



Brunswick County Habitat for Humanity, Inc.

Audited Financial Statements

for the fiscal year ended

June 30, 2021

(with comparative totals for 2020)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brunswick County Habitat for Humanity, Inc.
Supply, North Carolina

We have audited the accompanying financial statements of Brunswick County Habitat for Humanity, Inc. (Habitat), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2021, 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.

Prior Year Summarized Comparative Information

We have previously audited Habitat's 2020 financial statements and our report dated October 16, 2020 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bearman CPA PC

Wilmington, North Carolina
October 15, 2021

Brunswick County Habitat for Humanity, Inc.

Statement of Financial Position

as of June 30, 2021

(with comparative totals for 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Assets		
Cash and Cash Equivalents (Notes 3c and 4)	\$ 820,892	\$ 634,436
Accounts Receivable (Note 5)	13,039	6,279
Prepaid Expenses	18,101	18,008
ReStore Inventory (Note 3j)	225,970	155,710
Program Properties Inventory (Notes 3h and 6)	686,122	454,186
Loans to Homeowners, net (Note 7)	1,383,816	1,270,435
Property & Equipment, net (see Note 8)	<u>2,316,417</u>	<u>2,331,026</u>
Total Assets	<u>\$ 5,464,357</u>	<u>\$ 4,870,080</u>
Liabilities & Net Assets		
Accounts Payable & Accrued Liabilities (Note 9)	\$ 208,490	\$ 89,544
Notes Payable (Note 10)	895,579	956,142
NCHFA Note Payable, Net (Note 11)	<u>81,260</u>	<u>-</u>
Total Liabilities	<u>1,185,329</u>	<u>1,045,686</u>
Net Assets		
Without Donor Restrictions		
Undesignated (Note 3b)	4,034,784	3,554,070
Board Designated Reserve (Note 3b)	<u>241,119</u>	<u>181,119</u>
Total Net Assets Without Donor Restriction	4,275,903	3,735,189
With Donor Restrictions (Note 3b)	<u>3,125</u>	<u>89,205</u>
Total Net Assets	<u>4,279,028</u>	<u>3,824,394</u>
Total Liabilities & Net Assets	<u>\$ 5,464,357</u>	<u>\$ 4,870,080</u>

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

Brunswick County Habitat for Humanity, Inc.

Statement of Activities

for the fiscal year ended June 30, 2021

(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total FY 2020/21	Total FY 2019/20
OPERATING				
Revenue				
Private Grants & Contributions (Note 3d)	\$ 131,377	\$ -	\$ 131,377	\$ 55,449
Paycheck Protection Program (Note 10)	175,600		175,600	-
NCHFA Imputed Contribution (Note 11)	118,399		118,399	-
Home Sales (Note 7)	545,204		545,204	85,000
Gross ReStore Sales	2,015,241		2,015,241	1,504,849
Less ReStore Cost of Goods Sold	<u>(1,166,864)</u>		<u>(1,166,864)</u>	<u>(1,070,293)</u>
ReStore, net (see Note 3j)	848,377	-	848,377	434,556
Special Events (Note 3e)	28,510		28,510	21,140
Interest & Other Income	4,468		4,468	7,753
Imputed Income on Interest-free Loans (Note 7)	128,375		128,375	102,306
Net Assets Released from Restriction (Note 3b)	<u>86,080</u>	<u>(86,080)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>2,066,390</u>	<u>(86,080)</u>	<u>1,980,310</u>	<u>706,204</u>
Expense				
Program (Note 3e)	1,157,782		1,157,782	423,898
Management & General (Note 3e)	240,725		240,725	213,490
Fundraising (Note 3e)	<u>127,169</u>	<u>-</u>	<u>127,169</u>	<u>103,227</u>
Total Expense	<u>1,525,676</u>	<u>-</u>	<u>1,525,676</u>	<u>740,615</u>
Change in Net Assets	<u>540,714</u>	<u>(86,080)</u>	<u>454,634</u>	<u>(34,411)</u>
Net Assets Beginning of Year	<u>3,735,189</u>	<u>89,205</u>	<u>3,824,394</u>	<u>3,858,805</u>
Net Assets End of Year	<u>\$ 4,275,903</u>	<u>\$ 3,125</u>	<u>\$ 4,279,028</u>	<u>\$ 3,824,394</u>

