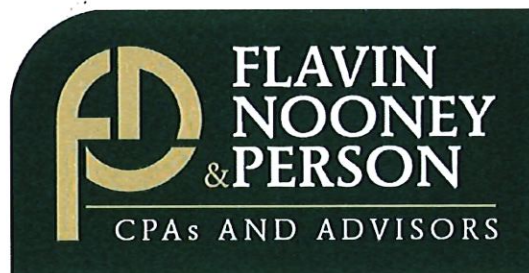




**HABITAT FOR HUMANITY
OF BREVARD COUNTY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**



HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
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YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Habitat for Humanity of Brevard County, Inc. (a nonprofit organization), 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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.

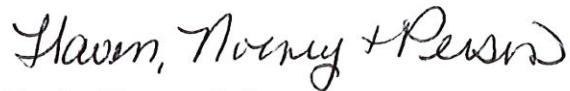
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Brevard County, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2020. 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.



Flavin, Nooney & Person

Melbourne, FL

March 5, 2021

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u> (restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,422,553	\$ 1,519,335
Mortgages receivable, current portion	362,257	348,224
Agent mortgages receivable, current portion	4,393	4,486
Grants receivable	501,228	146,732
Inventory	25,456	27,000
Construction in progress	701,400	725,610
ReStore inventory	88,581	89,656
Prepaid expenses	50,528	48,113
Other assets	3,402	26,006
Total Current Assets	<u>3,159,798</u>	<u>2,935,162</u>
Property and Equipment		
(net of accumulated depreciation of \$267,705 and \$225,874, respectively)	<u>1,099,103</u>	<u>1,140,933</u>
Other Assets		
Restricted cash	18,712	53,627
Restricted investments	27,387	-
Long-term inventory	333,823	390,515
Mortgages receivable, long-term, net of discount of \$3,014,529 and \$2,975,104, respectively	2,816,158	2,688,968
Agency mortgages receivable, net of current portion	99,793	105,516
Total Other Assets	<u>3,295,873</u>	<u>3,238,626</u>
Total Assets	<u>\$ 7,554,774</u>	<u>\$ 7,314,721</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u> (restated)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 108,929	\$ 107,341
Homeowner deposits for new homes	31,220	28,700
Homeowner escrow deposits	138,316	132,986
Long-term debt, current portion	44,822	41,813
Agent mortgages payable, current portion	4,393	4,486
Total Current Liabilities	<u>327,680</u>	<u>315,326</u>
Long-Term Liabilities		
Long-term debt, net of current portion	490,314	536,227
Agent mortgages payable, net of current portion	99,793	105,516
Total Long-Term Liabilities	<u>590,107</u>	<u>641,743</u>
Total Liabilities	<u>917,787</u>	<u>957,069</u>
Net Assets		
Without donor restrictions	5,702,034	5,844,122
With donor restrictions	934,953	513,530
Total Net Assets	<u>6,636,987</u>	<u>6,357,652</u>
Total Liabilities and Net Assets	<u>\$ 7,554,774</u>	<u>\$ 7,314,721</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			Summarized 2019 (restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Contributions and grants				
Cash	\$ 84,968	\$ 1,065,462	\$ 1,150,430	\$ 926,189
ReStore merchandise	570,170	-	570,170	825,028
In-kind supplies and services	22,115	-	22,115	83,111
Special events	77,047	-	77,047	132,424
Home sales and late fees	653,452	-	653,452	834,544
Mortgage discount amortization	292,295	-	292,295	295,979
