

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Financial Report and Compliance Report
June 30, 2021

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities and changes in net assets	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8-9
Notes to consolidated financial statements	10-31
Supplementary information	
Schedule of expenditures of federal awards and state financial assistance	32-33
Notes to schedule of expenditures of federal awards and state financial assistance	34-36
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	37-38
Independent auditor's report on compliance for each major program and major state project and report on internal control over compliance required by the Uniform Guidance and State of Florida Chapter 10.650, Rules of the Auditor General	39-40
Schedule of findings and questioned costs	41-42
Summary schedule of prior audit findings	43



RSM US LLP

Independent Auditor's Report

Board of Directors
Habitat for Humanity of Pinellas County, Inc.

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Pinellas County, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 (collectively, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 for Humanity of Pinellas County, Inc. and Subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021, on our consideration of Habitat for Humanity of Pinellas County, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Habitat for Humanity of Pinellas County, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Pinellas County, Inc. and Subsidiaries' internal control over financial reporting and compliance.

RSM US LLP

St. Petersburg, Florida
November 3, 2021

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
June 30, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 8,921,559	\$ 8,439,609
Assets held in escrow	928,396	796,822
Accounts receivable	204,399	57,641
Unconditional promises to give, net	347,485	199,281
Estate receivable	1,570,860	-
Habitat ReStore inventory	175,051	262,737
Homes under construction	3,085,356	1,767,797
Land held for development	2,865,033	2,729,696
Home held for investment or resale	185,162	-
Property and equipment, net	418,652	995,511
Mortgages receivable, net	718,796	778,112
Other mortgages receivable	660,796	771,110
Other receivables	314,220	358,720
Beneficial interest in assets held by community foundations	1,561,014	22,135
Investment in joint venture	4,012,587	4,022,108
Deferred affordable housing notes receivable	350,000	350,000
Other assets	253,685	162,611
	<u>\$ 26,573,051</u>	<u>\$ 21,713,890</u>
Total assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 694,799	\$ 462,491
Escrow deposits	942,546	826,742
Down payments and advance payments	64,600	44,100
Capital lease payable	43,074	55,519
Notes payable, net	8,474,585	9,264,810
Deferred affordable housing note payable	350,000	350,000
	<u>10,569,604</u>	<u>11,003,662</u>
Total liabilities		
Commitments and contingencies (Notes 13 and 14)		
Net assets:		
Net assets without donor restrictions	13,814,020	10,241,308
Net assets with donor restrictions	2,189,427	468,920
	<u>16,003,447</u>	<u>10,710,228</u>
Total net assets		
	<u>\$ 26,573,051</u>	<u>\$ 21,713,890</u>
Total liabilities and net assets		

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021
(With Summarized Comparative Totals for 2020)

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
Support and revenue:				
Contributions:				
Building materials and services	\$ 386,917	\$ 26,000	\$ 412,917	\$ 935,131
Donated land	58,246	102,703	160,949	205,892
Cash	1,986,444	326,700	2,313,144	2,237,459
Estates and trusts	1,537,648	1,570,860	3,108,508	128,312
Habitat ReStore merchandise	1,345,424	-	1,345,424	1,425,299
Transfers to homeowners	12,137,001	-	12,137,001	10,936,438
Gain on sale of mortgages	-	-	-	98,456
Mortgage discount amortization	148,313	-	148,313	48,743
Sales—Habitat ReStore	1,563,185	-	1,563,185	1,312,804
Fundraising events, net of direct costs of \$174,558	411,069	-	411,069	259,736
Foundations and grants	1,713,818	-	1,713,818	995,376
Other	119,433	-	119,433	190,420
Investment income	82,485	-	82,485	20,490
Net assets released from restrictions	305,756	(305,756)	-	-
Total support and revenue	21,795,739	1,720,507	23,516,246	18,794,556
Expenses:				
Program:				
Construction	15,023,020	-	15,023,020	13,687,019
Mortgage discounts	89,055	-	89,055	102,906
Habitat ReStore	2,579,109	-	2,579,109	2,240,743
Supporting services:				
General and administrative	516,084	-	516,084	445,972
Fundraising	554,826	-	554,826	587,514
Total expenses	18,762,094	-	18,762,094	17,064,154
Changes in net assets before other changes	3,033,645	1,720,507	4,754,152	1,730,402
Other changes:				
Interest expense	(59,238)	-	(59,238)	(76,883)
Gain (loss) on sale of land and property and equipment	61,698	-	61,698	(152,946)
Forgiveness of debt	536,607	-	536,607	346,492
Amortization of joint venture deferred revenue	-	-	-	12,323
Total other changes	539,067	-	539,067	128,986
Changes in net assets	3,572,712	1,720,507	5,293,219	1,859,388
Net assets:				
Beginning	10,241,308	468,920	10,710,228	8,850,840
Ending	\$ 13,814,020	\$ 2,189,427	\$ 16,003,447	\$ 10,710,228