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

Brunswick County Habitat for Humanity, Inc.
Statement of Functional Expenses
for the fiscal year ended June 30, 2021
(with comparative totals for 2020)

Expense Type	Program				Total FY 2020/21	Total FY 2019/20
	Home Ownership	ReStore	Management & General	Fundraising		
Wages, Taxes & Benefits	\$ 210,084	\$ 736,830	\$ 182,628	\$ 88,919	\$ 1,218,461	\$ 1,082,037
Construction	450,705	-	-	-	450,705	89,516
New Mortgages Discount (Note 7)	267,847	-	-	-	267,847	50,831
Contracted Services	-	-	23,151	-	23,151	17,600
General Operations	126,860	155,237	18,379	30,402	330,878	281,114
Occupancy (Note 13)	13,421	111,125	3,671	1,739	129,956	121,331
Grants to Others (Note 14)	71,357	-	-	-	71,357	-
Interest (Note 10)	-	34,418	-	-	34,418	33,486
Imputed Interest (Note 11)	2,575	-	-	-	2,575	-
Insurance	9,204	64,387	7,948	3,765	85,304	69,431
Depreciation (Note 8)	5,729	64,867	4,948	2,344	77,888	65,561
Total Expenses by Function	\$ 1,157,782	\$ 1,166,864	\$ 240,725	\$ 127,169	\$ 2,692,540	\$ 1,810,907
<u>Less Expense Items Netted Against Revenue on the Statement of Activities</u>						
ReStore Cost of Goods Sold	-	(1,166,864)	-	-	(1,166,864)	(1,070,293)
Total Expenses per Statement of Activities	\$ 1,157,782	\$ -	\$ 240,725	\$ 127,169	\$ 1,525,676	\$ 740,614

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

Brunswick County Habitat for Humanity, Inc.

Statement of Cash Flows

for the fiscal year ended June 30, 2021

(with comparative totals for 2020)

	<u>FY 2020/21</u>	<u>FY 2019/20</u>
Cash Flows from Operating Activity		
Change in Net Assets	\$ 454,634	\$ (34,411)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Changes in certain assets and liabilities:		
Accounts Receivable	(6,760)	(80)
Prepaid Expenses	(93)	(6,995)
ReStore Inventory	(70,260)	(4,860)
Accounts payable & accrued expenses	118,946	(37,013)
Program Properties Inventory	(231,936)	(165,172)
Depreciation	77,888	65,561
Home Sales, net of discounts	(277,357)	(34,169)
Imputed Income & Expense - Interest-free Loans	(244,199)	(102,306)
Homeowner Payments Received	292,351	161,027
PPP Loan Forgiven (non-cash)	(175,600)	-
Net Cash (Used in) or Provided by Operating Activities	<u>(62,386)</u>	<u>(158,418)</u>
Cash Flows from Investing Activities		
Other Sales of Property	-	-
Purchases of Property & Equipment	(63,277)	(700,732)
Net Cash (Used in) or Provided by Investing Activities	<u>(63,277)</u>	<u>(700,732)</u>
Cash Flows from Financing Activities		
Proceeds from Debt Financing	375,600	175,600
Payments on Long-term Debt	(63,481)	(61,494)
Net Cash (Used in) or Provided by Financing Activities	<u>312,119</u>	<u>114,106</u>
Net Increase (Decrease) in Cash	186,456	(745,044)
Cash and Cash Equivalents, beginning of year	634,436	1,379,480
Cash and Cash Equivalents, end of year	<u>\$ 820,892</u>	<u>\$ 634,436</u>

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

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2021

1. Organization

Brunswick County Habitat for Humanity, Inc. (“Habitat”) is a North Carolina nonprofit corporation organized in June 1993 operating in Brunswick County, North Carolina. It is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience for people everywhere.

Habitat is directly responsible for its own operations. It receives assistance from Habitat International in a variety of ways including assistance with training, publications and prayer support. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3) under a group exemption letter granted to Habitat International. As such, contributions to the organization are generally tax deductible.

2. Mission and Activities

Habitat is an ecumenical Christian housing ministry partnering with community volunteers to assist families who are working toward the purchase of a Habitat house. Habitat had completed 69 houses since its inception in 1993 through June 30, 2021. It sells the homes to pre-qualified, low-income families who have actively participated in the construction process. New homeowners qualify for an interest-free loan from Habitat to finance the purchase and repay Habitat over time.

3. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for nonprofit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

3a. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

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Brunswick County Habitat for Humanity, Inc.

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3b. Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, “Not-for-Profit Entities,” requires the reporting of an organization’s activities by net asset class. The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on their use are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Board-Designated Funds

The board has set aside a portion of its unrestricted net assets as an operating reserve. Since none of the funds are donor-restricted, the board of directors may remove or change the designation at any time as it sees fit.

Net assets with donor restrictions are resources that are 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 permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

During the fiscal year, funds totaling \$86,080 that were initially restricted by donors were expended for their intended purposes and released from restriction. These appear as the line item “Net Assets Released from Restriction” on the Statement of Activities.

As of June 30, 2021, Habitat held no net assets with permanent donor restrictions.

3c. Cash and Cash Equivalents

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation. At various times during the year, the organization’s cash balance in financial institutions has exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per depositor. The financial institutions have strong credit ratings and management believes that the credit risks related to these deposits are minimal.

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Brunswick County Habitat for Humanity, Inc.

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3d. Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (see *Note 3b*, previously).

The requirements for the recognition of contributed services in the financial statements are set forth in FASB ASC 958-605-25-16, "Contributed Services." They should be recorded when (1) they create or enhance non-financial assets; or (2) they require specialized skills provided by individuals possessing those skills and are services that would typically be purchased if not provided by donation.

Volunteers provide substantial services to Habitat in the form of construction and other services. In addition, Habitat receives donated property and construction materials in the course of its construction activities. These in-kind donations are valued using an estimate of fair value for the service or material provided. In addition, volunteers perform a variety of administrative and fundraising tasks for the organization. Only the services of skilled construction personnel meet the criteria for recognition.

3e. Functional Allocation of Expenses

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, "Not-for-Profit Entities," requires the reporting of the organization's expenses in a Statement of Activities using functional classifications (program, management and general, and fundraising). The Statement of Functional Expenses presents these same expenses by both functional and natural classification (e.g. wages, contracted services).

Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using staff members' time and effort as an objective basis for the allocations for certain expenses within the following categories: payroll and related; general operations, occupancy, insurance and depreciation.

Management and General activities include the functions necessary to provide support for the organization's program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

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Habitat hosts occasional special events to raise awareness of its mission and to raise funds for the organization. In recognizing special events revenue, it follows the guidance provided by FASB ASC-958-605, *Revenue Recognition*. Habitat considers its events to be on-going and central to its operations and therefore records revenues at the gross amount. All costs of the events appear within the fundraising category on the Statement of Functional Expenses.

3f. Property & Equipment

Habitat capitalizes property and equipment costing more than \$2,500 with a useful life of more than one year. Lesser amounts are expensed. Purchased property and equipment is capitalized at acquisition cost, including costs necessary to prepare the asset for its intended use. Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use. Also see *Note 8, Property & Equipment*.

3g. Escrow

Habitat makes loans to homeowners as described in *Note 7*. The homeowner escrow accounts are held as cash on the balance sheet and are offset by a corresponding liability within the accounts payable and accrued liabilities section since Habitat retains no ownership of the escrow funds.

3h. Real Estate Owned and Homes under Construction

Real estate, including pre-acquisition, acquisition, and development costs, building materials and labor, are recorded at cost when assets are acquired or services are provided, or at estimated fair market value when donated. No interest is capitalized as a cost of houses.

The costs of homes under construction are capitalized until the transfer to the homeowner is made. They appear as an asset on the Statement of Financial Position within the line item "Program Properties Inventory." Once the home is occupied and title has passed to the homeowner, the construction costs are expensed and appear on the Statement of Functional Expenses as the program expense "Construction." Also see *Note 6, Housing Activities*.

3i. Home Sales

Habitat transfers ownership of its properties to homeowners when the homes are occupied, and title is transferred. The transfers are recorded as revenue on the Statement of Activities at the gross amount of payments to be received over the lives of the associated mortgages plus any cash payments received at closing. The non-interest-bearing mortgages are discounted at a rate provided by Habitat International that seeks to approximate a market rate for similar types of loans. Currently, the rate used is 7.23%. Discounts are amortized using the effective interest method over the lives of the mortgages. Also see *Note 7, Home Sales / Loans to Homeowners*.

