

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019



HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Habitat for Humanity of Citrus County, Inc., a not-for-profit organization, which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the organization'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 of the effectiveness of the organization'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 opinion.

INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Citrus County, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Frenkel, Brown & Weissman LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

New York, New York
November 12, 2020

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	As of June 30,	
	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,257,262	\$ 1,763,229
Mortgages receivable - net, current portion	124,129	112,599
Prepaid expenses	95	22,909
Land inventory	288,028	358,228
Homes under construction	17,260	322,065
	<u>1,686,774</u>	<u>2,579,030</u>
NON-CURRENT ASSETS:		
Property and equipment - net	2,892,780	2,419,305
Mortgages receivable - net, non-current portion	4,475,786	3,848,171
Security deposits	700	700
	<u>7,369,266</u>	<u>6,268,176</u>
TOTAL ASSETS	<u><u>\$ 9,056,040</u></u>	<u><u>\$ 8,847,206</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 58,735	\$ 30,419
Homeowner escrow	81,717	73,120
Deposits	21,240	27,300
Deferred revenue	-	1,035
Long-term debt, current portion	318,039	123,150
	<u>479,731</u>	<u>255,024</u>
LONG-TERM LIABILITIES:		
Long-term debt, non-current portion	<u>2,365,430</u>	<u>2,493,966</u>
Total liabilities	2,845,161	2,748,990
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>6,210,879</u>	<u>6,098,216</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,056,040</u></u>	<u><u>\$ 8,847,206</u></u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	For the Years Ended June 30,	
	<u>2020</u>	<u>2019</u>
UNRESTRICTED SUPPORT:		
Contributions	\$ 297,519	\$ 365,411
Grants	952,179	391,445
Contributions in-kind	102,369	40,514
Sales of residences - net	772,628	197,870
Sales of foreclosed homes - net	29,032	365,537
Mortgage loan discount amortization	206,202	85,207
ReStore sales	1,431,906	1,498,567
Fundraising	28,475	26,622
Sale of land	-	4,202
Rental income - net	14,400	14,539
Interest income	9,392	23,269
Other income	5,907	5,480
	<u>3,850,009</u>	<u>3,018,663</u>
FUNCTIONAL EXPENSES:		
Program services:		
Other program services	2,603,488	1,443,729
Home store	847,084	834,402
Fundraising	26,673	27,234
Administrative and general	135,101	123,023
	<u>3,612,346</u>	<u>2,428,388</u>
Total functional expenses		
	<u>3,612,346</u>	<u>2,428,388</u>
Increase in net assets from operations	237,663	590,275
Other expense - legal settlement	125,000	-
	<u>125,000</u>	<u>-</u>
Increase in net assets without donor restrictions	112,663	590,275
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>6,098,216</u>	<u>5,507,941</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u>\$ 6,210,879</u>	<u>\$ 6,098,216</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services		Fundraising	Administrative and General	Total
	Other	Home Store			
Advertising and promotional	\$ 392	\$ 40,099	\$ -	\$ -	\$ 40,491
Auto and truck	5,183	27,884	-	-	33,067
Annual audit expense	-	-	-	11,858	11,858
Annual meeting expense	789	-	-	-	789
Bank charges	1,647	42,363	-	-	44,010
Computer	10,856	696	-	-	11,552
Construction costs	1,834,725	-	-	-	1,834,725
Dues and subscriptions	2,942	120	-	-	3,062
Fundraising	-	-	19,004	-	19,004
Insurance	20,565	56,171	-	4,812	81,548
Interest expense	64,685	60,274	-	-	124,959
Licenses and permits	-	395	-	-	395
Miscellaneous expense	6,433	565	-	-	6,998
Office expense	12,036	36,920	-	423	49,379
Postage and freight	3,051	-	-	-	3,051
Professional fees	36,197	-	-	25,491	61,688
Public relations	19,172	-	-	-	19,172
Rent, space	75	-	-	-	75
Repairs and maintenance	4,795	7,180	-	-	11,975
Salaries and wages	458,797	545,442	7,669	55,261	1,067,169
Telephone	7,912	9,585	-	-	17,497
Tithe - Habitat International	-	-	-	37,256	37,256
Travel	3,856	-	-	-	3,856
Training	4,988	41	-	-	5,029
Utilities	5,029	18,362	-	-	23,391
Volunteer recognition	460	987	-	-	1,447
Total functional expenses before depreciation	2,504,585	847,084	26,673	135,101	3,513,443
Depreciation	98,903	-	-	-	98,903
TOTAL FUNCTIONAL EXPENSES	\$ 2,603,488	\$ 847,084	\$ 26,673	\$ 135,101	\$ 3,612,346