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Activities and Change in Net Assets Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Building materials and services	\$ 840,631	\$ 94,500	\$ 935,131
Donated land	74,968	130,924	205,892
Cash	1,963,882	273,577	2,237,459
Estates and trusts	128,312	-	128,312
Habitat ReStore merchandise	1,425,299	-	1,425,299
Transfers to homeowners	10,936,438	-	10,936,438
Gain on sale of mortgages	98,456	-	98,456
Mortgage discount amortization	48,743	-	48,743
Sales—Habitat ReStore	1,312,804	-	1,312,804
Fundraising events, net of direct costs of \$94,606	259,736	-	259,736
Foundations and grants	989,626	5,750	995,376
Other	190,420	-	190,420
Investment income	20,490	-	20,490
Net assets released from restrictions	474,189	(474,189)	-
Total support and revenue	18,763,994	30,562	18,794,556
Expenses:			
Program:			
Construction	13,687,019	-	13,687,019
Mortgage discounts	102,906	-	102,906
Habitat ReStore	2,240,743	-	2,240,743
Supporting services:			
General and administrative	445,972	-	445,972
Fundraising	587,514	-	587,514
Total expenses	17,064,154	-	17,064,154
Changes in net assets before other changes	1,699,840	30,562	1,730,402
Other changes:			
Interest expense	(76,883)	-	(76,883)
Loss on sale of land and property and equipment	(152,946)	-	(152,946)
Forgiveness of debt	346,492	-	346,492
Amortization of joint venture deferred revenue	12,323	-	12,323
Total other changes	128,986	-	128,986
Changes in net assets	1,828,826	30,562	1,859,388
Net assets:			
Beginning	8,412,482	438,358	8,850,840
Ending	\$ 10,241,308	\$ 468,920	\$ 10,710,228

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
(With Summarized Comparative Totals for 2020)

