

**HABITAT FOR HUMANITY
OF ST. CHARLES COUNTY AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of St. Charles County and Subsidiaries

We have audited the accompanying consolidated financial statements of Habitat for Humanity of St. Charles County and Subsidiaries (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of St. Charles County and Subsidiaries as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

January 5, 2022

SFW Partners, LLC
SFW Partners, LLC

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2021 and 2020

	ASSETS	
	2021	2020
Current assets:		
Cash	\$ 477,121	\$ 361,095
Investments	-	5,079
Inventory	13,480	3,672
Escrow	106,765	97,796
Current maturities of mortgage receivables, net of unamortized discount	74,384	83,960
Grant receivables	20,398	5,013
Other receivables	-	9,904
Prepaid expenses	10,007	-
Home construction in progress	511,898	461,769
Total current assets	1,214,053	1,028,288
Property and equipment, net of accumulated depreciation and amortization	140,127	155,037
Mortgage receivables, net of unamortized discount, less current maturities	1,693,138	1,674,663
Security deposits	10,883	9,058
	\$ 3,058,201	\$ 2,867,046
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 38,077	\$ 35,871
Accounts payable	27,299	10,570
Accrued expenses	64,188	56,097
Escrow liability	73,837	49,479
Total current liabilities	203,401	152,017
Deferred lease obligation	130,862	155,958
Long-term debt, less current maturities	208,429	133,495
Paycheck protection program loan	147,600	147,600
Secured obligations from sale of mortgage receivables	154,032	152,164
Total liabilities	844,324	741,234
Net assets:		
Without donor restrictions	2,119,847	2,031,702
With donor restrictions (Note 11)	94,030	94,110
Total net assets	2,213,877	2,125,812
	\$ 3,058,201	\$ 2,867,046

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

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program revenue:						
ReStore sales	\$ 962,882	\$ -	\$ 962,882	\$ 799,767	\$ -	\$ 799,767
Sale of homes, less mortgage discount expense	132,586	-	132,586	120,299	-	120,299
Amortization of mortgages receivable discount	122,773	-	122,773	174,615	-	174,615
Gain on homeowner sale of home	-	-	-	29,568	-	29,568
Total program revenue	<u>1,218,241</u>	<u>-</u>	<u>1,218,241</u>	<u>1,124,249</u>	<u>-</u>	<u>1,124,249</u>
Support and other revenue:						
Contributions	240,974	74,282	315,256	189,938	94,110	284,048
Paycheck protection program loan forgiveness	147,600	-	147,600	-	-	-
Grants	99,126	19,748	118,874	27,789	-	27,789
In-kind donations	75,188	-	75,188	-	-	-
Special event revenue	57,159	-	57,159	169,986	-	169,986
Miscellaneous income	4,562	-	4,562	5,285	-	5,285
Interest income	70	-	70	85	-	85
Total support and other revenue	<u>624,679</u>	<u>94,030</u>	<u>718,709</u>	<u>393,083</u>	<u>94,110</u>	<u>487,193</u>
Total revenue and support	<u>1,842,920</u>	<u>94,030</u>	<u>1,936,950</u>	<u>1,517,332</u>	<u>94,110</u>	<u>1,611,442</u>
Net assets released from restrictions	94,110	(94,110)	-	120,031	(120,031)	-
Functional expenses:						
Program services:						
Mission	695,848	-	695,848	429,513	-	429,513
ReStore	771,103	-	771,103	778,908	-	778,908
Supporting services:						
Management and general	185,432	-	185,432	138,124	-	138,124
Fundraising	196,502	-	196,502	281,155	-	281,155
Total functional expenses	<u>1,848,885</u>	<u>-</u>	<u>1,848,885</u>	<u>1,627,700</u>	<u>-</u>	<u>1,627,700</u>
Change in net assets	88,145	(80)	88,065	9,663	(25,921)	(16,258)
Net assets, beginning of the year	<u>2,031,702</u>	<u>94,110</u>	<u>2,125,812</u>	<u>2,022,039</u>	<u>120,031</u>	<u>2,142,070</u>
Net assets, end of the year	<u>\$ 2,119,847</u>	<u>\$ 94,030</u>	<u>\$ 2,213,877</u>	<u>\$ 2,031,702</u>	<u>\$ 94,110</u>	<u>\$ 2,125,812</u>