ReStore sales	589,261	-	589,261	835,911
Loss on sale of land	-	-	-	(11,532)
Gain(loss) on sale of assets	(4,966)	-	(4,966)	9,002
Gain on foreclosed homes	5,940	-	5,940	81,418
Investment earnings	-	940	940	-
Other income	426	754	1,180	537
Net assets released from restrictions	645,733	(645,733)	-	-
Total Support and Revenues	<u>2,936,441</u>	<u>421,423</u>	<u>3,357,864</u>	<u>4,012,611</u>
Expenses				
Program services				
Mortgage program	779,846	-	779,846	715,047
Construction	995,180	-	995,180	1,087,011
ReStore	900,234	-	900,234	1,338,840
Supporting services				
Fundraising	295,273	-	295,273	281,695
Management and general	107,996	-	107,996	92,595
Total Expenses	<u>3,078,529</u>	<u>-</u>	<u>3,078,529</u>	<u>3,515,188</u>
Changes in Net Assets	(142,088)	421,423	279,335	497,423
Net Assets, Beginning of Year, as restated	<u>5,844,122</u>	<u>513,530</u>	<u>6,357,652</u>	<u>5,860,229</u>
Net Assets, End of Year	<u>\$ 5,702,034</u>	<u>\$ 934,953</u>	<u>\$ 6,636,987</u>	<u>\$ 6,357,652</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020							Summarized	
	Program Services				Support Services			2019	
	Mortgage Program	Construction	ReStore	Total Program Services	Fundraising	Management And General	Total Support Services	Total	Total
Expenses									
Accounting	\$ 14,544	\$ -	\$ -	\$ 14,544	\$ -	\$ -	\$ -	\$ 14,544	\$ 12,500
Advertising	905	-	-	905	27,306	-	27,306	28,211	21,453
Mortgage discount expense	371,499	-	-	371,499	-	-	-	371,499	391,634
Closing costs	-	11,157	-	11,157	-	-	-	11,157	18,355
Construction	-	623,233	-	623,233	-	-	-	623,233	596,200
Costs of goods sold	-	-	570,953	570,953	-	-	-	570,953	808,382
Food	3,352	1,298	-	4,650	74	60	134	4,784	12,989
Fuel	8,588	2,403	-	10,991	-	-	-	10,991	14,595
Fundraising supplies	-	-	-	-	33,315	-	33,315	33,315	36,466
Information technology	13,617	-	3,731	17,348	3,641	20	3,661	21,009	26,264
Insurance	5,539	20,091	16,777	42,407	1,751	1,401	3,152	45,559	39,340
Interest	24,134	-	-	24,134	-	-	-	24,134	26,341
Investment expense	-	-	-	-	-	34	34	34	-
Land sold	-	19,588	-	19,588	-	-	-	19,588	109,000
Legal	5,283	-	-	5,283	-	-	-	5,283	6,658
Licenses and taxes	4,664	659	-	5,323	-	-	-	5,323	5,887
Miscellaneous	42,292	3,992	-	46,284	960	8,884	9,844	56,128	81,560
Office supplies and postage	19,529	-	-	19,529	163	-	163	19,692	18,132
Rental equipment	33,792	-	-	33,792	-	-	-	33,792	41,109
Repairs and maintenance	6,425	4,084	-	10,509	-	-	-	10,509	13,833
Salaries and benefits	176,535	305,344	280,683	762,562	220,995	95,409	316,404	1,078,966	1,077,247
Telephone	2,159	435	18,803	21,397	-	-	-	21,397	29,728
Tithe	-	-	-	-	-	-	-	-	48,131
Training and travel	1,515	1,135	15	2,665	5,307	427	5,734	8,399	9,618
Utilities	3,537	1,761	9,272	14,570	1,761	1,761	3,522	18,092	15,776
Total Expenses Before Depreciation and Bad Debt Expense	737,909	995,180	900,234	2,633,323	295,273	107,996	403,269	3,036,592	3,461,198
Depreciation and amortization	41,830	-	-	41,830	-	-	-	41,830	53,990
Bad debt expense	107	-	-	107	-	-	-	107	-
Total Functional Expenses	\$ 779,846	\$ 995,180	\$ 900,234	\$ 2,675,260	\$ 295,273	\$ 107,996	\$ 403,269	\$ 3,078,529	\$ 3,515,188