	2021									2020 Total
	Program Services				Supporting Services				Total	
	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services			
Salaries	\$ 2,008,660	\$ -	\$ 511,963	\$ 2,520,623	\$ 273,342	\$ 422,157	\$ 695,499	\$ 3,216,122	\$ 3,120,184	
Employee benefits	220,823	-	98,305	319,128	32,296	52,511	84,807	403,935	405,838	
Retirement plan	35,969	-	6,627	42,596	8,271	5,527	13,798	56,394	30,711	
	2,265,452	-	616,895	2,882,347	313,909	480,195	794,104	3,676,451	3,556,733	
Building materials and supplies	11,275,798	-	-	11,275,798	-	-	-	11,275,798	10,247,453	
Insurance and taxes	133,780	-	33,376	167,156	-	-	-	167,156	179,473	
Repairs and maintenance	47,406	-	-	47,406	-	-	-	47,406	15,209	
Depreciation and amortization	108,886	-	9,418	118,304	34,996	-	34,996	153,300	169,648	
Mortgage discounts	-	89,055	-	89,055	-	-	-	89,055	102,906	
Office supplies, equipment and utilities	269,445	-	51,000	320,445	38,244	7,016	45,260	365,705	241,758	
Printing and advertising	117,167	-	25,875	143,042	1,099	3,831	4,930	147,972	71,796	
Travel	67,870	-	15,973	83,843	6,661	1,130	7,791	91,634	78,205	
Professional services	115,660	-	2,699	118,359	80,717	4,710	85,427	203,786	217,743	
Other	129,680	-	39,429	169,109	27,458	42,144	69,602	238,711	166,349	
Donated merchandise sold	-	-	1,448,487	1,448,487	-	-	-	1,448,487	1,312,804	
Purchased merchandise sold	-	-	114,698	114,698	-	-	-	114,698	100,539	
Rent	233,876	-	221,259	455,135	13,000	15,800	28,800	483,935	427,971	
Bad debt expense	48,000	-	-	48,000	-	-	-	48,000	25,567	
Support of Habitat for Humanity International	210,000	-	-	210,000	-	-	-	210,000	150,000	
	\$ 15,023,020	\$ 89,055	\$ 2,579,109	\$ 17,691,184	\$ 516,084	\$ 554,826	\$ 1,070,910	\$ 18,762,094	\$ 17,064,154	

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2020

	Program Services			Total Program Services	Supporting Services			Total
	Construction	Mortgage Discounts	Habitat ReStore		General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 1,904,145	\$ -	\$ 491,771	\$ 2,395,916	\$ 256,445	\$ 467,823	\$ 724,268	\$ 3,120,184
Employee benefits	237,194	-	98,575	335,769	29,056	41,013	70,069	405,838
Retirement plan	19,091	-	4,146	23,237	5,554	1,920	7,474	30,711
	2,160,430	-	594,492	2,754,922	291,055	510,756	801,811	3,556,733
Building materials and supplies	10,247,453	-	-	10,247,453	-	-	-	10,247,453
Insurance and taxes	150,896	-	28,577	179,473	-	-	-	179,473
Repairs and maintenance	15,209	-	-	15,209	-	-	-	15,209
Depreciation and amortization	120,867	-	10,344	131,211	38,437	-	38,437	169,648
Mortgage discounts	-	102,906	-	102,906	-	-	-	102,906
Office supplies, equipment and utilities	203,550	-	19,940	223,490	9,144	9,124	18,268	241,758
Printing and advertising	58,643	-	300	58,943	-	12,853	12,853	71,796
Travel	55,906	-	13,613	69,519	3,230	5,456	8,686	78,205
Professional services	139,122	-	975	140,097	73,851	3,795	77,646	217,743
Other	83,912	-	33,552	117,464	16,805	32,080	48,885	166,349
Donated merchandise sold	-	-	1,312,804	1,312,804	-	-	-	1,312,804
Purchased merchandise sold	-	-	100,539	100,539	-	-	-	100,539
Rent	275,464	-	125,607	401,071	13,450	13,450	26,900	427,971
Bad debt expense	25,567	-	-	25,567	-	-	-	25,567
Support of Habitat for Humanity International	150,000	-	-	150,000	-	-	-	150,000
	\$ 13,687,019	\$ 102,906	\$ 2,240,743	\$ 16,030,668	\$ 445,972	\$ 587,514	\$ 1,033,486	\$ 17,064,154

