

**HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**Year Ended June 30, 2021  
(With Comparative Totals for 2020)**

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*Santi & Associates, PC*  
Certified Public Accountants

**Independent Auditor's Report**

To the Board of Directors  
Habitat for Humanity-North Central Georgia, Inc.  
Roswell, Georgia

We have audited the accompanying financial statements of Habitat for Humanity-North Central Georgia, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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-North Central Georgia, Inc. as of June 30, 2021, and the change 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 Habitat for Humanity-North Central Georgia, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, appearing to read "G. L. ...", is written over the printed name of the auditor.

Alpharetta, Georgia  
October 18, 2021

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Comparative Totals for 2020)

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	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 558,262	\$ 899,865
Contributions receivable	175,000	35,396
Grants receivable	39,450	77,672
Current portion of mortgages receivable, net	210,605	220,571
Due from related party	-	4,559
Other receivables	69,437	19,469
Prepaid expenses	25,294	30,005
Construction in progress	216,927	463,423
Land held for development	<u>151,855</u>	<u>217,782</u>
Total current assets	<u>1,446,830</u>	<u>1,968,742</u>
<b>Property and Equipment</b>		
Property and equipment, net	<u>39,686</u>	<u>63,784</u>
<b>Other Assets</b>		
Mortgages receivable, net, less current portion	<u>7,469,088</u>	<u>7,535,349</u>
<hr/>		
<b>Assets</b>	<b>\$ 8,955,604</b>	<b>\$ 9,567,875</b>

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

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**Liabilities and Net Assets**

	<u>2021</u>	<u>2020</u>
<b>Current Liabilities</b>		
Current portion of notes payable, net	\$ 126,170	\$ 127,411
Line of credit	-	280,000
Accounts payable	155,364	101,884
Accrued expenses	9,231	9,885
Due to related party	12,588	-
Other payables	-	36,000
Homeowner deposits	16,250	17,500
Homeowner escrows	-	422,174
Unearned revenue	18,157	20,182
	<u>337,760</u>	<u>1,015,036</u>
<b>Long-Term Debt</b>		
Notes payable, less current portion	1,631,364	1,724,222
Paycheck Protection Program (PPP) loan #1	-	168,728
Paycheck Protection Program (PPP) loan #2	168,728	-
	<u>1,800,092</u>	<u>1,892,950</u>
<b>Net Assets</b>		
Without donor restrictions	6,568,450	6,144,016
With donor restrictions	249,302	515,873
	<u>6,817,752</u>	<u>6,659,889</u>

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**Liabilities and Net Assets**

**\$ 8,955,604**

**\$ 9,567,875**

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HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	Without	With	Total	
	Donor Restrictions	Donor Restrictions	2021	2020
<b>Revenues, Grants, and Other Support</b>				
Transfers to homeowners	\$ 1,627,276	\$ -	\$ 1,627,276	\$ 1,231,000
Contributions	670,507	249,302	919,809	937,301
In-kind contributions	170,955	-	170,955	90,942
Grant revenue	67,899	-	67,899	210,048
Mortgage discount amortization	555,209	-	555,209	586,955
Property sales	10,590	-	10,590	4,484
Interest income	193	-	193	111
Other revenue	60,535	-	60,535	121,289
Forgiveness of PPP loan #1	168,728	-	168,728	-
Forgiveness of other debt	36,000	-	36,000	-
Net assets released from restrictions	515,873	(515,873)	-	-
Total revenues, grants, and other support	<u>3,883,765</u>	<u>(266,571)</u>	<u>3,617,194</u>	<u>3,182,130</u>
<b>Expenses and Losses</b>				
Program services	2,932,590	-	2,932,590	2,632,305
Management and general	416,537	-	416,537	454,134
Fundraising	110,204	-	110,204	144,526
Total expenses and losses	<u>3,459,331</u>	<u>-</u>	<u>3,459,331</u>	<u>3,230,965</u>
<b>Change in Net Assets</b>	424,434	(266,571)	157,863	(48,835)
<b>Net Assets, Beginning of Year</b>	<u>6,144,016</u>	<u>515,873</u>	<u>6,659,889</u>	<u>6,708,724</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,568,450</u>	<u>\$ 249,302</u>	<u>\$ 6,817,752</u>	<u>\$ 6,659,889</u>