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u> (restated)
Reconciliation of Change in Net Assets to Net		
Cash Provided (Used) by Operating Activities:		
Change in net assets	\$ 279,335	\$ 497,423
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	41,830	53,990
Mortgage loan discount amortization	(292,295)	(295,979)
Gain on foreclosed homes	(5,940)	(81,418)
Loss (gain) on sale of assets	4,966	(9,002)
Loss on sale of land		11,532
Gain on investments	(940)	-
(Increase) decrease in assets		
Grants receivable	(354,496)	(146,732)
Agent mortgages receivable	5,816	4,486
Inventory	59,210	149,206
Construction in progress	24,210	(44,996)
ReStore inventory	1,075	(16,514)
Prepaid expenses	(2,415)	(42,530)
Other assets	22,604	(21,672)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,588	827
Homeowner deposits for new homes	2,520	12,400
Homeowner escrow deposits	5,330	13,155
Agent mortgages payable	(5,816)	(4,486)
Cash Provided (Used) by Operating Activities	<u>(213,418)</u>	<u>79,690</u>
Cash Flows from Investing Activities		
Mortgages issued, net of unamortized discounts	(271,047)	(264,902)
Mortgage payments received	422,119	527,208
Investment in endowment	(26,447)	(6,322)
Proceeds from sale of property, plant and equipment	-	26,600
Cash Provided by Investing Activities	<u>124,625</u>	<u>282,584</u>
Cash Flows from Financing Activities		
Payments on long-term borrowings	(42,904)	(45,530)
Cash Used by Financing Activities	<u>(42,904)</u>	<u>(45,530)</u>
Net Increase (Decrease) in Cash	(131,697)	316,744
Cash and Cash Equivalents, Beginning of Year	<u>1,572,962</u>	<u>1,256,218</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,441,265</u>	<u>\$ 1,572,962</u>
Cash and Cash Equivalents	\$ 1,422,553	\$ 1,519,335
Restricted Cash	<u>18,712</u>	<u>53,627</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,441,265</u>	<u>\$ 1,572,962</u>
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Net book value of properties acquired through foreclosure from loans	<u>\$ 68,184</u>	<u>\$ 61,040</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Brevard County, Inc. (the “Organization”) is a nonprofit, Christian affordable housing developer dedicated to the elimination of substandard housing in Brevard County, Florida. It is affiliated with Habitat for Humanity International, Inc. (“HFHI”) based in Americus, Georgia.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with the Organization. The partnership consists, in part, of each family completing 200 hours of “sweat equity” and meeting monthly mortgage payments. Houses are sold at no profit and with no interest on the mortgage.

The Organization also operates a ReStore. The ReStore program provides access to quality used building materials and household items to economically disadvantaged people to help them create a better human habitat in which to live and work. The ReStore receives donated goods, which are held for resale.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Tax Status

The Organization is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is classified as other than a private foundation. Contributions to the Organization qualify as deductions for charitable contributions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, and all liquid debt instruments with original maturities of three months or less.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Investments

Restricted cash consists of amounts held imposed by donor restrictions. The Organization has \$18,712 and \$27,929 with donor restricted cash for the Critical Home Repair Program at June 30, 2020 and 2019, respectively. The Organization has \$27,387 of donor restricted investments balances at June 30, 2020 and \$25,698 of donor restricted cash at June 30, 2019 for the Helping Hands Program.

Property and Equipment

The Organization capitalizes the cost of all expenditures for property and equipment with a useful life greater than one year. Donation of property and equipment are recorded as support at their estimated fair value. Property and equipment are depreciated using the straight-line method over the assets' expected useful lives.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Homeowner Escrow Deposits

The Organization services the mortgages on homes the Organization sells. Included in cash are amounts received from homeowners for insurance and property taxes (escrow funds). These funds are disbursed when these expenditures are due.

Contribution Revenue

Contributions are recognized when donors make a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Construction in Progress

Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor and fringe benefits. The Organization also allocates overhead to construction projects. Construction in progress is expensed to construction expense within the Construction program when the home is transferred to the recipient family.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Home Sales and Mortgages Receivable

Home sales represent the sale to qualified families of houses built in Brevard County by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate, and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. There are \$1,521,171 and \$1,885,802 of mortgages receivable at June 30, 2020 and 2019, respectively, that are over 90 days old.

The present value discount on mortgages for homes sold is shown as amortization of discount in mortgages receivable within the mortgage program. Mortgages are placed on nonaccrual status when they are foreclosed.