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 5,293,219	\$ 1,859,388
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	131,436	146,841
Amortization of intangibles	21,864	22,807
Amortization of loan costs	15,202	50,536
Bad debt expense	48,000	25,567
Unrealized and realized gains on investments	(69,686)	(2,111)
Mortgage discount amortization	(148,313)	(48,743)
Net donated materials and labor	68,500	(17,500)
Gain on sale of mortgages	-	(98,456)
Mortgage discounts	89,055	102,906
Loss on sale of property held for investment or sale	41,290	157,068
Gain on sale of property and equipment	(102,988)	(4,122)
Donated land for development	(160,949)	(205,892)
Forgiveness of debt	(536,607)	(346,492)
(Increase) decrease in:		
Accounts receivable	(146,758)	(3,743)
Other receivables	44,500	(215,147)
Unconditional promises to give	(196,204)	(114,519)
Estate receivable	(1,570,860)	-
Land held for development	(1,272,235)	(1,388,626)
Habitat ReStore inventory	87,686	(107,026)
Homes under construction	(44,878)	667,189
Other assets	(112,938)	(76,057)
Increase (decrease) in:		
Accounts payable and accrued expenses	232,308	(212)
Deferred revenue in joint venture	-	(12,323)
Escrow deposits	115,804	162,646
Down payments and advance payments	20,500	(10,953)
Net cash provided by operating activities	1,846,948	543,026
Cash flows from investing activities:		
Proceeds from sale of land held for development	14,292	179,069
Proceeds from sale of property and equipment	633,563	117,238
Purchases of property and equipment	(85,152)	(14,217)
Purchase of property held for investment	(284,078)	-
Transfers of assets to community foundations	(1,500,000)	-
Contributions to investment in joint venture	-	(4,022,108)
Distributions from investment in joint venture	40,328	-
Proceeds from sale and payments received on mortgages	228,888	139,242
Net cash used in investing activities	(952,159)	(3,600,776)

(Continued)

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from financing activities:		
Payments on notes payable	\$ (1,851,652)	\$ (5,020,443)
Proceeds from notes payable	1,582,832	11,680,107
Payments of deferred financing costs	-	(219,862)
Payments on capital lease obligations	(12,445)	(11,075)
Net cash (used in) provided by financing activities	(281,265)	6,428,727
Net increase in cash	613,524	3,370,977
Cash and cash equivalents (including assets held in escrow):		
Beginning	<u>9,236,431</u>	5,865,454
Ending	<u>\$ 9,849,955</u>	<u>\$ 9,236,431</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 70,573</u>	<u>\$ 94,289</u>
Supplemental schedule of noncash investing transactions:		
Transfers of property to homeowners through issuance of mortgages receivable	<u>\$ 11,166,038</u>	<u>\$ 9,916,062</u>

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Habitat for Humanity of Pinellas County, Inc. (Habitat) was incorporated in January 1985. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian, not-for-profit organization, whose mission is to build and repair simple, decent, affordable houses for those who lack adequate shelter. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

Pinellas Funding Company I, LLC (Pinellas Funding) was incorporated in July 2013 and is solely-owned by Habitat. Pinellas Funding was formed to complete the sale of mortgages with PNC Bank (see Note 16). Pinellas Funding purchased mortgages from Habitat and subsequently sold these mortgages to PNC Bank.

On August 31, 2010, Pinellas County Habitat for Humanity Community Development Organization (Pinellas CHDO) was incorporated as a not-for-profit organization in accordance with the laws of the State of Florida. Pinellas CHDO is wholly-owned by Habitat and has met the requirements specified by the U.S. Department of Housing and Urban Development (HUD) to act in the capacity of a Community Housing Development Organization (CHDO) and has been certified by Pinellas County, Florida. As a result, Pinellas CHDO is eligible to participate in government programs that provide special set-aside funds that can be used to provide affordable housing to low income families within Pinellas County.

The following are the significant policies used in the preparation of the accompanying consolidated financial statements:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Habitat, Pinellas Funding and Pinellas CHDO (collectively, the Organization), which are not-for-profit corporations. The entities comprising the Organization are related through a controlling financial interest and Habitat's direct and indirect ability to determine the direction of management. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Contributions and other inflows of assets that are not subject to donor imposed stipulations, but may be designated for specific purposes by actions of the Board of Directors (Board). This designation may be removed at the Board's discretion. Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment.

