



**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
ATHENS COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2020**

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Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

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HABITAT FOR HUMANITY OF SOUTHEAST OHIO

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INDEPENDENT AUDITOR'S REPORT

November 5, 2021

Habitat for Humanity of Southeast Ohio
525 West Union Street
Athens, OH 45701

To the Board of Directors

We have audited the accompanying financial statements of **Habitat for Humanity of Southeast Ohio** (a non-profit organization) (the 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Southeast Ohio, as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Organization. We did not modify our opinion regarding this matter.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Habitat for Humanity of Southeast Ohio
Statement of Financial Position
June 30, 2020

Assets

Current Assets

Cash and Cash Equivalents	\$ 865,192
Cash and Cash Equivalents - restricted	119,309
Cash held in escrow	16,375
Current portion mortgage loans receivable	179,705
Construction in progress	348,972
Inventory	8,697
Other Receivables	3,300
Total Current Assets	<u>1,541,550</u>

Non-Current Assets

Non-interest bearing mortgage loans, net of unamortized discounts of \$1,949,713	1,364,027
Property and Equipment, net	1,847,047
Land for Future Construction	314,746
Investments	635,114
Repair Note Receivable	3,328
Total Non-Current Assets	<u>4,164,262</u>

Total Assets	<u><u>\$ 5,705,812</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 28,627
Escrow deposits, net	20,354
PPP Loan	112,934
Accrued and withheld taxes	3,902
Accrued payroll and related taxes	32,062
Accrued Vacation	6,725
Amount due to affiliates	50
Current Portion Long-Term Debt	35,381
Total Current Liabilities	<u>240,035</u>

Long-Term Debt, less current portion	<u>636,706</u>
Total Liabilities	<u>876,741</u>

Net Assets

Without Donor Restrictions	4,421,097
With Donor Restrictions	407,974
Total Net Assets	<u>4,829,071</u>

Total Liabilities and Net Assets	<u><u>\$ 5,705,812</u></u>
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See the Notes to the Financial Statements

Habitat for Humanity of Southeast Ohio
Statement of Activities
Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Revenue, Gains/(Loss) and Other Support			
Donations, net of related expenses	\$ 499,171	\$ 156,174	\$ 655,345
Grants	238,380	-	238,380
Coalition contributions, net of related expenses	-	39,092	39,092
Interest earned	75,565	-	75,565
Sales ReStore	645,600	-	645,600
Home Sales	479,334	-	479,334
Other Revenue	(66,598)	-	(66,598)
Mortgage discount amortization	82,527	-	82,527
Net Assets released from restrictions	55,873	(55,873)	-
Total Revenues, Gains(Loss) and Other Support	2,009,852	139,393	2,149,245
Expenses			
Housing	1,092,297	-	1,092,297
ReStore	468,307	-	468,307
Fundraising	47,925	-	47,925
Management and General	72,856	-	72,856
Total Expenses	1,681,385	-	1,681,385
Change in Net Assets from Operations	328,467	139,393	467,860
Other Income (Expense)			
In-kind Income	806,161	-	806,161
In-kind Expense	(641,443)	-	(641,443)
Total Other Income (Expense)	164,718	-	164,718
Change in Net Assets Excluding Merger	493,185	139,393	632,578
Merger with Fairfield County Affiliates	274,148	125,115	399,263
Change in Net Assets	767,333	264,508	1,031,841
Net Assets - Beginning of Year (restated)	3,653,764	143,466	3,797,230
Net Assets - End of Year	\$ 4,421,097	\$ 407,974	\$ 4,829,071