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

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services			Supporting Services		
	Mission	ReStore	Total	Management and General	Fundraising	Total
Salaries	\$ 106,194	\$ 315,469	\$ 421,663	\$ 60,145	\$ 131,877	\$ 613,685
Home construction costs	312,153	-	312,153	-	-	312,153
Rent	12,000	142,287	154,287	12,000	12,000	178,287
Forgiveness of mortgage receivables	108,087	-	108,087	-	-	108,087
Professional fees	1,595	538	2,133	72,842	10,002	84,977
Insurance	18,938	46,282	65,220	4,274	5,753	75,247
Utilities	91	67,881	67,972	4,649	91	72,712
Cost of ReStore inventory sold	-	59,833	59,833	-	-	59,833
Payroll taxes	8,691	28,891	37,582	4,647	10,402	52,631
Dues and subscriptions	15,355	3,765	19,120	4,841	10,954	34,915
Depreciation and amortization	10,110	19,403	29,513	1,563	2,834	33,910
Repair and maintenance	5,923	26,515	32,438	1,034	-	33,472
Homeowners fees	31,889	-	31,889	-	(45)	31,844
Leased equipment	965	24,212	25,177	1,481	549	27,207
Bank fees	5,801	12,139	17,940	3,496	1,760	23,196
Miscellaneous	16,940	178	17,118	1,180	100	18,398
Interest	14,203	3,298	17,501	631	-	18,132
Office expense	291	8,087	8,378	6,750	754	15,882
Tithe to Habitat International	11,250	-	11,250	-	-	11,250
Mortgage servicing	8,759	-	8,759	60	-	8,819
Fuel	2,610	4,789	7,399	234	185	7,818
Events	474	-	474	-	6,024	6,498
Telephone	461	1,170	1,631	3,930	461	6,022
Advertising	854	1,304	2,158	1,423	1,762	5,343
Uniforms	196	2,310	2,506	-	-	2,506
Meals and entertainment	265	616	881	252	545	1,678
Merchandise	1,140	-	1,140	-	479	1,619
Tools	529	1,042	1,571	-	-	1,571
Shipping	25	1,094	1,119	-	-	1,119
Education and seminars	59	-	59	-	15	74
	\$ 695,848	\$ 771,103	\$ 1,466,951	\$ 185,432	\$ 196,502	\$ 1,848,885

The accompanying notes to the consolidated financial statements
are an integral part of this consolidated statement.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services			Supporting Services		
	Mission	ReStore	Total	Management and General	Fundraising	Total
Salaries	\$ 96,375	\$ 316,675	\$ 413,050	\$ 91,137	\$ 171,038	\$ 675,225
Home construction costs	210,067	-	210,067	-	-	210,067
Rent	11,749	150,431	162,180	11,749	11,749	185,678
Forgiveness of mortgage receivables	12,000	-	12,000	-	-	12,000
Professional fees	42	-	42	14,200	-	14,242
Insurance	23,207	63,230	86,437	4,781	8,529	99,747
Utilities	1,685	61,664	63,349	1,684	1,684	66,717
Cost of ReStore inventory sold	-	29,539	29,539	-	-	29,539
Payroll taxes	7,510	36,889	44,399	7,227	13,253	64,879
Dues and subscriptions	15,707	5,104	20,811	991	13,088	34,890
Depreciation and amortization	6,439	20,532	26,971	1,283	2,571	30,825
Repair and maintenance	1,146	9,454	10,600	548	56	11,204
Leased equipment	662	27,440	28,102	220	661	28,983
Bank fees	74	14,782	14,856	2,145	5,352	22,353
Miscellaneous	257	117	374	187	349	910
Interest	11,814	4,863	16,677	-	95	16,772
Office expense	884	8,550	9,434	294	883	10,611
Tithe to Habitat International	9,000	-	9,000	-	-	9,000
Mortgage servicing	11,259	-	11,259	-	-	11,259
Fuel	3,544	6,935	10,479	329	745	11,553
Events	-	-	-	-	40,320	40,320
Telephone	1,260	5,461	6,721	420	1,260	8,401
Advertising	117	530	647	300	3,811	4,758
Meals and entertainment	24	-	24	93	1,704	1,821
Merchandise	179	-	179	-	2,925	3,104
Tools	719	338	1,057	-	-	1,057
Shipping	-	363	363	-	-	363
Education and seminars	1,701	6,000	7,701	49	(64)	7,686
Supplies	1,717	8,501	10,218	-	507	10,725
Printing and postage	230	730	960	311	310	1,581
Recruitment and awards	140	759	899	176	251	1,326
Conference and travel	5	21	26	-	78	104
	\$ 429,513	\$ 778,908	\$ 1,208,421	\$ 138,124	\$ 281,155	\$ 1,627,700

