

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

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

**Year Ended June 30, 2022
(With Comparative Totals for 2021)**

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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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity-North Central Georgia, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity-North Central Georgia, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity-North Central Georgia, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity-North Central Georgia, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity-North Central Georgia, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Alpharetta, Georgia
September 16, 2022

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current Liabilities		
Current portion of notes payable, net	\$ 130,845	\$ 126,170
Accounts payable	75,748	155,364
Accrued expenses	-	9,231
Due to related party	-	12,588
Homeowner deposits	23,650	16,250
Deferred revenue	66,455	-
Unearned revenue	15,282	18,157
	<u>311,980</u>	<u>337,760</u>
Total current liabilities		
Long-Term Debt		
Notes payable, less current portion	1,533,861	1,631,364
Paycheck Protection Program (PPP) loan	-	168,728
	<u>1,533,861</u>	<u>1,800,092</u>
Net Assets		
Without donor restrictions	7,394,808	6,568,450
With donor restrictions	450,226	249,302
	<u>7,845,034</u>	<u>6,817,752</u>

Liabilities and Net Assets

\$ 9,690,875

\$ 8,955,604

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenues, Grants, and Other Support				
Transfers to homeowners	\$ 1,185,248	\$ -	\$ 1,185,248	\$ 1,627,276
Contributions	991,393	224,133	1,215,526	919,809
In-kind contributions	503,353	-	503,353	170,955
Grant revenue	248,820	226,093	474,913	67,899
Mortgage discount amortization	578,998	-	578,998	555,209
Property sales	-	-	-	10,590
Interest income	163	-	163	193
Other revenue	50,154	-	50,154	60,535
Forgiveness of PPP loan	168,728	-	168,728	168,728
Forgiveness of other debt	-	-	-	36,000
	<u>3,726,857</u>	<u>450,226</u>	<u>4,177,083</u>	<u>3,617,194</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	249,302	(249,302)	-	-
Satisfaction of program restrictions	-	-	-	-
	<u>249,302</u>	<u>(249,302)</u>	<u>-</u>	<u>-</u>
Total revenues, grants, and other support	<u>3,976,159</u>	<u>200,924</u>	<u>4,177,083</u>	<u>3,617,194</u>
Expenses and Losses				
Program services	2,675,998	-	2,675,998	2,932,590
Management and general	347,013	-	347,013	416,537
Fundraising	126,790	-	126,790	110,204
Total expenses and losses	<u>3,149,801</u>	<u>-</u>	<u>3,149,801</u>	<u>3,459,331</u>
Change in Net Assets	826,358	200,924	1,027,282	157,863
Net Assets, Beginning of Year	<u>6,568,450</u>	<u>249,302</u>	<u>6,817,752</u>	<u>6,659,889</u>
Net Assets, End of Year	<u>\$ 7,394,808</u>	<u>\$ 450,226</u>	<u>\$ 7,845,034</u>	<u>\$ 6,817,752</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, 2022
(With Comparative Totals for 2021)