Net assets with donor restrictions: Contributions and other inflows of assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-restricted contributions for which restrictions are met within the same year as received are reported as contributions without donor restrictions.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Fair value measurements: The Organization measures beneficial interest in assets held by community foundations at fair value on a recurring basis (at least annually). The Organization defines fair value in accordance with U.S. GAAP, which specifies a hierarchy of valuation techniques used to measure fair value. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

- Level 1:** Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Organization.
- Level 2:** Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.
- Level 3:** Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Organization evaluates the various types of financial assets to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the years ended June 30, 2021 and 2020, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its consolidated statements of financial position or activities and changes in net assets.

Cash and cash equivalents: Cash and cash equivalents consist of cash on deposit with financial institutions. The Organization considers all highly liquid assets with an initial maturity of three months or less as cash. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally insured limits. From time to time the Organization's cash balances may have exceeded the federally insured limit. However, the Organization has not experienced, and does not expect, to incur any losses in such accounts.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Assets held in escrow: The Organization currently services the mortgages on the homes it sells. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset and offset by escrow deposits, a related liability.

Accounts receivable and other receivables: Accounts receivable consist of various amounts due from homeowners and homeowner candidates. Other receivables consists of second mortgages, a note receivable in connection with a new markets tax credit program (see Note 8), and amounts due from various financial institutions. Management estimates the allowance for uncollectible accounts receivable and other receivables based on a review of the individual receivable outstanding as of the end of the year. The Organization has determined that all amounts are collectible; accordingly, no allowance for potentially uncollectible accounts has been recorded at June 30, 2021 and 2020.

Unconditional promises to give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, or when a pledge becomes due, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the performance and/or control barriers are substantially met.

The carrying amount of unconditional promises to give is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. The allowance is based on prior years' experience and management's analysis of specific promises made. Certain accounts are written off under the direct write-off method' other accounts are part of the reserve for doubtful accounts established based on management's estimate.

As of June 30, 2021 and 2020, the Organization recorded allowances in the amount of \$56,000 and \$28,000, respectively.

Estate receivables: The Organization has been named as a beneficiary of future distributions from an estate. The estate receivable is recorded at fair value upon the Organization's interest becoming irrevocable and measurable.

Habitat ReStore inventory: Habitat ReStore inventory includes donated and purchased household building materials, appliances and furniture that are sold at the Habitat ReStores. Donated merchandise is stated at its estimated fair value, which is determined based on its future economic benefit. During the years ended June 30, 2021 and 2020, the Organization estimated the fair value of donated merchandise to be approximately \$1,345,000 and \$1,425,000, respectively. Purchased merchandise is stated at lower of cost or net realizable value, with cost being determined by the first-in, first-out method.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Homes under construction: Homes under construction consist of labor, material and lot costs using the specific identification method, and include indirect construction costs incurred during the construction period. When the home is ultimately sold, construction costs are expensed and reported as building materials and supplies in the consolidated statements of functional expenses. As the purpose and mission of the Organization is to build affordable housing for low-income families, the Organization does not generally write down the value of homes under construction to estimated sales value, because any excess cost over sales value is a component of program services. Habitat transferred 60 and 54 homes to homeowners during the years ended June 30, 2021 and 2020, respectively.

Land held for development: Land held for development includes the cost of land and land improvements or, if donated, the approximate fair value of the land at the date of the donation, held for future construction of homes. Land held for development is carried as the lower of costs or net realizable value.

Property and equipment: Property and equipment are recorded at acquisition cost, including costs necessary to prepare the asset for its intended use, less accumulated depreciation. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets ranging from three to 10 years.

Maintenance and repairs are charged to expense as incurred, while renewals and betterments in excess of \$1,000 are capitalized. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the consolidated statements of activities and changes in net assets.

Impairment of long-lived assets: The Organization's long-lived assets, such as land, building and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the asset. The Organization determined there was no impairment on long-lived assets as of June 30, 2021 and 2020.

Mortgages receivable, net and other mortgages: Mortgages receivable consist predominantly of non-interest bearing residential first mortgages secured by real estate and payable in monthly installments over the life of the mortgage, generally ranging from five to 35 years. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages, as provided by Habitat International. This discount will be recognized as mortgage discount amortization income over the term of the mortgage.