The accompanying notes to the consolidated financial statements
are an integral part of this consolidated statement.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 88,065	\$ (16,258)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	33,910	30,825
Imputed discount interest expense	4,783	5,491
In-kind donations	(75,188)	(5,079)
Sale of homes, less mortgage discount expense	(132,586)	(120,299)
Amortization of mortgages receivable discount	(122,773)	(174,615)
Amortization of secured obligations from sale of mortgage receivables discount	(19,610)	(18,684)
Gain on homeowner sale of home	-	(29,568)
Forgiveness of mortgage receivables	108,087	12,000
Paycheck protection program loan forgiveness	(147,600)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Inventory	(9,808)	(3,672)
Escrow	(8,969)	1,572
Grant receivables	(15,385)	48,763
Other receivables	9,904	16,825
Prepaid expenses	(10,007)	-
Home construction in progress	(50,129)	49,304
Security deposits	(1,825)	2,350
Increase (decrease) in liabilities:		
Accounts payable	16,729	(11,101)
Accrued expenses	8,091	9,622
Escrow liability	24,358	(49,889)
Deferred lease obligation	(25,096)	(22,645)
Net cash used in operating activities	(325,049)	(275,058)
Cash flows from investing activities:		
Proceeds from sale of investments	5,079	-
Payments received from mortgage receivables	235,039	211,724
Payments received from homeowner sale of home	-	101,894
Purchases of property and equipment	(19,000)	(20,514)
Net cash provided by investing activities	221,118	293,104
Cash flows from financing activities:		
Borrowings on long-term debt	121,071	-
Principal payments on long-term debt	(48,714)	(96,444)
Borrowings on paycheck protection program loan	147,600	147,600
Net cash provided by financing activities	219,957	51,156
Net increase in cash	116,026	69,202
Cash, beginning of the year	361,095	291,893
Cash, end of the year	\$ 477,121	\$ 361,095
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 7,438	\$ 5,369

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

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Operations

Habitat for Humanity of St. Charles County and Subsidiaries (the “Organization”) was incorporated in 1997 and is a non-denominational, Christian not-for-profit organization organized under the laws of the State of Missouri. The Organization is affiliated with Habitat for Humanity International, Inc. (“HFHI”). The Organization’s mission is seeking to put God’s love into action to bring people together to build homes, communities and hope. The Organization is dedicated to building and renovating homes in St. Charles County in partnership with hard-working, low-income families. The Organization also operates a retail hardware store (“ReStore”) with sales to the general public. Inventory is primarily donated, with the sale proceeds used to carry out the Organization’s mission.

St. Charles Habitat Community Based Development Organization (“CBDO”) and St. Charles Habitat Community Housing Development Organization (“CHDO”) were formed in the State of Missouri on July 27, 2017 and January 11, 2018, respectively. CBDO and CHDO were established to apply and obtain additional federal funding from the U.S. Department of Housing and Urban Development (“HUD”) for new construction projects. CBDO and CHDO had no activity during the years ended June 30, 2021 and 2020.