Inventory

Land inventory consists of purchased or donated land, foreclosed land and homes that have not yet been transferred to a family. The land is valued at fair value, which is the purchase price, or the appraised value at the date of donation.

The Organization records foreclosed land at fair market value at the date of foreclosure. The Organization recognized \$5,940 and \$81,418 of gain on foreclosed homes in the fiscal years ending June 30, 2020 and 2019, respectively.

ReStore inventory consists of donated goods and materials that are available for sale. The donated goods and materials are valued at 50% of the estimated market value.

In-Kind Donations

In-kind donations include the value of items donated for resale, as well as advertising and other supplies or services that the Organization would have to purchase if not otherwise donated. In-kind donations consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Items donated for resale in ReStore	\$ 570,170	\$ 825,028
Donated advertising, other supplies and services	<u>22,115</u>	<u>83,111</u>
Total In-kind donations	<u>\$ 592,285</u>	<u>\$ 908,139</u>

In addition, donated services with an estimated value of \$282,931 and \$467,140 for the years ended June 30, 2020 and 2019, respectively, were not recognized in the financial statements because they did not meet the criteria for recognition.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting service categories. Allocations are based primarily on the actual costs incurred by the activity or square footage of space utilized for the activity.

Advertising

The Organization's advertising costs are expensed as incurred. Advertising expenses for the year ended June 30, 2020 and 2019 were \$28,211 and \$21,453, respectively, of which \$2,090 and \$4,820, respectively, were in-kind donations.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances with several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount of credit exposure in excess of federally insured limits at June 30, 2020 and 2019 was \$685,795 and \$947,764, respectively.

NOTE 3 – COMPARATIVE FINANCIAL STATEMENTS

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 4 – LINE OF CREDIT

The Organization has a \$525,000 line of credit from Brevard County Housing Finance Authority. At June 30, 2020 and 2019, the outstanding amount under the line of credit was \$0. There is no interest on the line of credit. The money must be used for purchases of land or property. The line expired July 31, 2020.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 – MORTGAGES RECEIVABLE

Mortgages receivable (including agent mortgage receivables) consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mortgages receivable	\$ 6,297,130	\$ 6,122,298
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	(3,014,529)	(2,975,104)
	<u>\$ 3,282,601</u>	<u>\$ 3,147,194</u>

Future maturities of the mortgages receivable for the year ended June 30, 2020, are as follows:

Year ending June 30:	
2021	\$ 377,549
2022	357,846
2023	347,569
2024	339,139
2025	326,363
Thereafter	4,548,664
	<u>\$ 6,297,130</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is the summary of accounts payable and accrued expenses as of June 30:

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 24,578	\$ 14,778
Accrued payroll	23,926	20,055
Accrued leave	54,868	59,515
Other accrued expenses	<u>5,557</u>	<u>12,993</u>
	<u>\$ 108,929</u>	<u>\$ 107,341</u>

NOTE 7 – RELATED PARTY AND AFFILIATES

The Organization tithes to Habitat for Humanity International, Inc. The amounts of the tithes remitted were \$-0- and \$48,131 during the years ended June 30, 2020 and 2019, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 – FORGIVABLE MORTGAGES

In addition to the first mortgages, which make up the mortgages receivable, the Organization also has forgivable mortgages. These mortgages are for the difference between the fair market value of the house and the total of all other mortgages. Some homeowners receive forgivable mortgages from municipalities that reduce the forgivable mortgage they receive from the Organization.

The Organization’s forgivable mortgages originated prior to June 30, 2014 are forgiven in equal installments on the anniversary of the mortgage over ten to thirty years. Forgivable mortgages originated subsequent to June 30, 2014 are forgiven when the first mortgage is paid off. These mortgages are non-interest bearing.

