
Total Functional Expenses	$ 2,380,650	$ 57,778	$ 396,203	$ 2,492,885	$ 5,327,516	$ 247,113	$ 479,154	$ 726,267	$ 6,053,783

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
Statements of Cash Flows

	Year Ended June 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 402,215	$ 5,422
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Amortization of mortgage discounts	(12,644)	(33,134)
Gain on purchase of mortgages	-	(123,180)
Loss on sale of mortgages	79,037	-
Discounts on new mortgages transferred to owners	223,715	226,564
Donated land for development	(167,617)	(148,453)
Bad debt expense	1,910	-
Depreciation	156,442	135,945
(Increase) decrease in assets:		
Assets held in escrow	(17,664)	(39,078)
Gain on investments	2,566	(2,264)
Unconditional promises to give	-	2,336
Due from CHDO - related party	14,949	187,334
Grant receivable	(17,286)	-
Other receivables	(7,731)	(13,500)
Prepaid expenses	-	(4,547)
Mortgage notes receivable, net	(743,413)	(242,813)
Inventory - construction and ReStore	43,415	(302,715)
Land held for development	(421,920)	32,903
Deposits	17,650	14
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	130,316	139,035
Deferred rent	(18,409)	(8,190)
Escrow funds payable	17,664	39,078
Agency payable	45,381	2,356
Net cash from operating activities	(271,424)	(146,887)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of beneficial interest in assets held by foundations	-	(25,000)
Acquisition of property and equipment	(57,249)	(92,902)
Net cash used in investing activities	(57,249)	(117,902)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable - related party	5,565	-
Proceeds from notes payable - Small Business Administration	675,369	-
Proceeds from line of credit	500,000	-
Payments on note payable	(62,109)	(54,329)
Payments on notes payable - related party	(756)	-
Net cash used in financing activities	1,118,069	(54,329)
Net change in cash and cash equivalents	789,396	(319,118)
Cash and cash equivalents, beginning of year	468,245	787,363
Cash and cash equivalents, end of year	$ 1,257,641	$ 468,245
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Transfer of property to homeowners	$ 2,657,750	$ 1,507,000
In-Kind donations	$ 712,893	$ 525,408
Donated services and facilities	$ 167,617	$ 148,453
Interest paid	$ 19,909	$ 7,733

See independent auditors' report and accompanying notes to the financial statements.

NOTE 1 NATURE OF ORGANIZATION

Habitat for Humanity International, Inc. ("HFHI") was founded in 1976 by Millard and Linda Fuller. The concept of Habitat for Humanity is that each Habitat Affiliate and those in need of adequate shelter would work side-by-side with volunteers to build affordable, decent homes. Habitat for Humanity of Hillsborough County Florida, Inc. ("Habitat" or the "Organization") became an Affiliate in 1987 and is a tax-exempt Not-for-Profit organization. Seeking to put God's love into action, Habitat brings people together to build homes, communities, and hope.

The Organization's Program Services include its home construction program, thrift retail operations (d.b.a. the ReStore), and homeowner service programs, all of which are provided principally to residents in Hillsborough County.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Basis of Presentation
Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. The accompanying financial statements include the accounts of the Organization. The Organization 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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various reasons.
- ***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 resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on deposit with financial institutions. The Organization considers all highly liquid instruments with initial maturity of three months

or less as cash equivalents.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash held in financial institutions in excess of federally insured limits. From time to time the Organization's cash balances may have exceeded the federally insured limits. The Organization has not experienced, and does not expect, to incur any losses in such accounts.

Contributions/Grants Receivable

The Organization recognizes contributions received and pledged before the year end but not yet deposited, as contributions receivable.

Assets Held in Escrow

The Organization currently services some of the mortgage notes on certain homes it sells. Some are serviced by Amerinat, a third party servicer. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset, which is offset by a related liability.

Fair Value of Financial Instruments

The Organization measures beneficial interest in assets held by foundations at fair value on a recurring basis (at least annually). The Organization follows accounting guidance, which defines fair value and specifies a hierarchy of valuation techniques used to measure fair value. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Organization.

Level 2 – Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3 – Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

Other Receivables

Other receivables consist primarily of closing costs and escrow funds due from home owners.