(2) Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Habitat for Humanity of St. Charles County and its wholly-owned subsidiaries, CBDO and CHDO.

Basis of Accounting

The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

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

Purchased Inventory

Purchased inventory consists of purchased paint and flooring to be sold by the Organization's ReStore and is stated at cost, which is determined using the weighted-average method.

Donated ReStore Inventory

Items donated to be sold by the Organization’s ReStore have not been reflected in the consolidated statements of financial position. Since uncertainty about the value of these items exists until the items are sold, no value is assigned to these items until the time of sale.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Home Construction in Progress

Land acquired for homes along with materials, labor, supplies, services, and other costs are recorded as home construction in progress assets until expensed at the time of sale of a property.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value if contributed, less an allowance for depreciation and amortization. Major expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization are removed from the accounts and resulting gains or losses are included in income.

Depreciation and Amortization

The Organization provides for depreciation and amortization using the straight-line method based upon the estimated useful lives of the assets as follows: leasehold improvements, 10 years; office furniture and equipment, 5 to 10 years; vehicles, 5 years.

Mortgage Receivables

Mortgage receivables represent the amount charged to homeowners for Habitat-built houses and secured with loans that are to be paid back over an established period of time of 20 to 30 years. The mortgages are non-interest bearing and require monthly payments. Each mortgage receivable is discounted based on the mortgage discount rate established by HFHI in the year the mortgage is originated.

The Organization obtains a second deed of trust for any difference between the agreed-upon purchase price and the current fair value of the property. This difference, referred to as a "second mortgage", is payable to the Organization should the homeowner sell the property before the mortgage is paid off. The Organization does not record the second mortgage on the consolidated statements of financial position as the likelihood of collection is remote.

Paycheck Protection Program Loan

The Organization has elected to account for the Paycheck Protection Program ("PPP") Loan, which is a forgivable loan program established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, in accordance with Accounting Standards Codification ("ASC") Topic 470, *Debt*. Once the loan is forgiven, in part or wholly, and legal release is received, the Organization will reduce the liability by the amount forgiven and record a gain on extinguishment (see Note 9).

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and are not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue Recognition

Effective July 1, 2020, the Organization adopted Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Accounting Standards Codification (“ASC”) Topic 606) using the modified retrospective method in which the new guidance was applied retrospectively to contracts that were not completed as of July 1, 2020. Topic 606 requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. Results for the year ended June 30, 2021 have been presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with previous guidance.

As part of the adoption of the ASU, the Organization elected the following transitional practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Revenue from ReStore sales are recognized at the point of sale. Revenue from the sale of homes is recognized when the home closing occurs and the deed to the property is transferred to the buyer. Sale of home revenue represents the sale price, less a discount for the non-interest bearing mortgage calculated using a discount rate provided by HFHI at the inception of the mortgage. Sales of homes are made to families selected by an independent selection committee and approved by the Organization's Board of Directors. Revenue from the amortization of mortgage discount is recognized using the effective interest method over the life of the mortgage at the discount rate used at the inception of the respective mortgage. Homes repurchased or foreclosed on are recorded in home construction in progress at a comparable sales value, the mortgage receivable is written off and the resulting gain or loss is included in program revenue. Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Gifts of cash and other assets received are recorded as with or without donor restricted support depending on the existence or nature of any donor restrictions.

Contributions

All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Contributed Services and In-Kind Contributions

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its mission. These services are not recognized in the consolidated financial statements. Contributed goods are recorded at fair value at the date of donation. During the year ended June 30, 2021, the Organization received four mortgage receivables from Habitat for Humanity of Franklin County. For the year ended June 30, 2021, the Organization recorded \$75,188, net of unamortized discount of \$66,071, as an in-kind contribution on the consolidated statements of activities.

Program Services

Program services include those expenses for programs and other items that enable the Organization to provide home construction, financing, and support for homeowners.