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Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2021

3j. ReStore Donations

Habitat receives support in the form of in-kind donations of building materials and household items. It operates ReStores in Ocean Isle Beach, Southport, and Leland, NC in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold).

3k. Prior Year Information

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (with or without donor restrictions). Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year then ended, from which the summarized information is derived.

4. Liquidity and Availability

Habitat has calculated that as of June 30, 2021, it owns financial assets of \$985,596 that will become available within one year for general expenditure. The calculation was determined as follows:

Total Cash & Cash Equivalents	\$ 820,892
Accounts Receivable due within one year	13,039
Homeowner payments due within one year	151,665
Total Available	\$ 985,596

Habitat has not reduced the available amount by \$3,125 of donor-restricted net assets because the specific restrictions relate to budgeted initiatives in FY 2021/22 and therefore will be available for general expenditure. In FY 2020/21, the organization had average daily expenses of \$6,423, excluding depreciation and other non-cash items. Therefore, the \$985,596 of available financial assets could theoretically fund operations for 153 days at FY 2020/21 expenditure levels.

As part of Habitat's liquidity management plan, cash in excess of daily requirements may be invested in short-term investments and money market funds.

5. Accounts Receivable

The accounts receivable balance of \$13,039 consists primarily of sales taxes paid by the organization that were requested for reimbursement from the State of North Carolina. Management believes the amount is fully collectible. Accordingly, no provision is made for uncollectible amounts.

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Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

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6. Housing Activities

The following table summarizes home building activity for FY 2020/21.

	<u>Cost</u>
Program Properties Inventory, Beginning	\$ 454,186
Additional costs incurred	714,998
5 Homes Sold	<u>(483,062)</u>
Program Properties Inventory, Ending	<u>\$ 686,122</u>

7. Homes Sales / Loans to Homeowners

Habitat sells homes to program participants in exchange for interest-free mortgage notes. The mortgages are payable to Habitat over 20 to 30 years and appear on the Statement of Financial Position discounted to their present value (see Note 3i). This method of accounting reflects the present value of the interest-free loans at inception and recognizes imputed interest income over the life of the loans.

As each house is sold, an expense is calculated for the difference between the face value of the mortgage loan receivable and the present value of the loan. The discount expense appears on the Statement of Functional Expenses as "Discount on New Mortgages." As imputed interest income is earned over the life of the loan, it appears on the Statement of Activities within the revenue line item "Imputed Income – Interest-Free Loans."

As of June 30, 2021, Habitat had 62 loans outstanding with a gross value of \$2,902,211 and a discounted value of \$1,383,816. Management has established no provision for loan losses because Habitat is the secured creditor and it can reclaim the homes through foreclosure.

Scheduled annual mortgage receipts are as follows:

FY 2021/22	\$ 148,797
FY 2022/23	146,873
FY 2023/24	140,601
FY 2024/25	141,744
FY 2025/26	132,650
Thereafter	<u>2,191,546</u>
	<u>\$ 2,902,211</u>
Less present value discount	<u>(1,518,395)</u>
Loans to Homeowners, Net	<u>\$ 1,383,816</u>

In addition to the interest-free mortgage, most homeowners are obligated to a second mortgage which is forgiven based on compliance with various requirements including timely mortgage

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Brunswick County Habitat for Humanity, Inc.

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payments and occupancy over a period up to 20 years. These second mortgages are a contingent asset of Habitat and are therefore not recorded on the financial statements unless they are realized due to a home foreclosure or refinancing with a new lender. During FY 2020/21, Habitat initiated foreclosure proceedings on one homeowner loan.

8. Property and Equipment

The property and equipment balance is stated at cost and consists of the following:

	<u>6/30/21</u>
Land	\$ 664,538
Buildings & Improvements	2,066,787
Machinery & Equipment	<u>155,341</u>
	2,886,666
Less accumulated depreciation	<u>(570,250)</u>
Property & Equipment, Net	<u>\$ 2,316,416</u>

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (up to 40 years for buildings and improvements, 5 to 10 years for machinery and equipment).

Depreciation expense totaled \$77,888 and appears as a line item on the Statement of Functional Expenses.