	2022			Total	2021
	Program Services	Management & General	Fundraising		Total
Salaries and related expenses	\$ 558,996	\$ 65,024	\$ 74,658	\$ 698,678	\$ 794,465
Payroll taxes and benefits	85,340	26,362	11,690	123,392	123,534
Cost of houses sold	1,082,761	-	-	1,082,761	1,484,008
Mortgage discounts	459,655	-	-	459,655	190,269
Property expenses	21,447	-	-	21,447	20,153
Bad debt expense	6,980	-	-	6,980	73,139
Occupancy	3,799	27,501	-	31,300	27,501
Professional fees	71,738	31,900	4,815	108,453	92,172
Insurance	89,537	11,009	-	100,546	108,928
Dues and memberships	-	27,626	-	27,626	26,980
Automobile expense	16,662	-	-	16,662	11,867
Advertising	-	3,000	-	3,000	857
Office supplies and expense	6,267	25,193	10,787	42,247	59,548
Telephone	5,441	10,451	500	16,392	16,438
Postage and delivery	174	1,152	736	2,062	3,135
Training	52	3,374	585	4,011	1,087
Repairs and maintenance	43	-	-	43	696
Retirement plan fees	-	2,279	-	2,279	1,860
Homeowner and volunteer	10,630	-	2,461	13,091	10,898
Printing and publications	-	436	4,808	5,244	2,245
Small tools	2,781	-	-	2,781	2,358
Travel, meals and entertainment	8,980	5,437	2,668	17,085	11,970
Loan fees	-	750	-	750	1,939
Interest	-	80,864	-	80,864	97,438
Community investment repairs	229,263	-	-	229,263	201,225
Contribution - Habitat Int'l	1,652	-	-	1,652	2,743
Depreciation	-	20,760	-	20,760	31,540
Miscellaneous	13,800	3,895	13,082	30,777	60,338
	<u>\$2,675,998</u>	<u>\$ 347,013</u>	<u>\$ 126,790</u>	<u>\$3,149,801</u>	<u>\$3,459,331</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, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 1,027,282	\$ 157,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,760	31,540
Noncash contribution of vehicle	-	(3,270)
Noncash contribution of land	(350,000)	-
(Increase) Decrease in:		
Contributions receivable	118,406	(139,604)
Grants receivable	(354,261)	38,222
Mortgages receivable	(25,528)	76,227
Due from related party	(88,552)	4,559
Other receivables	15,539	(49,968)
Prepaid expenses	2,663	4,711
Construction in progress	39,656	246,496
Land held for development	145,255	65,927
Increase (Decrease) in:		
PPP loan	(168,728)	-
Accounts payable	(79,616)	53,480
Accrued expenses	(9,231)	(654)
Due to related party	(12,588)	12,588
Other payables	-	(36,000)
Homeowner deposits	7,400	(1,250)
Homeowner escrows	-	(422,174)
Deferred revenue	66,455	-
Unearned revenue	(2,875)	(2,025)
Net cash provided by operating activities	<u>352,037</u>	<u>36,668</u>
Cash Flow from Investing Activities		
Purchase of property and equipment	<u>-</u>	<u>(4,172)</u>
Net cash used in investing activities	<u>-</u>	<u>(4,172)</u>
Cash Flow from Financing Activities		
Net payments on line of credit	-	(280,000)
Net payments on notes payable	<u>(92,828)</u>	<u>(94,099)</u>
Net cash used in financing activities	<u>(92,828)</u>	<u>(374,099)</u>

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

	<u>2022</u>	<u>2021</u>
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	259,209	(341,603)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>558,262</u>	<u>899,865</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 817,471</u>	<u>\$ 558,262</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022

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, 2022, Habitat considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Bad debt expense was \$6,980 for the year ended June 30, 2022.

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, 2022, was \$20,760.

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, 2022

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, 2022, 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, 2019.

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, 2022

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, 2022, was \$3,000.

13. Subsequent Events

Subsequent events have been evaluated through September 16, 2022, 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, 2021, 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	\$ 367,245
Restricted cash	<u>450,226</u>
	<u>\$ 817,471</u>

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, 2022

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, 2022, Habitat maintained uninsured cash deposits of \$332,742. 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, 2022. 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, 2022. 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, 2022 are as follows:

Total mortgages receivable before unamortized discount	\$ 15,619,443
Less unamortized discount	<u>(7,914,222)</u>
	<u>\$ 7,705,221</u>

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

Year Ended	
<u>June 30,</u>	
2023	\$ 217,963
2024	226,105
2025	237,976
2026	240,700
2027	249,043
Thereafter	<u>6,533,434</u>
	<u>\$ 7,705,221</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE D – MORTGAGES RECEIVABLE, continued

Long-term portion	\$ 7,487,258
Current portion	<u>217,963</u>
	<u>\$ 7,705,221</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 \$35,823 for the year ended June 30, 2022.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment, as of June 30, 2022, is summarized as follows:

Vehicles	\$ 127,302
Building tools	<u>48,873</u>
	176,175
Less accumulated depreciation	<u>(157,249)</u>
	<u>\$ 18,926</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 May 2023. 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, 2022 was 5.25%. 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, 2022, Habitat is in compliance with all covenants. As of June 30, 2022, there was no outstanding balance on the line of credit.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022, Habitat is in compliance with all covenants.	\$ 1,532,227
Note payable to Habitat International, maturing May 2023, due in monthly installments of \$319 with a final payment of \$336, bearing no interest.	3,526
Note payable to Habitat International, maturing December 2023, due in monthly installments of \$718 with a final payment of \$739, bearing no interest.	12,227
Note payable to Habitat International, maturing May 2024, due in monthly installments of \$390 with a final payment of \$420, bearing no interest.	9,000
Note payable to Habitat International, maturing May 2024, due in monthly installments of \$312 with a final payment of \$336, bearing no interest.	7,200
Note payable to Habitat International, maturing December 2024, due in monthly installments of \$78 with a final payment of \$84, bearing no interest.	2,346
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$78 with a final payment of \$83, bearing no interest.	3,281
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$608 with a final payment of \$624, bearing no interest.	25,552
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$152 with a final payment of \$156, bearing no interest.	6,388