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services		Fundraising	Administrative and General	Total
	Other	Home Store			
Advertising and promotional	\$ 138	\$ 31,804	\$ -	\$ -	\$ 31,942
Auto and truck	(5,074)	34,601	-	-	29,527
Annual audit expense	-	-	-	11,924	11,924
Annual meeting expense	1,982	-	-	-	1,982
Bank charges	1,565	43,382	-	-	44,947
Computer	2,658	411	-	-	3,069
Construction costs	775,932	-	-	-	775,932
Dues and subscriptions	1,529	-	-	-	1,529
Fundraising	-	-	16,715	-	16,715
Insurance	39,088	47,722	-	2,505	89,315
Interest expense	53,226	64,744	-	-	117,970
Licenses and permits	2,027	847	-	105	2,979
Miscellaneous expense (income)	-	(600)	-	-	(600)
Office expense	11,594	35,646	-	471	47,711
Postage and freight	2,138	-	-	-	2,138
Professional fees	54,096	-	-	22,866	76,962
Public relations	15,416	-	-	-	15,416
Real estate taxes	-	1,110	-	-	1,110
Rent, space	-	-	-	647	647
Repairs and maintenance	2,316	9,339	-	-	11,655
Salaries and wages	366,485	534,343	10,519	41,221	952,568
Telephone	4,809	7,692	-	-	12,501
Tithe - Habitat International	-	-	-	37,500	37,500
Travel	960	-	-	2,447	3,407
Training	5,625	20	-	-	5,645
Utilities	5,408	18,960	-	-	24,368
Volunteer recognition	2,098	4,381	-	3,337	9,816
Total functional expenses before depreciation	1,344,016	834,402	27,234	123,023	2,328,675
Depreciation	99,713	-	-	-	99,713
TOTAL FUNCTIONAL EXPENSES	\$ 1,443,729	\$ 834,402	\$ 27,234	\$ 123,023	\$ 2,428,388

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets without donor restrictions	\$ 112,663	\$ 590,275
Adjustments to reconcile increase in net assets without donor restrictions to net cash (used in) provided by operating activities:		
Depreciation	98,903	99,713
Amortization of mortgage discount	(206,202)	(85,207)
New mortgages transferred to owners - net	(774,579)	(130,193)
Donated land	(58,170)	(183,639)
Land used in construction of homes	128,370	160,784
(Increase) decrease in assets:		
Prepaid expenses	22,814	325
Homes under construction	304,805	(201,240)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	28,316	(55,441)
Homeowner escrow	8,597	6,152
Deposits	(6,060)	11,510
Deferred revenue	(1,035)	1,035
Net cash (used in) provided by operating activities	<u>(341,578)</u>	<u>214,074</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(572,378)	(29,993)
Payments received on mortgages	341,636	369,064
Net cash (used in) provided by investing activities	<u>(230,742)</u>	<u>339,071</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(124,575)	(123,053)
Proceeds from long-term debt	190,928	-
Net cash provided by (used in) financing activities	<u>66,353</u>	<u>(123,053)</u>
Net (decrease) increase in cash and cash equivalents	(505,967)	430,092
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,763,229</u>	<u>1,333,137</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,257,262</u></u>	<u><u>\$ 1,763,229</u></u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 STATEMENTS OF CASH FLOWS - Continued

	For the Years Ended June 30,	
	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Non-interest bearing mortgage notes:		
Issuance of non-interest bearing mortgage notes	\$ 1,453,806	\$ 683,172
Discounts on newly issued non-interest bearing mortgage notes	<u>(656,664)</u>	<u>(297,398)</u>
Net non-interest bearing mortgage notes	<u>\$ 797,142</u>	<u>\$ 385,774</u>
Interest paid	<u>\$ 128,601</u>	<u>\$ 121,612</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Liquidity

Habitat for Humanity of Citrus County, Inc. ("Habitat") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization, whose goal is to eliminate poverty housing and homelessness worldwide. Habitat is primarily and directly responsible for its own operations.

To help finance its operations, Habitat operates two home stores which sell household items including appliances, furnishings, and building materials to the general public. The stores are located in Citrus County, Florida.

Habitat's financial assets available within one year of the balance sheet date for general expenditure is cash of approximately \$1,250,000.