See the Notes to the Financial Statements

Habitat for Humanity
Statement of Functional Expenses
Year Ended June 30, 2020

	Housing	ReStore	Fundraising	Management and General	Total
Salaries and Wages	\$ 288,336	\$ 245,392	\$ 30,674	\$ 49,078	\$ 613,480
Payroll taxes and employee benefits	30,892	23,957	3,152	5,044	63,045
Total Compensation	319,228	269,349	33,826	54,122	676,525
Cost of Sales	458,130	-	-	-	458,130
Depreciation	-	42,644	-	-	42,644
Fundraising Expense	-	-	14,099	-	14,099
Insurance	23,834	19,500	-	-	43,334
Interest Expense	-	29,953	-	-	29,953
International mission support	10,674	-	-	-	10,674
Mortgage discounts	179,305	-	-	-	179,305
Office supplies and expenses	15,805	16,933	-	4,892	37,630
Printing	751	-	-	-	751
Professional Fees	32,528	22,839	-	13,842	69,209
Advertising	4,703	7,356	-	-	12,059
Rent	-	5,593	-	-	5,593
Repairs and maintenance	7,012	14,901	-	-	21,913
Taxes, Fees, and License	7,667	6,024	-	-	13,691
Travel and meetings	17,221	-	-	-	17,221
Utilities	10,028	27,113	-	-	37,141
Vehicle Expense	5,411	6,102	-	-	11,513
Total Functional Expenses	\$ 1,092,297	\$ 468,307	\$ 47,925	\$ 72,856	\$ 1,681,385

See the Notes to the Financial Statements

Habitat for Humanity of Southeast Ohio
Statements of Cash Flows
June 30, 2020

**Reconciliation of Change in Net Assets to Net Cash
Provided by Operating Activities**

Change in Net Assets Excluding Merger \$ 632,578

**Adjustments to reconcile change in net assets to net
cash provided by operating activities.**

Depreciation Expense 42,644
Mortgage Discount Amortization (82,527)
Mortgage Discount Expense 179,305

(Increase) decrease in assets:

Cash-restricted (14,813)
Cash held in escrow 19,440
Mortgages Receivable 646
Construction in Progress 57,551
Inventory 7,546
Other Receivables (6,628)
Prepaid Expenses 6,632
Land for Future Construction (132,711)

Increase (decrease) in liabilities

Accounts Payable (12,393)
Escrow Deposits (12,442)
Accrued Payroll & Taxes 7,564
Accrued and Withheld Taxes (344)
Accrued Vacation (8,641)

Net Cash Provided by Operating Activities 683,407

Cash Flows from Investing Activities

Purchase of Property and Equipment (103,066)
Earnings (loss) from investments 73,337
Sale of Investment 251,327
Purchase of investments (216,367)

Net Cash Provided by Investing Activities 5,231

Cash Flows from Financing Activities

PPP Loan 112,934
Payments on long-term debt (193,424)

Net Cash Used by Financing Activities (80,490)

Change in Cash and Cash Equivalents 608,148

Cash and Cash Equivalents - Beginning of Year 257,044

Cash and Cash Equivalents - End of Year \$ 865,192

Supplemental Disclosures:

Schedule of Non-Cash Transactions

In-kind support for materials and labor in construction \$ 171,133

Schedule of Interest Paid in Cash

Interest expense \$ 29,953

See the Notes to the Financial Statements

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – DESCRIPTION OF ENTITY

Habitat for Humanity of Southeast Ohio (the Organization) is a faith-based organization with the mission of eliminating substandard housing in eight counties throughout southeast Ohio. The primary activity of the Organization is the development of affordable, single-family homes through the use of donated funds and volunteer labor. The homes are sold with zero-interest mortgages to eligible families. This provides increased home ownership opportunities to qualifying residents of these counties.

The Organization also Operates three ReStore facilities, one in Athens, one in Zanesville, and one in Lancaster, Ohio. The ReStore operations are home improvement stores that sell new and gently used furniture, home accessories, building materials, and appliances to the public.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The Organization prepares its financial statement in accordance with generally accepted accounting principles.

The Financial Accounting Standards Board issued Financial Accounting Standards Codification (FASC) No. 958-205. Under FASC No. 958-205, defined nonprofits are required to report information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Expenses are reported as decreases in net assets without donor restriction. 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.

B. CASH & CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include all highly liquid investment instruments with original maturities of three months or less.