9. Accounts Payable & Accrued Liabilities

The accounts payable and accrued liabilities balance consists of the following:

	<u>6/30/21</u>
Operational Accounts Payable	\$ 122,360
Escrow Funds Payable	11,664
Payroll & Related Payables	<u>74,468</u>
Total	<u>\$ 208,492</u>

10. Notes Payable

Habitat's debt consists of the following:

- Note payable to First Bank with a principal balance of \$416,316, due in monthly installments of \$3,660, including interest at a fixed rate of 4.60% per annum. The loan matures in March 2027. The note is secured by the Southport ReStore.

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- Note payable to First Bank with a principal balance of \$303,662, due in monthly installments of \$4,255, including interest at a fixed rate of 4.60% per annum. The loan matures in June 2028. The note is secured by the Ocean Isle Beach ReStore.
- A second Paycheck Protection Loan of \$175,600 received in March 2021.

Habitat was notified that its first Paycheck Protection Loan, also for \$175,600, was completely forgiven in May 2021 and it is therefore shown on the Statement of Activities as grant revenue in accordance with the guidance provided by FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

Interest expense totaled \$34,418 and appears as a line item on the Statement of Functional Expenses. Scheduled annual mortgage principal payments on the two bank notes are as follows:

FY 2021/22	\$ 63,183
FY 2022/23	66,152
FY 2023/24	69,260
FY 2024/25	72,514
FY 2025/26	75,921
Thereafter	<u>372,949</u>
Total	<u>\$ 719,978</u>

11. NCHFA Notes Payable

Habitat participates in the “Self-Help Loan Pool,” a program of the North Carolina Housing Finance Agency (NCHFA), a public agency of the State of North Carolina. The program provides Habitat up to \$50,000 per homeowner loan per year, to be repaid over the life of the loans (30 years). Because the NCHFA loans are interest-free, Habitat has discounted the liability on the Statement of Financial Position to reflect the time value of money. The imputed interest rate used corresponds to that of the homeowner loan pool that the proceeds finance (see Note 7).

During FY 2020/21, Habitat received \$200,000 in financing from NCHFA. The difference between the cash proceeds received and the discounted value of the notes is considered imputed revenue. The imputed amount was calculated at \$118,399 and appears as the revenue line item “NCHFA Imputed Contribution” on the Statement of Activities. Imputed interest expense is calculated over the life of the loan and appears as the line item “Imputed Interest” on the Statement of Activities. The amount of imputed expense for FY 2020/21 was \$2,575.

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Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

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Annual repayments and the discounted value of the loan pool are:

FY 2021/22	\$ 6,667
FY 2022/23	6,667
FY 2023/24	6,667
FY 2024/25	6,667
FY 2025/26	6,667
Thereafter	<u>163,750</u>
	<u>\$ 197,084</u>
Less present value discount	<u>(115,824)</u>
NCHFA Note Payable, Net	<u>\$ 81,260</u>

12. Payment to Habitat International

Habitat remits a portion of its revenues each year to Habitat International and Habitat North Carolina. A portion of these funds known as a “tithe” comes from unrestricted contributions and is used to help construct homes in economically depressed areas around the world. The rest of these funds are fees charged by Habitat International and Habitat NC for the support services they provide their affiliates. Habitat contributed \$31,973 in this way during the fiscal year and this expense is included within the General Operations line item on the Statement of Functional Expenses.

13. Leases

Habitat leases commercial space for its Leland ReStore from a local landlord on a short-term basis. Rent is paid on a month-to-month basis and rent expense for FY 2020/21 was \$38,364 and appears within the line item “Occupancy” on the Statement of Functional Expenses.

14. Grants to Others

In December 2018, Habitat received disaster-recovery funding from AARP totaling \$90,000. Due to the particular restrictions on the grant, Habitat was unable to use \$71,357 of the award and therefore with the agreement of AARP, it transferred the funds to Wilmington Area Rebuilding Ministry, a tax-exempt charity specializing in disaster-recovery work in the region.

15. Income Taxes

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and Habitat believes it is not subject to tax examinations for fiscal years prior to FY 2017/18.

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Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2021

16. Subsequent Events

Habitat has evaluated events that have occurred subsequent to the Statement of Financial Position date (June 30, 2021) and through the date the Independent Auditor's Report was available to be issued (October 15, 2021). No events have occurred during that period that would require adjustments to the audited financial statements or additional disclosure in these notes.

See the Independent Auditor's Report