Income Tax Status

Habitat is a Florida not-for-profit corporation under Section (501(c)(3) of the Internal Revenue Code (IRC) that is funded through donations, federal and state grants, corporate sponsorship, and other not-for-profit corporations. Under these provisions, no taxes are paid on income received as long as Habitat maintains its tax exempt status. Accordingly, no provision for income taxes is provided in the accompanying financial statements. Although Habitat is exempt from income tax, it may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded under the IRC. As of June 30, 2020, Habitat determined that there are no significant, uncertain tax positions within its financial statements.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), using the accrual basis of accounting.

Basis of Presentation

The classification of Habitat's net assets is based upon the existence or absence of donor-imposed restrictions as follows:

Habitat's financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require an organization to report information regarding its financial position and activities according to the following net assets classifications:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and the Board of Directors.

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

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the organization's actions or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

There are no net assets with donor restrictions as of June 30, 2020 or 2019.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Balances may exceed insured amounts at various times during the year.

Accounts Receivable

Accounts receivable are stated at their net uncollected balance at year end. There were no outstanding accounts receivable as of June 30, 2020 and 2019.

Concentrations of Credit Risk

All of Habitat's mortgage loans are to low income individuals and are secured by real estate located in Citrus County, Florida.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages that are secured by real estate and are payable in monthly installments. The mortgages have original maturities of twenty to thirty years and arose in connection with Habitat's homebuilding initiatives in Citrus County, Florida. These receivables have been discounted at rates of 5%. Mortgage loan discount amortization income is recorded using the straight-line method of amortization. These mortgages are secured by the underlying real estate that is located primarily in Citrus County, Florida. Past due and delinquent mortgage loans are assessed at the discretion of the Board of Directors.

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

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Mortgages Receivable - Continued

Management considers a loan to be delinquent or past due if a borrower fails to make a contractually scheduled principal payment that is over 120 days past due. Habitat's management periodically reviews mortgage balances to determine whether an allowance for bad debts should be established for any amounts determined to be unrecoverable. Factors considered by management include principal, collections experience, collateral value, borrowers' financial conditions, and other factors.

Habitat considers a loan to be impaired when it is "probable" that repayment obligations due according to the contractual terms will not be met. The term "probable" is used consistent with its use in Accounting Standards Codification (ASC) 450. In this instance, the mortgage carrying value is written down, if deemed necessary by management, based on review of collateral and other considerations by management. The receivables are collateralized by mortgage liens on the underlying housing units.

Land Inventory

Inventory consists of residential lots for use in building Habitat homes. Residential lots donated are recorded at assessed value for county tax purposes at time of gift; purchased lots are recorded at cost. Because of the inherent uncertainties of real estate valuation, market value may differ significantly.

Homes Under Construction

Homes under construction consist of building materials and construction costs, excluding labor. Purchased items are recorded at cost; donated items are recorded at fair market value. Costs incurred in conjunction with home construction, excluding labor, are expensed when the home is occupied by the homeowner and title is transferred to the homeowner.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of receipt. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are charged to expense as incurred, while renewals and betterments are capitalized. Gains and losses on sales are credited or charged to operations in the year of sale. Depreciation expense is calculated using the straight line method over estimated useful lives, ranging from five to seven years on equipment and thirty-nine years on commercial real estate and leasehold improvements.

Homeowner Escrow

Homeowner escrow consists of amounts collected from homeowners on a monthly basis for property taxes, hazard insurance premiums, and termite bonds. These funds are collected to protect Habitat's interest in the underlying property and are disbursed in a manner that ensures the maximum tax discount available is obtained for property taxes and that insurance coverage and termite protection do not lapse.

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

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits

Deposits consist of down payments made by future homeowners. The deposits are held until the date of closing, at which time they are applied to the closing costs of the home. Deposits are refunded if the Habitat program is not successfully completed.

Contributed Goods and Services

Habitat records the fair value of donated goods when there is an objective basis available to measure their value as contributions in-kind in the accompanying statements of activities. Habitat does not record the fair value of donated building supplies and materials that are subsequently sold in the home store. These items are recorded as revenue as the items are sold to the public.

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements, since it does not require a specialized skill.

However, other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donations, are recognized as revenue and expense.

Sales of Residences

Sales of residences represent the sale of houses built by Habitat. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount used for mortgages closed during the years ended June 30, 2020 and 2019 was 5%. The sales to homeowners presented in the statements of activities are net of this discount for the years ended June 30, 2020 and 2019. The discount was \$656,664 and \$297,398, respectively.