C. CASH – RESTRICTED

The restricted cash is comprised of cash provided by the various project affinity groups (coalitions) for home construction costs. These coalitions have been formed in order to coordinate fundraising and volunteer efforts for certain house-building projects. The coalitions collect certain funds that are restricted for building costs on the projects. Any excess funds remaining are retained in the coalition accounts for future projects and are reported as net assets with donor restrictions.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. CASH HELD IN ESCROW

The organization currently services the mortgages on the homes it sells. Included in assets held in escrow on the balance sheet are amounts received from the homeowners for insurance and property taxes on the homes. These cash amounts are recorded in cash held in escrow, which are offset by escrow deposits payable.

E. MORTGAGES RECEIVABLE

Mortgages receivable consists of non-interest-bearing mortgages which are secured by the homes sold and are payable to the Organization by the partner families in monthly installments. The amount recorded as receivable is net of unamortized discount. Habitat's concentration of credit risk with respect to mortgage loans receivable depends on its partner families' ability to pay, which varies with economic conditions in the area. The Organization considers the mortgage loans 100% collectable since they can foreclose and resell the property at more than owed due to the partner equity required during the build. Therefore, there is no allowance for uncollectable accounts related to this account.

F. FUNCTIONAL EXPENSES

The costs of providing program and other activities have been reported in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on the time spent, sq. footage, etc.

G. PROPERTY, PLANT AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at estimated fair market value at the date of donation. Expenditures for major additions and improvements over \$1,000 are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation of the related assets is provided using the straight-line method over estimated economic useful lives ranging from 5 to 39 years.

	PY as of June			Balance as of
	30, 2019	Additions	Deletions	June 30, 2020
Land in Use	\$ 359,742	\$ 53,450	\$ -	\$ 413,192
Lease Improvements	69,081	40,000	-	109,081
Equipment	21,995	-	-	21,995
Buildings	782,364	623,474	-	1,405,838
Vehicles	89,264	56,256	(13,300)	132,220
CIP	410,684	-	(410,684)	-
Total	1,733,130	773,180	(423,984)	2,082,326
Less:Accum. Depreciation	(205,745)	-	-	(235,279)
Property and Equipment, Net	<u>\$ 1,527,385</u>	<u>\$ 773,180</u>	<u>\$ (423,984)</u>	<u>\$ 1,847,047</u>

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. ESTIMATES

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

I. INCOME TAXES

The Organization has been classified as other than a private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization has adopted ASC Topic 740-10, Accounting for Uncertainty in Income Taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2020, the Organization has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Organization's returns for years ending on or after June 30, 2017 remain subject to examination.

J. DONATED SERVICES

The Organization receives donated services from a variety of unpaid volunteers. Since the donations do not meet the recognition criteria of ASC 958-605-25-16, no amounts have been recorded in the Financial Statements.

K. ADVERTISING

The Organization expenses advertising as incurred and was \$12,059 for the year ended June 30, 2020.

L. FAIR VALUE of FINANCIAL INSTRUMENTS

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents and accounts payable, approximate carrying value due to the short-term maturity of the instruments. The fair value of short-term and long-term mortgage loans (net of discount) receivable and debt amounts payable approximate their carrying value and are based on their effective interest rates compared to current market rates.

M. INTEREST EXPENSE

All interest incurred by the Organization was expensed. None was associated with product financing arrangements, and none was capitalized.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. IN-KIND CONTRIBUTIONS

In-Kind contributions are recorded at fair market value. In-kind contributions to the ReStore are not tracked and recorded in the financial statements but recognized as cost of goods sold at the time of sale when the fair market value is determined. In-kind contributions of building materials are recognized when they are received. Contributions of building materials for the year ended June 30, 2020 was \$171,133.

O. INVENTORY

ReStore sells donated building and home supplies to help support the Organization's mission. These in-kind donations have no carrying value until sold. ReStore purchases some items for resale. This inventory is valued at the lower of cost or market determined by the first-in, first-out method.

P. TRANSFERS (Sales) to HOMEOWNERS/MORTGAGE DISCOUNT & AMORTIZATION

A transfer (sale) to a homeowner is recorded when the home is occupied, and title is transferred to the partner family. The transfer is recorded at the gross amount of payments required to be remitted over the lives of the non-interest-bearing mortgages. Mortgages are discounted at the time of the transfer to the homeowner based upon prevailing market rates, currently 3.56%. The discount is reflected in the statement of activities as mortgage discount expense when the loan is booked. Discounts are amortized over the life of the mortgage using the effective interest method. The annual charge to the discount is recorded as mortgage discount amortization (revenue) in the statement of activities.