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

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	2021			Total	2020 Total
	Program Services	Management & General	Fundraising		
Salaries and related expenses	\$ 667,436	\$ 57,680	\$ 69,349	\$ 794,465	\$ 848,122
Payroll taxes and benefits	88,983	26,680	7,871	123,534	117,936
Cost of houses sold	1,484,008	-	-	1,484,008	1,134,816
Mortgage discounts	190,269	-	-	190,269	424,957
Property expenses	20,153	-	-	20,153	10,712
Bad debt expense	73,139	-	-	73,139	5
Occupancy	-	27,501	-	27,501	27,501
Professional fees	24,602	63,934	3,636	92,172	39,793
Insurance	94,377	14,551	-	108,928	168,418
Dues and memberships	-	26,980	-	26,980	26,855
Automobile expense	11,867	-	-	11,867	17,063
Advertising	-	-	857	857	-
Office supplies and expense	4,029	45,258	10,261	59,548	63,276
Telephone	6,844	8,944	650	16,438	15,902
Postage and delivery	291	2,330	514	3,135	2,814
Training	274	643	170	1,087	2,626
Repairs and maintenance	696	-	-	696	1,068
Retirement plan fees	-	1,860	-	1,860	2,306
Homeowner and volunteer	4,896	-	6,002	10,898	5,464
Printing and publications	49	356	1,840	2,245	5,259
Small tools	2,358	-	-	2,358	5,568
Travel, meals and entertainment	9,359	1,145	1,466	11,970	10,949
Loan fees	-	1,939	-	1,939	5,450
Interest	-	97,438	-	97,438	111,534
Community investment repairs	201,225	-	-	201,225	89,617
Contribution - Habitat Int'l	2,743	-	-	2,743	2,308
Depreciation	-	31,540	-	31,540	30,874
Miscellaneous	44,992	7,758	7,588	60,338	59,772
	<u>\$2,932,590</u>	<u>\$ 416,537</u>	<u>\$ 110,204</u>	<u>\$3,459,331</u>	<u>\$3,230,965</u>

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



HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash Flow from Operating Activities</b>		
Change in net assets	\$ 157,863	\$ (48,835)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,540	30,874
Noncash contribution of vehicle	(3,270)	-
<b>(Increase) Decrease in:</b>		
Contributions receivable	(139,604)	199,604
Grants receivable	38,222	32,225
Mortgages receivable	76,227	(7,619)
Due from related party	4,559	8,968
Other receivables	(49,968)	5,051
Prepaid expenses	4,711	(3,249)
Construction in progress	246,496	(43,519)
Land held for development	65,927	(158,185)
<b>Increase (Decrease) in:</b>		
Accounts payable	53,480	18,402
Accrued expenses	(654)	5,050
Due to related party	12,588	-
Other payables	(36,000)	-
Homeowner deposits	(1,250)	2,500
Homeowner escrows	(422,174)	56,444
Unearned revenue	(2,025)	4,433
Net cash provided by operating activities	<u>36,668</u>	<u>102,144</u>
<b>Cash Flow from Investing Activities</b>		
Purchase of property and equipment	<u>(4,172)</u>	<u>(5,169)</u>
Net cash used in investing activities	<u>(4,172)</u>	<u>(5,169)</u>
<b>Cash Flow from Financing Activities</b>		
Net proceeds from (payments on) line of credit	(280,000)	180,000
Net proceeds from (payments on) notes payable	<u>(94,099)</u>	<u>109,452</u>
Net cash provided by (used in) financing activities	<u>(374,099)</u>	<u>289,452</u>

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

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	<u>2021</u>	<u>2020</u>
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(341,603)	386,427
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>899,865</u>	<u>513,438</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 558,262</u>	<u>\$ 899,865</u>

# HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity-North Central Georgia, Inc. (Habitat) is presented to assist in understanding Habitat's financial statements. The financial statements and notes are representations of Habitat's management, who is responsible for their integrity and objectivity.