In addition to the mortgages receivable included in the consolidated statements of financial position, the Organization also enters into equity creation agreements with certain homebuyers. These equity creation agreements known as a silent second mortgage originate at the same time of the first mortgage and reflect the difference between the purchase price and the fair market value of the house. This equity creation agreement is part of the mortgage document and is executed for protection against homeowners who may sell their house for a profit before the mortgage is repaid, and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage. This amount is considered forgiven by the mortgagee over the life of the mortgage and the mortgagor agrees that the remaining balance is secured by the mortgage until forgiven in full. The Organization does not record a value for the equity creation agreements as it is unlikely that the amount will ever be collected.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Organization uses established underwriting criteria to ensure that only families who meet the Organization's financial and credit criteria are approved to be partner families and receive a non-interest-bearing mortgage loan from the Organization. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income and financial history.

The Organization regularly reviews its mortgages receivable and monitors the accounts for delinquencies. The Organization has documented delinquency procedures that are followed starting with 10 to 15 days after the payment due date. Once a payment is 120 days or more late, the Organization will turn the file over to its attorney who will send a letter or other notice as required by law. If the homeowner does not cure the default, foreclosure proceedings are initiated.

Non-interest-bearing mortgages originated are discounted based on prevailing market rates at the time of the sale, which results in the net mortgage receivable balances being generally less than 50% of the home's fair value. Therefore, the Organization believes that losses resulting from nonpayment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization has not recorded an allowance for mortgages receivable.

Debt issuance costs: Debt issuance costs are amortized using the straight-line method over the expected life of the related debt, which approximates the effective interest method, and are presented as a direct deduction from the face amount of the financings (see Note 10). The related expense is included in interest expense in the consolidated statements of activities and changes in net assets.

Investment in joint venture: The Organization makes investments in various companies to facilitate New Markets Tax Credit transactions (see Note 8). The Organization accounts for their investment under the equity method of accounting as they maintain significant influence over the investment; however, do not have control.

Beneficial interest in assets held by foundations: The beneficial interest in assets held by community foundations is recorded at fair value in the consolidated statements of financial position. Changes in the fair value of the beneficial interest in assets held by foundations are recorded as investment income in the consolidated statement of activities and changes in net assets.

Other assets: Other assets consist mainly of prepaid expenses, refundable deposits and intangible assets. In accordance with U.S. GAAP, if an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its useful life is determined to be no longer indefinite.

Revenue recognition: The Organization first determines if a transaction represents an exchange transaction and if so, accounts for the transaction in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers (Topic 606), which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Organization's revenue from contracts with customers consists of transfers to homeowners and Habitat ReStore sales. The Organization's contracts have a single performance obligation. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on transaction price, which is a fixed consideration. The Organization recognizes Habitat ReStore sales at a point in time when control of the goods is passed to the customer, which typically occurs at point of sale and is also when customer payment is collected. Sales from the Habitat ReStore are reported net of sales tax collected.

The Organization recognizes revenue from home sales at a point in time, when a closing occurs. A closing is considered to occur when title, possession and other attributes of ownership have been transferred to the buyer; and the Organization is not obligated to perform significant activities and changes in net assets after the sale. Revenue from the sale of homes is recorded in the consolidated statements of activities and changes in net assets as transfers to homeowners. Transfers to homeowners are recorded at the gross mortgage amount plus down payment received.

Federal, state and local government and other grant transactions within the scope of Topic 606, if any, are recognized as support when performance occurs pursuant to the contract agreement.

The Organization performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. Performance obligations meeting certain specific criteria, is recognized over time as the customer consumes and receives the benefit of the Organization's services as they are performed. If certain criteria is not met, the revenue is recognized at a point in time.

All revenue recognized under Topic 606 is recognized at a point in time.