Q. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Revenue from Contracts with Customers (Topic 606, ASU 2014-09). The objective of the guidance in this Topic is to establish the principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is that the entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. For nonprofit entities, the amendments as deferred by ASU 2015-14 are effective for annual reporting periods beginning after December 15, 2018. Early adoption and retrospective application is permitted within limitations. The adoption of the pronouncement had no effect on the organization's financial statements.

In February 2016, the FASB issued Leases (Topic 842, ASU 2016-03). The guidance in this update supersedes Topic 840, Leases. The amendments in the update recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, unless the term of the lease is 12 months or less. The update specifies the requirements of lessees for recognition and classification for financial statement purposes for finance leases and operating leases. For lessors, the vast majority of operating leases should remain classified as operating leases, and lessors should continue to recognize lease income for those leases on a generally straight-line basis over the lease term. For nonprofit entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities. The Organization has not adopted the pronouncement.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing.

Financial Assets, at year end:	
Cash and Cash Equivalents	\$ 1,000,876
Current Portion Mortgage Loans Receivable	179,705
Other Receivables	<u>3,300</u>
Subtotal Financial Assets, at year end	1,183,881
Less those unavailable for general expenditures within one year due to:	
Restricted Cash and Cash Equivalents	<u>(135,684)</u>
Financial assets available within one year to meet cash needs for general expenditures in on year	<u><u>\$ 1,048,197</u></u>

NOTE 4 - INVESTMENTS

The Organization entered into an agreement with the Foundation for Appalachian Ohio to establish the Organizations Endowment Fund. The fund is maintained in an investment pool administered by the Foundation for Appalachian Ohio. The Organization also entered into an agreement with Athens County to establish an Endowment Fund. The fund is maintained in an investment pool administered by Athens County.

Contributions to the fund are considered to be without donor restrictions.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 4 – INVESTMENTS (Continued)

The following is the activity of the endowment funds maintained by the Foundation for Appalachian Ohio and Athens County for the year ended June 30, 2020:

	Without Donor Restiction
Beginning Fund Balance - FAO	\$ 384,320
Beginning Fund Balance - Athens	182,760
Total Beginning Fund Balance	567,080
Contributions - FAO	46,950
Contributions - Athens	25,350
Interest and Dividends - FAO	7,671
Interest and Dividends - Athens	3,503
Realized/Unrealized Gain (Loss) - FAO	(5,830)
Realized/Unrealized Gain (Loss) - Athens	(469)
Administrative Fees - FAO	(6,136)
Administrative Fees - Athens	(3,005)
Total Ending Balance	\$ 635,114

NOTE 5 - FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels of input, as follows:

Level 1: Valuations based on quoted prices in an active market that are accessible at measurement date for identical assets or liabilities. The fair value hierarchy gives that highest priority to Level 1 inputs.

Level 2: Valuations based in observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining the fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets and liabilities are carried at a fair value at June 30, 2020, and are classified as Level 1, Level 2, and Level 3 as follows:

Assets Carried at Fair Value:	Level 1	Level 2	Level 3
Endowment Funds	\$635,114	-	-
Total Assets at Fair Value	\$635,114	-	-

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 – NOTES PAYABLE AND LONG-TERM DEBT

Debt Outstanding at June 30, 2020, was as follows:

	Principal	Interest Rate
Athens Store Loan	\$ 336,121	4.50%
Zanesville Store Loan	298,800	3.50%
ReStore Truck Loan	17,740	4.25%
Truck Loan	19,426	4.00%
Total	<u>\$ 672,087</u>	

The Organization signed a Real Estate Loan with Century National Bank in January 2013 for the purchase of the Athens ReStore building in the amount of \$412,500. Payments of \$2,308.30 are due monthly with a final balloon payment due in February 2023.