#### 1. Nature of Organization

Habitat is a non-profit, tax-exempt, non-denominational Christian housing ministry that works in partnership with community sponsors and volunteers to build decent, affordable homes for, and with, responsible low-income families selected by Habitat. Habitat also repairs homes of non-Habitat, low income homeowners through a home repair program targeted primarily at veterans and senior citizens on fixed incomes. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Like other such affiliates, Habitat is an independent, locally run organization that is responsible for its own funding, family selection and education, land acquisition and development, and home construction. Although Habitat International assists Habitat with information resources, training, publications, flow-through contributions, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat, in its current form, took shape in January 2006 when the affiliates in North Fulton, Cherokee, Forsyth, and Dawson counties merged. Habitat's homeownership program is open to all people, regardless of race, religion, color, or creed.

#### 2. Basis of Presentation

Habitat has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two classes of net assets. A description of the two classes of net assets follows:

##### Net Assets Without Donor Restrictions

Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

##### Net Assets With Donor Restrictions

Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Habitat has adopted a policy to classify donor restricted contributions as without donor restrictions when those donor restrictions are met in the year the contributions were received.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

3. **Cash and Cash Equivalents**

Habitat considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

4. **Receivables**

Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible. At June 30, 2021, Habitat considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Bad debt expense was \$73,139 for the year ended June 30, 2021.

5. **Construction in Progress**

Construction in progress represents houses that are currently under construction for families. Purchased materials and land for the construction of these houses are recorded at cost. Donated materials, labor, and land, if applicable, are recorded at their fair market value. Overhead and administration expenses of houses built by Habitat are included in the overall program expenses of Habitat.

6. **Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line method.

The estimated useful lives in determining depreciation are:

	<u>Years</u>
Vehicles	5
Building tools	5

Expenditures for property and equipment and for improvements, which extend the original estimated economic life of the asset, exceeding \$2,500, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is sold or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense for the year ended June 30, 2021 was \$31,540.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. **Contributions and Other Revenues**

Unconditional contributions and special grants, those that do not include a measurable performance-related or other barrier or are those in which Habitat has limited discretion over how the contribution should be spent, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions that include a measurable barrier or those for which Habitat has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

8. **Functional Allocation of Expenses**

The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services, based on their nature and purpose, while other costs are directly charged to the functions they benefit. Expenses have been classified based on actual direct expenditures and cost allocations based on estimates made by Habitat.

9. **Income Taxes**

Habitat, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state, and local income taxes; and accordingly, no provision for income taxes is included in the accompanying financial statements for Habitat.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Habitat and recognize a tax liability (or asset) if Habitat has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and Georgia Department of Revenue. Management has analyzed the tax positions taken by Habitat, and has concluded that as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2018.

10. **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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

11. Donated Services

Many volunteers have made significant contributions of their time to develop and promote the programs of Habitat. The value of these donated services is not included in the accompanying financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

12. Advertising

Advertising costs are expensed as incurred. Advertising expense, for the year ended June 30, 2021, was \$857.

13. Subsequent Events

Subsequent events have been evaluated through October 18, 2021, which is the date the financial statements were available to be issued.

14. Prior Year Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2020, from which the summarized totals were derived. Certain reclassifications of prior year comparative totals have been made in order to conform to the current year presentation. These changes did not affect net assets.