Mortgages Receivable

Mortgages receivable consist predominantly of non-interest bearing residential first mortgages secured by real estate and payable in monthly installments over the life of the mortgage, generally over 30 years. All of the mortgages are related to new construction or the rehabilitation of existing homes rehabilitated by the Organization. These mortgages receivable are shown on the statement of financial position discounted by the average commitment rate per the Freddie Mac Primary Mortgage

Market Survey prevailing interest rates at the inception of each mortgage.

In addition to the mortgages receivable included in the statement of financial position, The Organization also enters into equity creation agreements with certain homebuyers. These equity creation agreements known as a "silent second mortgage" originate at the same time of the first mortgage and reflect the difference between the purchase price and the fair market value of the house. This equity creation agreement is part of the mortgage document and is executed for protection against homeowners who may sell their house for a profit before the mortgage is repaid and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage. This amount is considered forgiven by the mortgagee over the life of the mortgage and the mortgagor agrees that the remaining balance is secured by the mortgage until forgiven in full. The Organization does not record a value for the equity creation agreements as it is unlikely that the amount will ever be collected.

The Organization uses established underwriting criteria to ensure that only applicants who meet the Organization’s financial and credit criteria are approved to be partner homeowners and receive a non-interest bearing mortgage loan from the Organization. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income, and financial history. The Organization regularly reviews its mortgages receivable and monitors the accounts for delinquencies.

The Organization, through their mortgage servicing agent, has documented delinquency procedures that are followed starting 5 days after the payment due date. Once a payment is 45 days or more delinquent, the servicing agent will send a letter that will include the Consumer Financial Protection Bureau mandated notification informing the borrower of the available loss mitigation options. If the homeowner does not cure the default, foreclosure proceedings may be initiated.

Non-interest bearing mortgages originated are discounted based on prevailing market rates at the time of the sale, which results in the net mortgage receivable balances being generally less than 50% of the home's fair market value. Therefore, the Organization believes that losses resulting from non-payment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization has not recorded an allowance for mortgages receivable.

Inventory
ReStore inventory includes donated and purchased household building materials, appliances, and furniture that are sold at the Habitat Restores. Donated merchandise is stated at its estimated fair market value, which is determined based on its future economic benefit. Purchased merchandise is stated at lower of cost or net realizable value, with cost being determined by the first-in, first-out method.

The Organization’s inventory includes homes under construction, consisting of labor, material, and lot costs using the specific identification method. It also includes indirect construction costs incurred during the construction period. The Organization transferred 14 homes to homeowners in 2020, and 8 in 2019.

Land Held for Development
Land held for development includes the cost of land and improvements to land or, if

donated, the approximate fair value of the land at the date of the donation, held for future construction of homes.

Property and Equipment
Property and equipment are recorded at cost or, if donated, the estimated fair value at the date of donation. The Organization has a policy of capitalizing expenditures for property and equipment with costs greater than $500. Depreciation is provided using the straight-line method over the estimated useful lives of assets which range from 3 to 39 years. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as assets with donor restrictions. In the absence of such stipulations, gifts of property are recorded as assets without donor restrictions.

Impairment on Long-Lived Assets
The Organization's long-lived assets, such as land, building, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the asset.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. The Organization recognized no impairment for the years ended June 30, 2020 and 2019.

Beneficial Interest in Assets Held by Foundations
The beneficial interest in assets held by foundations is recorded at fair value in the statement of financial position.

Other Assets
Other assets consist mainly of prepaid expenses and refundable deposits.

Revenue Recognition
The Organization's activities are primarily supported through sales of homes, contributions from individual, corporate, and foundation donors, store product sales, grants, and fundraising activities.

The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Contributions
Contributions represent a nonreciprocal transfer and do not represent the sale of goods or services. Contributions are recognized when the donor makes a promise to give to

the Organization that is, in substance, unconditional. Unconditional contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, or when a pledge becomes due, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made.

Transfers to Homeowners
The Organization recognizes revenue from home sales when a closing occurs. A closing is considered to occur, and performance obligation satisfied when title, possession, and other attributes of ownership have been transferred to the buyer; and the Organization is not obligated to perform significant activities after the sale. Revenue from the sale of homes is recorded on the statement of activities as transfers to homeowners. Transfers to homeowners are recorded at the gross mortgage amount plus down payment received.

Non-interest bearing mortgages have been discounted based upon the average commitment rate per the Freddie Mac Primary Mortgage Market Survey. Utilizing the effective interest method, this discount will be recognized as mortgage discount amortization income over the term of the mortgage.