Supporting Services

Supporting services include the functions necessary to provide coordination and articulation of the Organization's program strategy, secure proper administrative function of the Board of Directors, and manage the financial and budgetary responsibilities of the Organization.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs associated with providing the Organization's activities have been summarized on the functional basis. Certain expenses represent costs associated with multiple activities and require allocation among the program and supporting services benefited. Such allocations are based on management's estimate of time and effort which include salaries and related payroll expenses. Certain other expenses are allocated based on square footage which include rent, depreciation, utilities and insurance. All other expenses are allocated based on usage.

Income Taxes

The Internal Revenue Service has advised the Organization that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's management does not believe that its exempt status has been significantly affected by any changes in its activities since the date of the most recent determination letter received. Accordingly, no provision for income taxes has been included in these consolidated financial statements.

The Organization accounts for any uncertain tax positions in accordance with the Income Taxes topic of the FASB ASC. The topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. In evaluating the Organization's exempt status, interpretations and tax planning strategies are considered. The Organization believes it is not exposed to any current or future tax liability based on its current operations.

Concentration of Credit Risk

The Organization, on occasion, maintains cash deposits with banks that include funds greater than the insured limit by the FDIC. The Organization has not experienced any losses in such accounts. The Board believes the Organization is not exposed to any significant credit risk related to cash. There were no amounts on deposit at June 30, 2021 and 2020 that exceeded the insured limits.

Subsequent Events

The Organization evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through the date of the independent auditor's report, which is the date the consolidated financial statements were available to be issued.

(3) Escrow

Pursuant to the mortgage promissory notes described in Note 6, the Organization is required to deposit monthly payments into an escrow account to pay for real estate taxes and homeowners' insurance. This account is restricted in nature and the Organization cannot use the account for operating activities.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(4) Home Construction in Progress

Home construction in progress consists of the following at June 30:

	2021	2020
111 Clinton Court (repurchased home)	\$ 154,191	\$ 153,561
528 Transit	122,332	-
1201 Cunningham	-	163,173
Land for development	235,375	145,035
	\$ 511,898	\$ 461,769

(5) Property and Equipment

Property and equipment consists of the following at June 30:

	2021	2020
Leasehold improvements	\$ 178,332	\$ 178,332
Office furniture and equipment	94,060	94,060
Vehicles	57,838	38,838
	330,230	311,230
Accumulated depreciation and amortization	(190,103)	(156,193)
	\$ 140,127	\$ 155,037

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$33,910 and \$30,825, respectively.

(6) Mortgage Receivables

Mortgage receivables consist of the following at June 30:

	2021	2020
Mortgage receivables	\$ 4,578,879	\$ 4,468,897
Reserve for mortgage receivables sold (see Note 10)	(130,109)	(136,688)
Unamortized discount at rates ranging from 7.23% to 8.48%	(2,681,248)	(2,573,586)
	1,767,522	1,758,623
Less current maturities	(74,384)	(83,960)
	\$ 1,693,138	\$ 1,674,663

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(6) Mortgage Receivables (Continued)

Amortization of mortgages receivable discount income for the years ended June 30, 2021 and 2020 was \$122,773 and \$174,615, respectively.

At June 30, 2021, the Organization has 58 loans outstanding. The following schedule summarizes the payment status of the mortgage loans at June 30, 2021:

	Number of Loans	Loan Amount
Current	53	\$ 3,938,727
31-60 days past due	1	75,218
61-90 days past due	2	112,744
Over 90 days past due	6	310,078
Payment plans pending	2	142,112
	<u>64</u>	<u>\$ 4,578,879</u>

Included in mortgage receivables as of June 30, 2021 and 2020 are seven mortgages sold with recourse to a bank (see Note 8).

Included in mortgage receivables as of June 30, 2021 and 2020 are seven additional mortgages sold with limited recourse to a private equity firm (see Note 10).