NOTE B – CASH AND CASH EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and cash equivalents	\$ 558,262
Restricted cash	<u>-</u>
	<u>\$ 558,262</u>

The restricted cash represented escrow being held by Habitat for homeowner mortgages. Escrow payments were incorporated as a part of homeowner regular monthly mortgage payments, and Habitat, as an escrow agent, was responsible for timely paying insurance, real property taxes, and applicable homeowner association dues from the escrow funds for all homeowners. However, during the year ended June 30, 2021, Habitat outsourced mortgage loan administration to a mortgage loan servicer.

Habitat maintains a separate bank account for grant funds received from the SHOP programs as required by the grants.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK**

Habitat's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents.

Habitat maintains its cash deposits with a highly rated financial institution. At times, such deposits may be in excess of federally insured limits. At June 30, 2021, Habitat maintained uninsured cash deposits of \$85,221. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

**NOTE D – MORTGAGES RECEIVABLE**

Habitat holds mortgages on one hundred and ninety-eight houses as of June 30, 2021. No interest is charged to the homeowners by Habitat. Although for accounting purposes, an interest rate is imputed, and the mortgages are discounted with discounts being amortized over the life of the loans. Mortgage discount rates used vary from 7.23% to 9.00%, according to guidance provided by Habitat International. Management believes all mortgage receivables are recoverable; therefore, no allowance for doubtful accounts has been provided at June 30, 2021. All of the mortgages receivable of Habitat serves as collateral for the line of credit and term loan payable to Synovus.

The mortgages receivable and unamortized discount at June 30, 2021 are as follows:

Total mortgages receivable before unamortized discount	\$ 15,713,258
Less unamortized discount	<u>(8,033,565)</u>
	<u>\$ 7,679,693</u>

These mortgages at their discounted values will be received as follows:

<b>Year Ended</b>	
<b><u>June 30,</u></b>	
2022	\$ 210,605
2023	222,674
2024	229,786
2025	240,754
2026	240,792
Thereafter	<u>6,535,082</u>
	<u>\$ 7,679,693</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE D – MORTGAGES RECEIVABLE, continued**

Long-term portion	\$ 7,469,088
Current portion	<u>210,605</u>
	<u>\$ 7,679,693</u>

**NOTE E – MORTGAGE LOAN ADMINISTRATION**

Habitat's mortgage loans are currently being managed by Affiliate Mortgage Services (AMS), a dedicated mortgage loan servicer providing cost-effective mortgage origination and loan servicing solutions to Habitat for Humanity affiliates and their homeowners. AMS provides services that are necessary in effectively administering mortgage loans by handling payment collection, processing, and remittance, delinquency notices, escrow administration, and preparation of annual statements to homeowners and servicing reports to Habitat. Mortgage services fees totaled \$24,602 for the year ended June 30, 2021.

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment, as of June 30, 2021, is summarized as follows:

Vehicles	\$ 127,302
Building tools	<u>48,873</u>
	176,175
Less accumulated depreciation	<u>(136,489)</u>
	<u>\$ 39,686</u>

**NOTE G – LINE OF CREDIT**

Habitat has an open-end line of credit agreement with Synovus, which provides for borrowings up to \$600,000, expiring February 2022. Borrowings under the agreement bear interest at the lender's prime rate plus .5% and will not be more than 18% or less than 3.5%. The interest rate on the line of credit at June 30, 2021 was 3.75%. Balances outstanding are secured by substantially all assets of Habitat. Borrowings under the line of credit are subject to certain restrictive covenants, and at June 30, 2021, Habitat is in compliance with all covenants. As of June 30, 2021, there was no outstanding balance on the line of credit.



HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE H – LONG-TERM DEBT**

Non-revolving term loan payable to Synovus, maturing April 2025, principal and interest monthly with a fixed rate of 4.75%. The monthly payment is \$13,367 with a balloon payment at maturity. Balances outstanding are secured by substantially all assets of Habitat. Under the terms of the loan, Habitat is obligated to comply with certain restrictive covenants, and at June 30, 2021, Habitat is in compliance with all covenants.	\$ 1,616,585
Note payable to CIT Bank, N.A., maturing September 2021, principal and interest monthly with a fixed rate of .03%. The monthly payment is \$1,071, and the note is secured by the underlying vehicle.	3,213
Note payable to Habitat International, maturing May 2022, due in monthly installments of \$130 with a final payment of \$140, bearing no interest.	1,440
Note payable to Habitat International, maturing July 2021, due in monthly installments of \$12, bearing no interest.	12
Note payable to Habitat International, maturing May 2023, due in monthly installments of \$319 with a final payment of \$336, bearing no interest.	7,353
Note payable to Habitat International, maturing May 2022, due in monthly installments of \$833 with a final payment of \$849, bearing no interest.	9,179
Note payable to Habitat International, maturing December 2023, due in monthly installments of \$718 with a final payment of \$739, bearing no interest.	20,843
Note payable to Habitat International, maturing May 2024, due in monthly installments of \$390 with a final payment of \$420, bearing no interest.	13,680
Note payable to Habitat International, maturing May 2024, due in monthly installments of \$312 with a final payment of \$336, bearing no interest.	10,944

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**NOTE H – LONG-TERM DEBT, continued**

Note payable to Habitat International, maturing December 2024, due in monthly installments of \$78 with a final payment of \$84, bearing no interest.	3,282
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$78 with a final payment of \$83, bearing no interest.	3,749
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$608 with a final payment of \$624, bearing no interest.	29,200
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$152 with a final payment of \$156, bearing no interest.	7,300
Note payable to Habitat International, maturing June 2026, due in monthly installments of \$146 with a final payment of \$169, bearing no interest.	7,031
Note payable to Habitat International, maturing June 2026, due in monthly installments of \$366 with a final payment of \$376, bearing no interest.	17,578
Note payable to Habitat International, maturing June 2026, due in monthly installments of \$73 with a final payment of \$85 bearing no interest.	3,516
Note payable to Habitat International, maturing December 2026, due in monthly installments of \$437 with a final payment of \$461 bearing no interest.	<u>21,000</u>
Total long-term debt before unamortized discount	<u>1,775,905</u>
Imputed interest has been applied in aggregate to the notes payable to Habitat International at a rate of 3.75% on all notes. The remaining unamortized discount at June 30, 2021:	<u>(18,371)</u>
Total long-term debt	<u>\$ 1,757,534</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE H – LONG-TERM DEBT, continued**

Maturities of long-term debt are as follows:

<b>Year Ended</b>	
<b>June 30,</b>	
2022	\$ 126,170
2023	130,845
2024	128,640
2025	1,370,242
2026	17,362
2027	<u>2,646</u>
	1,775,905
Less unamortized discount	<u>(18,371)</u>
Total long-term debt	<u>\$ 1,757,534</u>
Long-term portion	\$ 1,631,364
Current portion	<u>126,170</u>
	<u>\$ 1,757,534</u>

**NOTE I – PAYCHECK PROTECTION PROGRAM LOANS**

In response to the coronavirus (COVID-19) pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 and the Paycheck Protection Program (PPP) and Health Care Enhancement Act (the Enhancement Act) on April 24, 2020. Under the PPP, as part of the CARES Act and Enhancement Act, the U.S. government has authorized forgivable loans to small businesses and nonprofit entities to pay their employees during the COVID-19 pandemic. On May 2, 2020, Habitat received a PPP loan for \$168,728. The term of the loan is twenty-four months with the first six months of principal and interest payments being deferred, with interest accruing, then converting to monthly principal and interest payments, amortized over eighteen months, at 1%, for the remaining term. This loan was formally forgiven in March 2021.