Construction Costs

Construction costs include the cost of land sold, construction materials for homes sold, supplies, title search costs, and recording fees.

Revenue Recognition

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Other unrestricted revenue, support, and gains are recorded as income when earned or realized.

Contributions that are restricted by a donor for a specific purpose or specified time period are recorded upon receipt as "with donor restrictions" and reclassified to "without donor restrictions" upon expenditure of the funds, based on the restricted purpose and/or the lapsing of the specified time period.

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

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - Continued

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes when expenditures satisfy the donor's restrictions, if any, and such amounts are appropriated for expenditure. Income amounts that exceed related expenditures and appropriations remain classified as with donor restrictions.

Expense Allocations

The costs of various programs and activities have been summarized on a functional basis in the statements of activities. Within each group, transactions are recorded in specific expense categories and apportioned, when applicable, among the programs and supporting services benefited.

Fair Value of Financial Instruments

Habitat's financial instruments include cash, mortgages receivable, accounts payable, line of credit, and a note payable. The carrying values of these financial instruments approximate their fair values as of June 30, 2020 and 2019.

Advertising Costs

It is the policy of the organization to expense advertising costs when incurred. For the years ended June 30, 2020 and 2019, advertising costs were \$40,491 and \$31,942, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

NOTE 2 - MORTGAGES RECEIVABLE - Net

Mortgages receivable consist of the following:

	<u>As of June 30,</u>	
	<u>2020</u>	<u>2019</u>
Mortgages receivable at face value	\$ 7,586,900	\$ 6,485,329
Less: Unamortized discount	<u>(2,986,985)</u>	<u>(2,524,559)</u>
Mortgages receivable, net	<u>\$ 4,599,915</u>	<u>\$ 3,960,770</u>
Current portion of mortgages receivable	\$ 124,129	\$ 112,599
Non-current portion of mortgages receivable	<u>4,475,786</u>	<u>3,848,171</u>
Total	<u>\$ 4,599,915</u>	<u>\$ 3,960,770</u>

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

NOTE 2 - MORTGAGES RECEIVABLE - Net - Continued

Habitat holds a “silent second” mortgage on some completed homes. The second mortgage notes will become payable if, prior to the expiration of twenty to thirty years from the date of their making, the maker transfers, sells, refinances or assigns the maker’s right, title, or interest in and to the real property securing the second mortgage or ceases to occupy the real property as the maker’s principal residence. In that case, the second mortgage will become immediately due and payable, without notice. No value has been recorded in these financial statements for these notes. For the years ended June 30, 2020 and 2019, the value of the silent mortgages was \$2,563,472 net of accumulated forgiveness of \$404,213 and \$2,462,472 net of accumulated forgiveness of \$352,297, respectively.

Included in other income in the statements of activities is a gain from the write-off of mortgage discounts from foreclosed homes of approximately \$0 for the years ended June 30, 2020 and 2019.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>As of June 30.</u>	
	<u>2020</u>	<u>2019</u>
Vehicles, home store	\$ 172,021	\$ 172,021
Equipment, home store	44,901	44,901
Improvements, home store	229,224	229,224
Improvements, administrative offices	111,128	111,129
Building, home store	350,882	350,882
Building, home store 2	926,814	926,814
Land, home store	758,782	758,782
Land, development	585,361	12,982
Building, rental property	137,025	137,025
Vehicles, construction	85,673	85,673
Equipment	<u>52,664</u>	<u>52,664</u>
Total	3,454,475	2,882,097
Less: accumulated depreciation	<u>(561,695)</u>	<u>(462,792)</u>
Total	<u>\$ 2,892,780</u>	<u>\$ 2,419,305</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$98,903 and \$99,713, respectively.

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

NOTE 4 - LONG-TERM DEBT

Long-term debt was comprised of the following:

	<u>As of June 30,</u>	
	<u>2020</u>	<u>2019</u>
1) Mortgage payable to a bank, secured by real property and mortgages receivable, 4.5% interest, interest only payments of \$3,592 to April 13, 2015, then monthly principal and interest payments of \$9,375.75, matures March 13, 2034	\$1,134,535	\$1,188,665
2) Note payable to a bank, secured by real property and mortgages receivable, 4.25% interest, monthly payments of \$3,866 (principal and interest), matures March 13, 2034	483,507	506,493
3) Habitat for Humanity International, SHOP loan, non-interest bearing, due in 94 installments of \$598 and 48 installments of \$1,250. First payment due January 1, 2018	53,854	70,486
4) Capital City Bank, construction loan agreement, maximum \$895,000, due in 240 installments of \$5,547. 4.2% interest	820,646	851,472
5) Paycheck Protection Program, see note 14	<u>190,927</u>	<u>-</u>
Total	2,683,469	2,617,116
Less current portion	<u>(318,039)</u>	<u>(123,150)</u>
Long-term debt, net of current portion	<u>\$2,365,430</u>	<u>\$2,493,966</u>