Forgivable mortgages as of June 30:

	<u>2020</u>	<u>2019</u>
Forgivable mortgages receivable	\$ 828,931	\$ 1,099,200
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	(333,322)	(402,678)
Net forgivable mortgages	495,609	696,522
Less allowance for doubtful accounts	(495,609)	(696,522)
Total	<u>\$ -</u>	<u>\$ -</u>

NOTE 9 – AGENT ACCOUNTS

The Organization administers certain mortgages for the City of Titusville. The mortgages are separately stated on the statement of financial position as agent mortgages receivable, and are offset by agent mortgages payable. The mortgages payable to Titusville are repaid when the money is received from the mortgagor.

NOTE 10 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework 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 FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs to the valuation methodology is based on observable quoted prices for similar assets and liabilities in active markets.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are based on inputs that are unobservable and by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

The asset 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 or 2019.

Mortgages receivable: Valued at amortized cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,178,415	\$ 3,178,415
Agent mortgages receivable	-	-	104,186	104,186
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,282,601</u>	<u>\$ 3,282,601</u>

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as June 30, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,037,192	\$ 3,037,192
Agent mortgages receivable	-	-	110,002	110,002
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,147,194</u>	<u>\$ 3,147,194</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and losses

The following table sets forth a summary of changes in the fair value of the Organization’s level 3 assets for the year ended June 30, 2020.

	Mortgages Receivable	Agent Mortgages Receivable
Beginning balance	\$ 3,037,192	\$ 110,002
Issuances, net	271,047	-
Foreclosures	(68,185)	-
Payments	(353,934)	(5,816)
Amortization of interest	<u>292,295</u>	<u>-</u>
Ending balance	<u>\$ 3,178,415</u>	<u>\$ 104,186</u>

The following table sets forth a summary of changes in the fair value of the Organization’s level 3 assets for the year ended June 30, 2019.

	Mortgages Receivable	Agent Mortgages Receivable
Beginning balance	\$ 3,003,519	\$ 114,488
Issuances, net	264,902	-
Foreclosures	(61,040)	-
Payments	(466,168)	(4,486)
Amortization of interest	<u>295,979</u>	<u>-</u>
Ending balance	<u>\$ 3,037,192</u>	<u>\$ 110,002</u>

NOTE 11 – RETIREMENT PLAN

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering all employees. The Organization does not contribute to the plan.

NOTE 12 – RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 13 – FUNDRAISING

The Organization received approximately 2% and 3% of its total revenue from fundraising, including in-kind revenue, for the years ending June 30, 2020 and 2019, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

Property and equipment consists of the following at June 30, 2020:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 59,176	\$ 40,945	\$ 18,231	5 years
Furniture and fixtures	18,940	17,579	1,361	5 years
Office equipment	25,162	18,417	6,745	5 years
Building	641,580	118,583	522,997	30 years
Building improvements	461,949	72,180	389,769	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,366,807</u>	<u>\$ 267,704</u>	<u>\$ 1,099,103</u>	

Property and equipment consists of the following at June 30, 2019:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 59,176	\$ 31,990	\$ 27,186	5 years
Furniture and fixtures	18,940	16,772	2,168	5 years
Office equipment	25,162	16,180	8,982	5 years
Building	641,580	101,796	539,784	30 years
Building improvements	461,949	59,136	402,813	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,366,807</u>	<u>\$ 225,874</u>	<u>\$ 1,140,933</u>	

Depreciation expense for 2020 and 2019 was \$41,830 and \$53,990, respectively.

NOTE 15 –INCOME TAXES

The Organization is exempt from federal and state income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Therefore, only income from business unrelated to the Organization’s charitable purpose is subjected to federal or state income tax. The Organization’s tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2020, tax years ending on or after June 30, 2017 remain subject to examination. Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
During the year ended June 30, 2018, the Organization refinanced a mortgage note payable to a bank for \$562,000. The mortgage note bears interest at 4.30%, is payable in monthly installments of \$4,261, and matures in June 2032. The mortgage note is secured by the land and building of the Organization.	\$ 495,573	\$ 524,710
During the year ending June 30, 2016, the Organization obtained a mortgage note payable to a bank for \$95,000 for repairs to i building. The mortgage note bears interest at 4.618%, is payable in monthly installments of \$1,326, and matures in March 2023. The mortgage note is secured by the land and building of the Organization.	<u>39,563</u>	<u>53,330</u>
	535,136	578,040
Less current portion	<u>44,822</u>	<u>41,813</u>
Total long-term debt	<u>\$ 490,314</u>	<u>\$ 536,227</u>