On March 12, 2021, Habitat received a second PPP loan for \$168,728, which remained outstanding as of June 30, 2021. Habitat has applied for loan forgiveness, and the loan was formally forgiven in July 2021.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**NOTE J – OPERATING LEASES**

Habitat has entered into a lease agreement for office space at its Lanier location. The monthly rental payment for the Lanier location is \$208. Office space for the North Fulton location is donated with an annual facilities maintenance fee of \$1,200. The fair value of this donated rent is \$25,000 per year. The lease agreement for the Lanier location expired in September 2021, and the lease agreement for the North Fulton location expired in August 2021. The lease agreements for the Lanier location and North Fulton location are expected to be renewed, and Habitat continues to make the monthly rental payments per the Lanier lease agreement. Expenses, included on the statement of functional expenses as occupancy, associated with the leases of office space for the Lanier and North Fulton locations was \$27,501 for the year ended June 30, 2021.

Habitat entered into lease agreements for a postage meter and copier. The monthly rental payment for the postage meter is \$33, and the lease agreement expires January 2023. The monthly rental payment for the copier is \$211, and the lease agreement expires March 2022. The office expense associated with these leases was \$2,919 for the year ended June 30, 2021.

The future minimum lease payments (excluding the donated rent) are as follows:

<b>Year Ended</b>	
<b><u>June 30,</u></b>	
2022	\$ 2,702
2023	<u>229</u>
	<u>\$ 2,931</u>

**NOTE K – COMMITMENTS AND CONTINGENCIES**

Habitat occasionally receives grants from a federally funded program to purchase building lots. To receive these funds, Habitat is required to sign either a ten or fifteen-year loan payable to the governmental entity issuing the grant. The loan is deemed paid in increments equal to annual installments calculated on a straight-line basis. At the end of the loan period, if the houses built on the land lots purchased with the grant funds continue to be mortgaged by a qualified family without refinancing over the loan period, the loan will be deemed paid in full. At June 30, 2021, \$202,500 of these grant funds, which have been received by Habitat, may have a future commitment. No liability for these loans is recorded at June 30, 2021 since funds have been used as required and no future liability is expected.

To provide assistance to homeowners in keeping monthly payments within the required percentage of income, Habitat often takes a second mortgage on a home at the time of closing, whether the mortgage is held by Habitat or another lender. The second mortgage serves to fill the gap between the appraised value of the home and the first mortgage balance as determined based on the homeowner's ability to pay and can be forgiven over time. Second mortgages are not reported in the financial statements because collection is uncertain and no estimate of future payments is available.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE K – COMMITMENTS AND CONTINGENCIES, continued**

To encourage homeowners to remain in their homes for a specified period and to prevent the selling of their homes for a profit before their mortgages are paid, Habitat has adopted a policy entitling it to a share of the appreciated value of each repurchased home during the first fifteen years after the closing on the initial sale of the home. The shared appreciation cannot be reasonably estimated and is considered less than probable or remote. Therefore, no receivable has been recorded in the financial statements.

**NOTE L – EMPLOYEE BENEFIT PLAN**

Habitat maintains a 401(k) profit sharing plan and trust, covering all eligible employees credited with 1,000 hours of service annually, on January 1<sup>st</sup>. Each year, in addition to depositing 401(k) salary deferrals, Habitat may contribute to the plan discretionary profit sharing contributions. Habitat did not make discretionary contributions for the year ended June 30, 2021.

**NOTE M – IN-KIND CONTRIBUTIONS**

Habitat has received donated rent, land, materials, and services. The estimated fair values of these donations are reported in the accompanying financial statements as contributions at the date of receipt. During the year ended June 30, 2021, Habitat recorded \$170,955 of in-kind contributions and related expense categories.

**NOTE N – RELATED PARTIES**

Habitat for Humanity-North Central Georgia, Inc. is an affiliate of Habitat for Humanity International, Inc. Habitat occasionally receives direct donations from Habitat International, as well as donations from other donors who use Habitat International as a conduit of funds. Habitat contributed \$2,743 to Habitat International in the year ended June 30, 2021. As of June 30, 2021, Habitat had notes payable to Habitat International in the aggregate amount of \$156,108, which are related to federal award grants received by Habitat from Habitat International as the pass-through entity.