Habitat ReStore Sales
Habitat ReStore sales are recognized as revenue at the time merchandise is transferred to the customer, the single performance obligation. Historically, sales returns have not been significant.

Federal, State, and Local Government Grants
The Organization receives awards from government agencies. Such award instruments are to be used for specific programs in accordance with compliance requirements. These grants are considered conditional contributions and the recognition of grant revenue is deferred until barriers imposed under the grant document are met by the Organization. Revenue is recognized as the related qualifying expenses are incurred as allowable by the grants.

Donated Services and in-Kind Contributions
Donated services, materials, and land are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. These are reflected in the accompanying statement of activities, at their estimated fair market values at the date of receipt. Contributions of services are recorded if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2020 and 2019, the Organization recorded donation revenue of approximately $713,000 and

$525,000, respectively, related to donations of building materials and services. During the years ended June 30, 2020 and 2019, the Organization received approximately $168,000 and $148,000, respectively, in donated lots from various financial institutions and donors recorded at their appraised value which approximates fair value.

Advertising Costs

Advertising costs are expensed as incurred and were approximately $84,000 and $86,000 for the years ended June 30, 2020 and 2019, respectively.

Functional Expenses

The costs of providing the programs and supporting services have been reported on a functional basis in the statement of activities and functional expenses. Certain direct, indirect, and administrative expenses are incurred which benefit more than one program. The Organization, therefore, allocates these expenses accordingly using time charged to employees and other various methods.

Income Tax Status

Habitat is organized as a not-for-profit organization under the laws of the State of Florida and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and corresponding Florida provisions. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Organization follows the guidance of Accounting Standards Codification (“ASC”) 740, *Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the year ended June 30, 2020. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal returns are generally open for examination for three years following the date filed.

Recently Adopted Accounting Standards

During 2020, the Organization adopted the guidance regarding contributions received from 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 standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on the Organization’s review of its contributions, grants, and contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statement of financial position and the statement of activities and changes in net assets.

Also during 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in generally accepted accounting principles (GAAP). This standard also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Organization adopted the new standard effective for the year ended June 30, 2020, using the full retrospective method. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statement of financial position and the statement of activities and changes in net assets, but resulted in additional disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP – which requires only capital leases to be recognized on the balance sheet – the new ASU will require both types of leases to be recognized on the balance sheet. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Coronavirus Oubreak

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Organization's operations, suppliers, or other vendors, and donor base. The operations for the Organization's services could be negatively impacted by the regional and global outbreak of COVID-19, including stop-work orders on existing grants and cancellation of conferences and events for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Organization's operations, may adversely impact the Organization's revenue, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets, including the geographical area in which the Organization operates, resulting in an economic downturn that could affect demand for its products and services. The extent to which the coronavirus impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. As part of its response to the pandemic, during 2020, the Organization applied for a federal paycheck protection program (PPP) loan. The Organization's application was approved and a PPP loan of approximately $525,000 was received. The Organization believes that most, if not all, of the PPP loan will meet the requirements for debt forgiveness. In addition, the Organization instituted operational changes to continue to provide its services.

NOTE 3 INVENTORY

Inventory consists of the following as of June 30:

	2020	2019
Construction in process	$ 377,245	$ 438,385
ReStore inventory	43,121	25,396
Total inventory	$ 420,366	$ 463,781

NOTE 4 MORTGAGES RECEIVABLE

The initial amount of each mortgage loan approximates the appraised value of the house, plus mortgage discount expense. The notes on these mortgages are non-interest bearing, payable in equal monthly installments, and are secured by deeds of trust on the properties. The payments collected on these mortgages are used to help fund future home construction. The notes have been discounted using the average commitment rate per the Freddie Mac Primary Mortgage Market Survey prevailing interest rates at the inception of each mortgage using the effective interest method over the lives of the mortgages. The interest rates used to determine the discount range from 3.0% to 8.0%. The discount rate used for the years ended June 30, 2020 and 2019 were 3.2% and 3.8%, respectively. As mortgage payments are made, the Organization recognizes the amortization of the discount as revenue.