(7) Note Payable

The Organization has a revolving line-of-credit agreement with a bank for up to \$100,000, with interest at 3.25%, payable monthly. Any outstanding amounts borrowed under this agreement are due on demand, or December 10, 2021, whichever occurs earlier. At June 30, 2021 and 2020, there were no amounts outstanding under this note.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(8) Long-Term Debt

Long-term debt outstanding consists of the following at June 30:

	2021	2020
Non-interest bearing note payable with a bank, due in quarterly installments of \$5,132, with final payment due on April 1, 2026. Seven mortgages receivable are pledged as collateral.	\$ 96,950	\$ 125,832
Less imputed interest	(12,045)	(16,828)
Note payable, due in monthly installments of \$1,927, including interest at 5.875% per annum, with the final payment due on April 1, 2023. Equipment and ReStore inventory are pledged as collateral.	40,530	60,362
Note payable with a maximum borrowing of \$295,000. Beginning August 15, 2023, principal and interest payments are due in monthly installments of \$12,975, with interest at 5.250% per annum, with the final payment due on August 2, 2025. Real estate purchased with loan proceeds are pledged as collateral.	121,071	-
	246,506	169,366
Less current maturities	(38,077)	(35,871)
	\$ 208,429	\$ 133,495

Maturities on the long-term debt are as follows:

Year ending June 30:	
2022	\$ 38,077
2023	35,859
2024	70,832
2025	84,320
2026	17,418
	\$ 246,506

In November 2008, the Organization sold ten mortgage receivables with recourse at a 25% discount rate to a bank. A note payable was established to reflect the funds received by the Organization. The Organization continues to service the mortgages. On a quarterly basis, the Organization remits payments collected to the bank. If any mortgage is 90 days past due or in default, the Organization must substitute the mortgage with a comparable mortgage receivable in good standing or repurchase the mortgage at 75%. Since there is no stated interest rate, the Organization discounted the note payable at 4.62% during the years ending June 30, 2021 and 2020.

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(9) Paycheck Protection Program Loan

On April 17, 2020, the Organization received a PPP loan in the amount of \$147,600. The PPP loan program was created by the United States federal government in response to the economic impact of COVID-19 (see Note 15) and is administered by the Small Business Administration in conjunction with the banking industry. Up to 100% of the loan may be forgiven if the Organization meets certain criteria as defined in Section 1106 of the CARES Act. Any loan proceeds not forgiven are payable over two years plus interest at 1% per annum, with payments deferred up to 10 months after the end of the covered period as defined in the CARES Act, starting September 2021 for the Organization. There is no stated collateral or guarantees per the loan agreement. Accrued interest on the loan at June 30, 2020 was immaterial.

As of June 30, 2020, the full amount of the PPP loan is reported as debt on the accompanying consolidated statements of financial position. On January 6, 2021, the Organization received approval from the Small Business Administration for 100% forgiveness of the PPP loan and accrued interest. As a result, the Organization recognized \$147,600 of paycheck protection program loan forgiveness income in the accompanying consolidated statements of activities.

Under the Consolidated Appropriations Act of 2021 signed into law on December 27, 2020, the United States federal government extended the PPP loan program. On January 13, 2021, the Small Business Administration began accepting Second Draw PPP loan applications for applicants that met certain criteria. The same forgiveness and payment criteria apply to Second Draw PPP loans as the initial PPP loan, with the exception that any monies required to be paid back would be repaid over five years instead of two. On February 17, 2021, the Company received a Second Draw PPP loan in the amount of \$147,600.

Maturities on the PPP loan are as follows:

Year ending June 30:	
2023	\$ 73,431
2024	<u>74,169</u>
	<u>\$ 147,600</u>

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(10) Secured Obligations from Sale of Mortgage Receivables

