

**NORTH GEORGIA COMMUNITY HOUSING
DEVELOPMENT CORPORATION, INC.**

**FINANCIAL STATEMENTS AND INDEPENDENT
ACCOUNTANT'S COMPILATION REPORT**

June 30, 2020

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Santi & Associates, PC
Certified Public Accountants

Independent Accountant's Compilation Report

To the Board of Directors of
North Georgia Community Housing Development Corporation, Inc.
Roswell, Georgia

Management is responsible for the accompanying financial statements of North Georgia Community Housing Development Corporation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Alpharetta, Georgia
September 29, 2020

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

Assets	
Current Assets	
Cash and cash equivalents	\$ 2,256
Grant receivable	146,539
Current portion of mortgages receivable, net	14,783
Land held for development	<u>659,686</u>
Total current assets	<u>823,264</u>
Other Asset	
Mortgages receivable, net, less current portion	<u>287,456</u>

Assets	\$ 1,110,720
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See independent accountant's compilation report and notes to the financial statements.

Liabilities and Net Assets

Current Liabilities

Current portion of City of Roswell payable, net	\$ 13,304
Accounts payable	1,050
Due to related party	4,559
Other payables	<u>5,010</u>
Total current liabilities	<u>23,923</u>

Other Liability

City of Roswell payable, net, less current portion	<u>266,246</u>
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Net Assets

Without donor restrictions	679,787
With donor restrictions	<u>140,764</u>
	<u>820,551</u>

Liabilities and Net Assets

\$ 1,110,720

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Grants, and Other Support			
Grant revenue	\$ 322,200	\$ 140,764	\$ 462,964
Other revenue	400	-	400
Net assets released from restrictions	<u>173,454</u>	<u>(173,454)</u>	<u>-</u>
Total revenues, grants, and other support	<u>496,054</u>	<u>(32,690)</u>	<u>463,364</u>
Expenses and Losses			
Program services	51,253	-	51,253
Management and general	<u>5,081</u>	<u>-</u>	<u>5,081</u>
Total expenses and losses	<u>56,334</u>	<u>-</u>	<u>56,334</u>
Change in Net Assets	439,720	(32,690)	407,030
Net Assets, Beginning of Year	<u>240,067</u>	<u>173,454</u>	<u>413,521</u>
Net Assets, End of Year	<u><u>\$ 679,787</u></u>	<u><u>\$ 140,764</u></u>	<u><u>\$ 820,551</u></u>

See independent accountant's compilation report and notes to the financial statements.

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Contributions	\$ 51,253	\$ -	\$ 51,253
Professional fees	-	4,925	4,925
Bank charges	-	156	156
	<u>\$ 51,253</u>	<u>\$ 5,081</u>	<u>\$ 56,334</u>

See independent accountant's compilation report and notes to the financial statements.

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

Cash Flow from Operating Activities	
Change in net assets	\$ 407,030
Adjustments to reconcile change in net assets to net cash used in operating activities:	
(Increase) Decrease in:	
Grant receivable	34,167
Mortgages receivable	14,782
Land held for development	(437,777)
Increase (Decrease) in:	
Accounts payable	1,050
City of Roswell payable	(13,305)
Due to related party	(8,968)
Other payables	<u>1,382</u>
Net cash used in operating activities	<u>(1,639)</u>
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(1,639)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>3,895</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u><u>\$ 2,256</u></u>

See independent accountant's compilation report and notes to the financial statements.

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of North Georgia Community Housing Development Corporation, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

1. Nature of Organization

The Organization was formed in August 2006, as a non-profit, tax-exempt organization, by Habitat for Humanity-North Central Georgia, Inc. (Habitat) to be used to obtain specific grant funding available only to certified community housing development corporations. The Organization works in partnership with community sponsors and volunteers to build simple, decent homes for, and with, responsible low-income families selected by the Organization. The Organization's homeownership program is open to all people, regardless of race, religion, color, or creed.

2. Basis of Presentation

The Organization 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. The Organization 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.

3. Cash and Cash Equivalents

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

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

4. **Receivables**

Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible. At June 30, 2020, the Organization considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

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 the Organization are included in the overall program expenses of the Organization.

6. **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 the Organization 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 the Organization 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.

7. **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 the Organization.

8. **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.

9. **Donated Services**

Many volunteers have made significant contributions of their time to develop and promote the programs of the Organization. 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.

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

10. Income Taxes

The Organization, 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 the Organization.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization 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 the Organization, and has concluded that as of June 30, 2020, 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. The Organization 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, 2017.

11. Subsequent Events

Subsequent events have been evaluated through September 29, 2020, which is the date the financial statements were available to be issued.

12. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive revenue recognition model for all contracts with customers. Under this new guidance, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. ASU No. 2014-09 may be adopted either retrospectively or on a modified retrospective basis. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Topic 606: Deferral of Effective Date*, which delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization has adopted ASU No. 2014-09 on a modified retrospective basis as of July 1, 2019, and the adoption of the ASU did not have a material effect on the Organization's financial condition, results of operations, or cash flows.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires entities to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Additionally, ASU No. 2018-08 modifies the simultaneous release option by allowing a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. ASU No. 2018-08 should be applied on a modified prospective basis and is effective for fiscal years beginning after December 31, 2018 for resource recipients. The Organization has adopted ASU No. 2018-08 as of July 1, 2019.

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

12. New Accounting Pronouncements, *continued*

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires presentation of total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statement of cash flows. ASU No. 2016-18 is effective for all other entities, excluding public business entities, for fiscal years beginning after December 31, 2018 and should be applied using a retrospective transition method to each period presented. The Organization has adopted ASU No. 2016-18 as of July 1, 2019 and has applied the changes retrospectively to the period presented.

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	\$ -
Restricted cash	<u>2,256</u>
	<u>\$ 2,256</u>

The restricted cash represents escrow being held by the Organization for homeowner mortgages. Escrow payments are incorporated as a part of homeowner regular monthly mortgage payments. The Organization, as an escrow agent, is responsible for timely paying insurance, real property taxes, and applicable homeowner association dues from the escrow funds for all homeowners.

NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

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

The Organization 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, 2020, the Organization did not have uninsured cash deposits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

The Organization depends heavily on grants from local governments. Accordingly, the Organization's ability to fund its programs and services will be affected by national and local economic conditions.

For the year ended June 30, 2020, 100% of the Organization's revenue was earned from grants through the City of Roswell and Cherokee County.

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE D – MORTGAGES RECEIVABLE

The Organization holds mortgages on six houses as of June 30, 2020. No interest is charged to the homeowners by the Organization. Management believes all mortgage receivables are recoverable; therefore, no allowance for doubtful accounts has been provided at June 30, 2020.

Total mortgages receivable	\$ 302,239
Less: current portion	<u>(14,783)</u>
Long-term mortgages receivable	<u><u>\$ 287,456</u></u>

These mortgages will be received as follows:

Year Ended <u>June 30,</u>	
2021	\$ 14,783
2022	14,783
2023	14,783
2024	14,783
2025	14,783
Thereafter	<u>228,324</u>
	<u><u>\$ 302,239</u></u>

NOTE E – CITY OF ROSWELL PAYABLE

The Organization signed a contract with the City of Roswell to receive federal grant funding in connection with the Neighborhood Stabilization Program. The contract requires the Organization to remit 90% of the mortgage payments received, from the mortgages on the six houses, to the City of Roswell. The City of Roswell payable represents the amounts due to the City for mortgage payments to be collected in the future.

Total City of Roswell payable	\$ 279,550
Less: current portion	<u>(13,304)</u>
Long-term City of Roswell payable	<u><u>\$ 266,246</u></u>

The City of Roswell payable will be due as follows:

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE E – CITY OF ROSWELL PAYABLE, continued

Year Ended	
<u>June 30,</u>	
2021	\$ 13,304
2022	13,305
2023	13,305
2024	13,305
2025	13,305
Thereafter	<u>213,026</u>
	<u>\$ 279,550</u>

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

Subject to expenditure for specified purpose:	
Acquisition of lots for development of affordable housing	\$ 90,764
Execution of repairs to low-income households	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 140,764</u>

NOTE G – 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, 2020 are as follows:

Purpose restrictions accomplished:	
Acquisition of lots for development of affordable housing	\$ 134,304
Execution of repairs to low-income households	<u>39,150</u>
	<u>\$ 173,454</u>

NOTE H – RELATED PARTY TRANSACTIONS

The Organization was formed in August 2006 by Habitat to be used as an organization to obtain specific government grant funding that will ultimately be passed through to Habitat. Certain members of Habitat's management also serve as officers of the Organization.

NORTH GEORGIA COMMUNITY HOUSING DEVELOPMENT CORPORATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE H – RELATED PARTY TRANSACTIONS, continued

At June 30, 2020, the Organization had \$4,559 due to Habitat with no set repayment terms.

During the year ended June 30, 2020, the Organization made in-kind contributions of land, valued at \$51,253, to Habitat.

NOTE I – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended June 30, 2020, the Organization made contributions of land valued at \$51,253.

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization 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. In addition, the Organization has curtailed and modified its expenditures based upon anticipated revenue received from special grants.

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

Cash and cash equivalents	\$	2,256
Grant receivable		146,539
Current portion of mortgages receivable, net		14,783
Land held for development		<u>659,686</u>
Total financial assets		823,264
Less amounts unavailable for general expenditures within one year:		
Donor imposed restrictions		<u>(140,764)</u>
	\$	<u><u>682,500</u></u>

NOTE K – 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 the Organization, though the potential impact is currently unknown.