Current maturities of long-term debt for each of the next five years and thereafter are as follows:

2021	\$ 318,039
2022	132,565
2023	138,266
2024	144,145
2025	150,456
Thereafter	<u>1,799,998</u>
Total long-term debt	<u>\$2,683,469</u>

Interest expense associated with long-term debt for the years ended June 30, 2020 and 2019 was \$124,959 and \$117,970, respectively.

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

NOTE 5 - OPERATING LEASES

Total rent expense for the years ended June 30, 2020 and 2019 was \$75 and \$647, respectively.

NOTE 6 - GRANTS

Habitat earned the following grant monies during the years ended:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Citrus County SHIP Grant	\$ 190,000	\$ 80,000
Florida Housing Finance (HOP)	663,328	267,945
Publix	13,000	15,000
Capital City Bank Foundation	10,000	-
Wells Fargo Bank	10,000	10,500
BBVA Compass Bank	3,000	5,000
Bank of America Foundation	2,500	2,500
SunTrust Bank	10,000	10,000
Fidelity	10,000	-
BB&T Bank	15,000	-
TD Bank	5,000	-
Duke Energy	5,000	-
Candence	5,000	-
Center State Bank	5,000	-
State Farm	4,851	-
Insite Community Foundation	500	-
Regions Bank	<u>-</u>	<u>500</u>
Total	<u>\$ 952,179</u>	<u>\$ 391,445</u>

Grants are subject to certain conditions (Note 8).

NOTE 7 - COMMUNITY CONTRIBUTION TAX CREDITS

Florida Statute 220.183 allows business entities that make contributions to programs, or organizations that support projects to provide home ownership to low income households, to use a community contribution credit to offset tax due in any one year. This contribution must be either 1) cash or other liquid assets, 2) real property, 3) goods or inventory, or 4) other physical resources as identified by the Florida Department of Revenue. These contributions must be verified by the sponsoring organization in an application that verifies receipt of the contribution, and this verification must accompany the application for tax credit.

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

NOTE 8 - CONTINGENCIES

Habitat receives grant money from Citrus County under the State Housing Initiative Program ("SHIP") for eligible homeowners. Use of funds is restricted to infrastructure only and is credited towards the down payment on the home at closing. A lien is placed on the property at closing by Citrus County and is forgiven after a period of twenty years. In the event of homeowner default, Habitat would be required to repay these funds from the proceeds of the sale of foreclosed homes. The lien is subordinate to Habitat's position as first and second mortgage holder.

NOTE 9 - IN-KIND CONTRIBUTIONS

The value of donated goods and services included in the financial statements for the years ended is summarized as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Construction costs	\$ 102,369	\$ 40,514

NOTE 10 - TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world.

For the years ended June 30, 2020 and 2019, Habitat made contributions of \$37,256 and \$37,500, respectively, amounts which have been included in program services expense in the statements of activities.

NOTE 11 - UNRELATED BUSINESS INCOME

Habitat purchased land and a building for purposes of leasing office space and producing rental income. The accompanying statements of activities include rental income, net of related expense. There was no unrelated business income tax for the years ended June 30, 2020 and 2019.

NOTE 12 - LOSS OF INVENTORY

For the years ended June 30, 2020 and 2019, Habitat adjusted all properties held in inventory to the 2019 certified tax roll, which was the most currently available certified tax roll. There was no write-down of land inventory for the years ended June 30, 2020 and 2019.

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

NOTE 13 - LITIGATION

Habitat was a party to a complaint alleging discrimination in failing to modify its minimum income requirements for its homeownership program. The complaint was resolved via a settlement agreement on April 9, 2020.

NOTE 14 - CARES ACT

On March 27, 2020, Congress passed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act, among other things, includes provisions such as refundable payroll tax credits, deferment of employer social security payments and net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration Paycheck Protection Program loans that can be forgivable in certain situations to promote continued employment. Habitat applied and received \$190,927 in April 2020 under this program. Any amounts not forgiven have a stated interest rate of 1% and a maturity of two years.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2020, the date on which financial statements were available for issue, and has concluded that no events or transactions took place, which require disclosure herein.