During the year ended June 30, 2019, the Organization sold seven noninterest bearing mortgage receivables to a third party private equity firm discounted at 7.25% for \$291,471. In accordance with ASC 860, *Transfers and Servicing*, the Organization treats the sale of mortgage receivables in which it retains an interest as a secured obligation. The mortgage receivables for the notes sold continued to be included as assets in the consolidated statements of financial position with a corresponding liability in the form of secured obligations from the sale of mortgage receivables. At June 30, 2021 and 2020, the balance of the mortgage receivables sold was \$600,075 and \$626,035 with an unamortized discount remaining of \$360,480 and \$375,379, respectively. Imputed interest on the seven mortgages was \$6,349 for the year ended June 30, 2021. If a mortgage were to default, the Organization may be required to re-purchase a maximum of three mortgages at its discounted value and would in turn reacquire all of the rights and obligations as the note holder. Due to the Organization only being required to re-purchase a maximum of three of the seven mortgages in the event of default, the Organization has recorded a reserve at June 30, 2021 and 2020 of \$130,109 and \$136,688, respectively, against the mortgage receivables and the corresponding liability for the four smallest loan balances net of unamortized discounts. As of June 30, 2021 and 2020, the balance of the corresponding liability to the private equity firm net of the reserve was \$154,032 and \$152,164, respectively.

(11) Net Assets With Donor Restrictions

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

	2021	2020
Funds for home construction in progress	\$ 73,034	\$ 94,110
Funds for home purchase and closing costs	18,686	-
Funds for mortgage assistance	2,310	-
	\$ 94,030	\$ 94,110

Net assets released from donor restrictions consist of the following at June 30:

	2021	2020
Funds for home construction in progress	\$ 94,110	\$ 120,031

Certain donations and grants recognized have been restricted by the donors for the construction of building and rehabilitating the homes.

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(12) Liquidity and Availability

Financial assets available for general expenditures within one year of the consolidated statement of financial position date comprise of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 401,777	\$ 272,064
Inventory	13,480	3,672
Current gross payments of mortgage receivables	199,668	197,940
Grant receivables	1,712	5,013
Other receivables	<u>-</u>	<u>9,904</u>
	<u>\$ 616,637</u>	<u>\$ 488,593</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line-of-credit in the amount of \$100,000, which it could draw upon. Additionally, the Organization formed their wholly-owned subsidiaries, CBDO and CHDO, to have access to additional grants to help fund the Organization's mission.

(13) Disaggregation of Revenue

The Organization disaggregates revenue from contracts with customers by type of revenue as noted in the consolidated statements of activities and changes in net assets, which depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Disaggregation of revenue for the year ended June 30, 2021 consists of:

Timing of revenue recognition:	
Transferred at a point in time	\$ 1,814,177
Transferred over time	<u>122,773</u>
	<u>\$ 1,936,950</u>

HABITAT FOR HUMANITY OF ST. CHARLES COUNTY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(14) Leases

The Organization conducts its operations from leased facilities which include the ReStore and office space. The leases are classified as operating leases and will expire on various dates through May 2024. The ReStore has one, five year renewal option, and the office has one, three year renewal option. Lease expense is recognized on a straight line basis over the non-cancellable lease term. The deferred lease obligations in the accompanying consolidated statements of financial position represents the difference between actual rents paid and the straight line expense. Additionally, the Organization leases certain office equipment under an operating lease. Total lease expense for the years ended June 30, 2021 and 2020 was \$205,494 and \$214,661, respectively.

Future minimum lease payments required under the leases that have remaining non-cancellable lease terms in excess of one year as of June 30, 2021 are as follows:

Year ending June 30:	
2022	\$ 215,167
2023	227,380
2024	<u>206,500</u>
	<u>\$ 649,047</u>

(15) Related Party Transactions

The Organization remitted a portion of its contributions as a tithe to HFHI in the amount of \$11,250 and \$9,000 for the years ended June 30, 2021 and 2020, respectively. These funds are used to construct homes in economically depressed areas around the world. During the years ended June 30, 2021 and 2020, the Organization also paid \$15,000 to HFHI for Stewardship and Organizational Sustainability Initiative (“SOSI”) fees. Additionally, during the years ended June 30, 2021 and 2020, the Organization paid \$1,244 and \$1,963, respectively, to HFHI for other miscellaneous fees.

(16) Reclassifications

Certain accounts relating to the prior year have been restated to conform to current year’s presentation. These reclassifications have no effect on previously reported income.