Future annual maturities of the long-term debt as of June 30, 2020 are as follows:

2021	\$ 44,822
2022	46,825
2023	43,222
2024	34,595
Thereafter	<u>365,672</u>
Total	<u>\$ 535,136</u>

NOTE 17 – RESTRICTED NET ASSETS

Net assets with donor restrictions as of June 30, 2020 consist of the following:

Critical home repair program	\$ 18,712
Individual and corporate restricted	888,854
Helping hands endowment	<u>27,387</u>
Total	<u>\$ 934,953</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 18 – OPERATING LEASE OBLIGATION

The Organization leases a mail meter, copy machine, telephone system, a moving truck and donor software under operating leases with lease terms of 12 to 63 months with monthly payments ranging from \$56 to \$2,010.

Minimum future rental payments under non-cancelable operating lease as of June 30, 2020, are for the years ending June 30:

2021	\$	13,088
2022		12,532
2023		<u>5,175</u>
Total	\$	<u>30,795</u>

The total rent expense for the years ended June 30, 2020 and 2019 was \$33,792 and \$41,109, respectively.

NOTE 19 – ENDOWMENT

The Organization’s endowment consist of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as adopted by the State of Florida and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose or time restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Organization has interpreted FUPMIFA as not requiring the maintenance of purchasing power of the original gifts amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) and accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted FUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 19 – ENDOWMENT (Continued)

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The Organization complies with the endowment’s originally established policy. All earnings are retained by the fund. As of June 30, 2020, the endowment fund balance of \$27,387 was held as net assets with donor restriction.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization works closely with and relies on investment advisors to ensure that assets are invested in a manner intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, overtime, to produce an average rate of return of approximately 5% annually. To satisfy its long-term rate-of-return objectives, the Organizations relies on its investment advisors to develop a strategy, which will meet the Organization’s needs.

NOTE 20 - LIQUIDITY

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. To help manage unanticipated liquidity needs, the Organization has a committed line of credit, which it could draw upon.

The Organization’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,422,553
Mortgages receivable, net	366,650
Prepaid expense	50,528
ReStore Inventory	88,581
Other Asset	3,402
Grants Receivable	<u>501,228</u>
	<u>\$ 2,432,942</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 21 – PRIOR PERIOD ADJUSTMENTS

On June 30, 2020, Management discovered that net assets with donor restrictions was overstated and net assets without donor restrictions was understated as a result of errors in calculating the restricted disbursements, grant receivables, and construction in progress. Accordingly, the Organization restated its financial statements for the year ending June 30, 2019. The effect of the restatement was to decrease net assets with donor restrictions \$106,986, increase net assets without donor restrictions by \$198,715, increase construction in progress by \$71,092 and increase grants receivable by \$20,637 for the year ended June 30, 2019.

NOTE 22 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 5, 2021, the date which the financial statements were available to be issued. In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the Organization's results of operations is not reasonably estimable at this time.

NOTE 23 – PAYCHECK PROTECTION PROGRAM FUNDS

On May 4, 2020, Habitat for Humanity of Brevard County, Inc. received loan proceeds in the amount of \$196,798 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses and nonprofits for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization. The funds must be spent over the "Covered Period" which is either twenty-four weeks or, if Habitat for Humanity elects, eight weeks from the loan disbursement date. The PPP loan provides for grantees to apply for loan forgiveness any time on or before the maturity date of the loan, including before the end of the Covered Period. The PPP loan and accrued interest are forgivable, as long as Habitat for Humanity used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. The amount of loan forgiveness can be reduced if the borrower terminates employees or reduces salaries during the Covered Period. If the entire loan is not forgiven, the unforgiven portion is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. As of June 30, 2020, the Organization has determined that it has met the criteria for loan forgiveness. In accordance with ASC 958-605, *Revenue Recognition*, the Organization has recognized the proceeds as a contribution.