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H – LONG-TERM DEBT, continued

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.	21,000
Note payable to Habitat International, maturing June 2027, due in monthly installments of \$72 with a final payment of \$116 bearing no interest.	3,500
Note payable to Habitat International, maturing June 2028, due in monthly installments of \$153 with a final payment of \$166 bearing no interest.	7,357
Note payable to Habitat International, maturing June 2028, due in monthly installments of \$383 with a final payment of \$392 bearing no interest.	<u>18,393</u>
Total long-term debt before unamortized discount	<u>1,680,122</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, 2022:	<u>(15,416)</u>
Total long-term debt	<u>\$ 1,664,706</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE H – LONG-TERM DEBT, continued

Maturities of long-term debt are as follows:

Year Ended	
<u>June 30,</u>	
2023	\$ 130,845
2024	129,504
2025	1,378,675
2026	24,658
2027	9,986
2028	<u>6,454</u>
	1,680,122
Less unamortized discount	<u>(15,416)</u>
Total long-term debt	<u>\$ 1,664,706</u>
Long-term portion	\$ 1,533,861
Current portion	<u>130,845</u>
	<u>\$ 1,664,706</u>

NOTE I – PAYCHECK PROTECTION PROGRAM LOAN

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 Enactment 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 March 12, 2021, Habitat received a PPP loan for \$168,728, which was formally forgiven in July 2021.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 expires in September 2022, and the lease agreement for the North Fulton location expired in August 2021. The lease agreements for the North Fulton location is expected to be renewed. 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, 2022.

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 \$190, and the lease agreement expires June 2024. The office expense associated with these leases was \$2,919 for the year ended June 30, 2022.

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

Year Ended	
June 30,	
2023	\$ 3,134
2024	<u>2,280</u>
	<u>\$ 5,414</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, 2022, there were no grant funds, which have been received by Habitat, that may have a future commitment. No liability for these loans is recorded at June 30, 2022 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, 2022

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 1st. 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, 2022.

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, 2022, Habitat recorded \$503,353 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 \$1,652 to Habitat International in the year ended June 30, 2022. As of June 30, 2022, Habitat had notes payable to Habitat International in the aggregate amount of \$147,894, which are related to federal award grants received by Habitat from Habitat International as the pass-through entity.

During the year ended June 30, 2022, Habitat was awarded grants, totaling \$166,257, from Habitat International for repair programs.

At June 30, 2022, Habitat had outstanding grant receivables, totaling \$194,859, from Habitat International.

At June 30, 2022, Habitat has an outstanding receivable of \$88,552 due from North Georgia Community Housing Development Corporation, Inc. with no set repayment terms.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE N – RELATED PARTIES, continued

During the year ended June 30, 2022, Habitat received land, valued at \$84,413, from North Georgia Community Housing Development Corporation, Inc. In addition, the same related party contributed \$288,232 to Habitat for the year ended June 30, 2022.

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 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, 2022, Habitat contributed \$1,652 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, 2022:

Subject to expenditure for specified purpose:	
House construction	\$ 224,133
Rehabilitation and modification of veterans' housing	113,056
Execution of repairs for the Aging in Place program	60,000
Execution of repairs to low-income households	<u>53,037</u>
	<u>\$ 450,226</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE Q – NET ASSETS RELEASED FROM RESTRICTIONS

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, 2022 are as follows:

Purpose restrictions accomplished:	
House construction	<u>\$ 249,302</u>

NOTE R – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year ended June 30, 2022 was as follows:

Interest	<u>\$ 80,864</u>
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All interest incurred was expensed.

Noncash investing and financing transactions:

In-kind contributions:	
Land	\$ 434,413
Rent	25,000
Materials	34,964
Repairs	4,956
Legal services	2,700
Miscellaneous	<u>1,320</u>
	<u>\$ 503,353</u>
Sale of property through issuance of mortgage receivable	<u>\$ 1,185,248</u>
Forgiveness of PPP loan	<u>\$ 168,728</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022. 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:

Cash and cash equivalents	\$ 817,471
Contributions receivable	56,594
Grants receivable	393,711
Current portion of mortgages receivable, net	217,963
Due from related party	88,552
Other receivables	53,898
Prepaid expenses	22,631
Construction in progress	177,271
Land held for development	6,600
Land held for sale	<u>350,000</u>
Total financial assets	2,184,691
Less amounts unavailable for general expenditures within one year:	
Donor and program imposed restrictions	<u>(450,226)</u>
	<u><u>\$ 1,734,465</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.