Mortgages receivable consist of the following at June 30:

	2020	2019
Non-interest bearing loans at face value	$ 1,791,239	$ 1,125,180
Less: Unamortized discount based on imputed interest	(643,274)	(428,610)
Mortgage notes receivable, net of discounts	$ 1,147,965	$ 696,570

The Organization occasionally has loans that are past due on payments. The mortgages are secured by the property. Therefore, the Organization has not recorded an allowance against the non-performing loans.

Periodically, the Organization sells individually identified mortgages receivable to regulated financial institutions. Amerinat continues to service these mortgages by collecting payments from homeowners on behalf of the purchasing financial institutions. Homeowner payments are remitted by the Organization to the purchasing financial institutions in arrears. Accordingly, the Organization has reported an agency payable liability in the amount of approximately $86,000 and $41,000 as of June 30, 2020 and 2019, respectively. This reflects the homeowner payments held by the Organization that must be subsequently remitted to the purchasing financial institutions. For the years ended June 30, 2020 and 2019, Habitat sold 20 and 14 of its mortgages, respectively.

As of June 30, 2020, the balances due on the mortgages held by the Organization that are scheduled to be received for the next five years and thereafter are as follows:

Year ending June 30,		
2021	$	38,385
2022		37,169
2023		35,221
2024		34,210
2025		34,387
Thereafter		968,593
Total	$	1,147,965

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2020	2019
Building	$ 596,227	$ 571,497
Land	364,550	364,550
Leasehold improvements	205,098	205,098
Automobile	77,840	77,840
Equipment	84,766	84,766
Office equipment	114,937	82,418
	1,443,418	1,386,169
Less accumulated depreciation	(638,718)	(482,276)
Total property and equipment, net	$ 804,700	$ 903,893

Depreciation expense for the years ended June 30, 2020 and 2019 was approximately $156,000 and $136,000, respectively.

NOTE 6 OPERATING LEASES

The Organization had multiple lease obligations during the year ended June 30, 2020, which expire on various future dates. These leases include rent, a copy machine, and four trucks. Lease expense for these operating leases for the years ended June 30, 2020 and 2019 was approximately $356,000 and $406,000, respectively.

The following is a schedule by years of the future minimum lease payments:

Year ending June 30,	Amount
2021	271,158
2022	172,688
2023	73,176
2024	13,176
2025	10,980
Total	$ 541,178

NOTE 7 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's management monitors its liquidity so that it is able to cover operating expenses. Management budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the board of directors before the beginning of the next fiscal year.

The following represents the Organization's financial assets available to meet general expenditures over the next 12 months at June 30:

	2020	2019
Cash and cash equivalents	$ 1,257,641	$ 468,245
Unconditional promise to give	20,000	2,714
Other receivables	28,664	20,933
Total financial assets	$ 1,306,305	$ 491,892

As part of the Organization'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. The Organization expects to cover operating expenses through contributions, home sales, ReStore sales and available cash.

NOTE 8 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2020, consist of a $10,000 promise for each of the next two fiscal years from the same donor.

Promises to give with due dates extending beyond one year are normally discounted to present value using Treasury bill rates with similar term investments. However, the difference between the stated promise and the present value is not material, and therefore has been recorded at its stated value.

At June 30, 2020, the entire balance of the unconditional promise to give was considered collectible.

NOTE 9 BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS

The Organization established funds within the Community Foundation of Tampa Bay (CFTB).

One fund is a designated endowment fund between CFTB and the Organization. The fund agreement grants variance power to CFTB and has named the Organization the beneficiary. Earnings on the funds, net of any service fees, will be periodically distributed to the Organization in accordance with the agreement.

The other fund is the Habitat for Humanity of Hillsborough County Reserve Fund, an agency reserve fund. This fund is used to hold the Organization's non-endowment and reserve funds. The assets are composed of cash and cash equivalents, fixed income, equity securities, and real and tangible asset funds. The portfolio is managed by an investment company with oversight by CFTB.

As of June 30, 2020 and 2019, the Organization's investments in beneficial interest in assets held by foundations totaled approximately $54,000 and $56,000, respectively, and is reflected as an asset with donor restrictions.

NOTE 10 FAIR VALUE MEASUREMENT

The Organization's investments are reported at fair value in the accompanying statement of financial position. Following is a description of the valuation methodologies used for investments that are measured at fair value.