The Organization signed a Real Estate Loan with Ohio Valley Bank in February 2016 for the purchase and renovations of the Zanesville ReStore building in the amount of \$350,000. The Organization entered into a modification agreement in April of 2020 to modify the interest amount. Payments of \$2,071.54 are due monthly with the final payment due in February 2036.

The Organization signed a Vehicle Loan with Hocking Valley Bank in July 2019 for the purchase of the ReStore truck in the amount of \$20,190. Payments of \$374.18 are due monthly with the final payment due in July 2024.

The Organization signed a Vehicle Loan with Century National Bank in January 2020 for the purchase of a new truck in the amount of \$21,000. Payments of \$392.12 are due monthly with the final payment due in January 2025

Amortization

Amortization of the above debt is scheduled as follows:

Year Ending June 30	Athens Store Loan	Zanesville Store Loan	ReStore Truck Loan	Truck Loan
2021	\$ 12,967	\$ 14,651	\$ 3,851	\$ 3,912
2022	13,563	15,172	4,017	4,091
2023	309,591	15,712	4,192	4,279
2024	-	16,271	4,373	4,476
2025	-	16,849	1,307	2,668
2026-2030	-	93,673	-	-
2031-2035	-	111,560	-	-
2036	-	14,912	-	-
Total	<u>\$ 336,121</u>	<u>\$ 298,800</u>	<u>\$ 17,740</u>	<u>\$ 19,426</u>

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 7 – ACCRUED VACATION

In accordance with the Organizations personnel policies, its employees earn vacation throughout the year. Vacation benefits are allowed to accrue annually up to 15 days for exempt staff and up to 5 days for non-exempt staff. Any unused vacation is paid to an employee upon termination of employment. Accrued vacation is reported on the statement of financial position and at June 30, 2020 was \$6,725.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions includes the balances in the coalition checking accounts and temporarily restricted assets for house builds. Those accounts and their balances are as follows:

WRTR Coalition Account	\$	43,134
FBC Coalition Account		30,523
Other Temporarily Restricted Funds Account		334,317
		334,317
	\$	407,974

During the year ended June 30, 2020, \$55,873 were released from restrictions to cover costs of various home building projects. Those net assets released from restrictions are detailed as follows:

Donation to the Habitat's FAO Endowment	\$	25,000
Donation to the Habitat's Athens Endowment		25,000
Program Expense for Website Costs		1,700
Electrical Expense for Housing		4,173
		4,173
	\$	55,873

NOTE 9 – TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization remits a portion of its contribution (excluding in-kind contributions) to Habitat for Humanity International (HFHI). These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2020, the Organization contributed \$10,674, to HFHI. Such expenses are recorded as international mission support within housing expense in the Statement of Functional Expenses.

NOTE 10 – CONTINGENT LIABILITIES

The Organization receives a substantial amount of support, directly or indirectly, from federal, state, and local grants. A significant reduction in the level of this support, if such were to occur, would have a material effect on the Organization's programs and activities.

NOTE 11 – PAYROLL PROTECTION PROGRAM

On April 21, 2020, the Organization received loan proceeds in the amount of \$112,934 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 12 – MERGER WITH AFFILIATED ORGANIZATIONS

In March 2020, the Fairfield County Affiliates merged into Habitat for Humanity of Southeast Ohio. The organizations sought this merger to further their mission by achieving economies of scale and other synergies through integration of the organizations. The result of the merger was an increase of \$399,263 in the net assets of Habitat for Humanity of Southeast Ohio.

NOTE 13 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events and transactions that occurred after the date of the statement of net assets up to the date that the financial statements were issued. Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position and/or the results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 14 – RESTATEMENT

Upon inspection of the Organization's prior audit and system we reports, it was determined that the Organization's Net Assets were overstated by \$1,375. The financial statements have been restated to reflect this information.

	With Donor Restriction	Without Donor Restriction
Balance 6/30/19 (Prior Audit Report)	\$ 3,655,139	\$ 143,466
Restatement for Prepaid Expense Discrepancy	(1,375)	-
Restated Balance 6/30/19	\$ 3,653,764	\$ 143,466