At June 30, 2021, Habitat has an outstanding payable of \$12,588 due to North Georgia Community Housing Development Corporation, Inc. with no set repayment terms.

During the year ended June 30, 2021, Habitat received land, valued at \$128,908, from North Georgia Community Housing Development Corporation, Inc. In addition, the same related party contributed \$34,500 to Habitat for the year ended June 30, 2021.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE O – AFFILIATION COMMITMENT**

In December 2007, Habitat signed an affiliation agreement with Habitat International to comply with certain covenants, representations, and warranties. Habitat agreed to restrict its operations to a “service area” of a geographic area approved by Habitat International, to restrict fundraising to that service area, to conform to certain design criteria for its houses, to make its financial records available to Habitat International upon request, to cause its officers, directors, agents, and employees to comply with certain core tenets, and to be responsible for funding all of its housing programs.

In addition, Habitat is expected to contribute 10% of its undesignated gifts to Habitat International on a quarterly basis. These funds are used to construct housing in economically depressed countries. For the year ended June 30, 2021, Habitat contributed \$2,743 to Habitat International.

The term of the agreement is for one year and will automatically renew on an annual basis. Habitat International may conduct annual evaluations of Habitat’s operations and may exercise certain remedies including placing Habitat on probation. Habitat may terminate the agreement upon delivering 180-day written notice; however, it must terminate the use of the name “Habitat” or “Humanity” and discontinue use of the group tax exempt status it presently has through Habitat International. If Habitat ceases operations but fails to dissolve its corporate existence, Habitat International will have the right to transfer the assets of Habitat to a nonprofit organization designated by Habitat International.

**NOTE P – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2021:

Subject to expenditure for specified purpose:

House construction	<u>\$ 249,302</u>
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**NOTE Q – NET ASSETS RELEASED FROM RESTRICTION**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the year ended June 30, 2021 are as follows:

Purpose restrictions accomplished:

House construction	<u>\$ 515,873</u>
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HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE R – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year ended June 30, 2021 was as follows:

Interest	<u>\$ 97,438</u>
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All interest incurred was expensed.

**Noncash investing and financing transactions:**

In-kind contributions:

Land	\$ 128,908
Rent	25,000
Materials	1,866
Trailer	3,270
Engineering services	7,500
Legal services	3,300
Miscellaneous	<u>1,111</u>
	<u>\$ 170,955</u>

Sale of property through issuance of mortgage receivable	<u>\$ 1,627,276</u>
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Vehicle acquired through noncash contributions	<u>\$ 3,270</u>
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Forgiveness of PPP loan #1	<u>\$ 168,728</u>
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Forgiveness of other debt	<u>\$ 36,000</u>
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**NOTE S – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Habitat has a policy to manage its liquidity by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat has a committed line of credit, which it could draw upon, in the amount of \$600,000, with the entire balance available at June 30, 2021. Additionally, Habitat has a term loan that can be renewed to allow for additional funding, if needed, and as approved by the Board.

Habitat's financial assets available within one year of the balance sheet date for general expenditure are as follows:

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**NOTE S – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, continued**

Cash and cash equivalents	\$ 558,262
Contributions receivable	175,000
Grants receivable	39,450
Current portion of mortgages receivable, net	210,605
Other receivables	69,437
Prepaid expenses	25,294
Construction in progress	216,927
Land held for development	<u>151,855</u>
Total financial assets	1,446,830
Less amounts unavailable for general expenditures within one year:	
Donor imposed restrictions	<u>(249,302)</u>
	<u><u>\$ 1,197,528</u></u>

**NOTE T – SUBSEQUENT EVENTS**

As a result of the coronavirus (COVID-19) pandemic, economic uncertainties have arisen which could potentially have a negative impact on the future performance of Habitat, though the potential impact is currently unknown.

Subsequently, on July 13, 2021, Habitat's second PPP loan was formally forgiven.