Beneficial interest in assets held by foundations – the investments are managed by a third party unrelated to the Organization. The assets are valued based upon the third party information without adjustment. The Organization does not develop, nor are they provided with, the quantitative inputs used to develop the fair market values.

Fair value of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020				
Beneficial interest in assets held by foundations	$ 53,875	$ -	$ -	$ 53,875
2019				
Beneficial interest in assets held by foundations	$ 56,441	$ -	$ -	$ 56,441

NOTE 11 NOTES PAYABLE

Notes payable consists of the following as of June 30:

	2020	2019
Note payable, collateralized by a mortgage, payable in monthly installments of $4,656, including interest at 5.00% per annum, beginning January 2019 through December 2021.	$ 80,537	$ 130,926
Note payable, collateralized by a vehicle, payable in monthly installments of $443, including interest at 3.98% per annum, beginning August 2015 through July 2021.	5,632	10,620
Note payable, collateralized by a vehicle, payable in monthly installments of $634, including interest at 3.90% per annum, beginning January 2017 through December 2022.	18,655	25,387
Loans payable to Habitat International as part of the SHOP 2016 grant with total monthly payments ranging from $78 to $252 at 0% interest; maturing between June 1, 2024 and December 1, 2024.	15,119	15,875
Loan payable to Habitat International as part of the SHOP 2017 grant with total monthly payments of $458 at 0% interest; maturing January 1, 2026.	5,565	-
Total notes payable	$ 125,508	$ 182,808

Future principal maturities on the note payable are as follows:

Year ending June 30,	Amount
2021	$ 68,588
2022	39,857
2023	9,684
2024	4,846
2025	1,833
thereafter	700
Total	$ 125,508

NOTE 12 LINES OF CREDIT

On June 3, 2019, the Company entered into a line of credit (LOC) with a financial institution in the amount of $250,000 with a maturity date of June 3, 2020. The facility bears interest at a rate of 4.75% per annum. As of June 30, 2019, the outstanding balance on the LOC was zero.

On June 21, 2019, the Organization entered into a line of credit (LOC) with a financial institution in the amount of $500,000 with a maturity date of June 21, 2022. The facility bears a variable interest Prime Rate as published by the Wall Street Journal plus one half of a percentage point, which results in a 3.75 rate at June 30, 2020. However, the rate has a floor of 4%. As of June 30, 2020, the Organization has drawn $500,000 on this line of credit.

On June 28, 2019, the Organization entered into a LOC with a financial institution in the amount of $250,000 with no maturity date. The facility bears a variable interest at Prime Rate as published in the Wall Street Journal which was 3.25% at June 30, 2020. The underlying LOC agreement contains certain operational and financial covenants. The Organization is in compliance with those covenants at June 30, 2020. As of June 30, 2020 and 2019, the outstanding balance on the LOC was zero.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at June 30:

	2020	2019
Subject to expenditure for specified purpose or time restriction:		
Use restriction	$ 129,919	$ -
Donated labor and materials	1,945	-
Donated land	143,617	-
	$ 275,481	$ -
Subject to spending policy:		
Beneficial interest in assets held by foundations	53,875	56,441
	$ 329,356	$ 56,441

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time as follows for the years ended June 30:

	2020	2019
Use restriction	$ 695,380	$ 460,873
Donated labor and materials	240,806	76,851
Donated land	24,000	148,453
	$ 960,186	$ 686,177

NOTE 14 TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization remits a portion of its contributions without donor restrictions to Habitat International as tithe to support Habitat International's efforts in other countries. The Organization contributed approximately $52,000 and $36,000 to Habitat International during the years ended June 30, 2020 and 2019, respectively. These amounts are included in program services expense in the statements of activities.

NOTE 15 RELATED PARTY TRANSACTIONS

The Organization constructs homes for a non-profit related party who sells homes to qualified Habitat homeowner candidates. The Organization was paid approximately $1,396,000 and $859,000 for the years end June 30, 2020 and 2019, respectively for those services. The Organization advances funds throughout the year for the related party to begin construction on homes.

NOTE 16 COMMITMENTS AND CONTINGENCIES

The Organization is exposed to various unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the Organization's financial position or the results of its operations.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these financial statements through November 24, 2020, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosures in the financial statements other than those discussed below.

On September 30, 2020, the Organization sold to a financial institution, three loans for the purchase price of $532,436. The loans were sold at 90% of their outstanding principal balance.