Revenue recognition on contracts and grants deemed to be non-exchange transactions follow FASB ASC 958-605, Revenue Recognition (Topic 958-605). Unconditional contributions received, including promises to give, cash, other assets and grants and contracts deemed to be non-exchange transactions, are recorded as support to net assets with or without donor restrictions, at estimated fair value, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Conditional contributions are those contributions that certain donor imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

The Organization accounts for sales of mortgages receivable under FASB ASC 860-20, Sales of Financial Assets. Gain on sale of loans sold are recognized when the loans are sold and include cash from any sale and the write off of any discounts on the mortgage loans.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Donated services, materials, and land: Donated services, materials, and land are recorded as increases in net assets without donor restrictions unless the use of the related assets is limited by donor imposed restrictions. Donated services, materials and land are reflected in the accompanying consolidated statements of activities, at their estimated fair values at the date of receipt. Habitat reports revenues for the fair value of donated services received when the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased had they not been donated.

During the years ended June 30, 2021 and 2020, Habitat recorded donation revenue of approximately \$413,000 and \$935,000, respectively, related to donations of building materials and services. During the years ended June 30, 2021 and 2020, Habitat received approximately \$161,000 and \$206,000, respectively, in donated lots from various financial institutions and donors recorded at their tax assessed just market value which approximates fair value.

Advertising costs: Advertising costs are expensed as incurred and were approximately \$148,000 and \$72,000 for the years ended June 30, 2021 and 2020, respectively.

Income tax status: Habitat and Pinellas CHDO are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Pinellas Funding is a disregarded entity and, therefore, revenues and expenses flow through to Habitat for federal tax purposes. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

The Organization has adopted the accounting standard on accounting for uncertain income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this policy, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Organization's tax position and had concluded the Organization has taken no uncertain tax positions that require disclosure.

The Organization would be liable for income taxes in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal tax examinations by tax authorities before 2018.

Functional expense allocation: The costs of providing the programs and supporting services have been reported on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Program and supporting expenses, when specifically identifiable, are classified to the function which incurred the expense. Expenses allocated using management's estimate of time spent include payroll, employee benefits, and retirement plan expenses. Expenses allocated using management's estimate of usage include professional services, certain insurance, and depreciation and amortization. Lastly, expenses allocated using square footage include rent and utilities.

Reclassification: Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation. Net assets and changes in net assets were unchanged due to these reclassifications.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Newly adopted accounting pronouncements: In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization adopted this standard retrospectively in the current year. The adoption of this ASU did not have a significant impact on the consolidated financial statements.

Recent accounting pronouncements: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU will require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities apart from contributions of cash or other financial assets. The ASU will also require enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods beginning after June 15, 2022 (the Organization's June 30, 2022 consolidated financial statements), with early adoption permitted. The Organization is currently evaluating the impact this ASU will have on the consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases, (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principal of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance capital leases. The standard is effective for annual periods beginning after December 15, 2021 (the Organization's June 30, 2023 consolidated financial statements), with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

Subsequent events: Management has evaluated all events subsequent to the consolidated statements of financial position date of June 30, 2021, through November 3, 2021, which is the date the consolidated financial statements were available to be issued. There were no subsequent events, other than those disclosed in Note 10, that would require adjustment to or disclosure in the accompanying consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Availability and Liquidity

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. Generally, the Organization strives to maintain a minimum amount of cash on hand equal to 90 days of operating expense. Additionally, the Organization may draw upon its line of credit (see Note 10) to manage cash flows should the liquidity need arise. The following represents the Organization's financial assets available to meet general expenditures over the next 12 months at June 30:

	2021	2020
Cash and cash equivalents, less use restrictions of \$6,400 and \$13,750 at June 30, 2021 and 2020, respectively	\$ 8,915,159	\$ 8,425,859
Accounts receivable	204,399	57,641
Unconditional promises to give (due in less than one year)	151,913	123,952
Estate receivable	1,570,860	-
Mortgages receivable (due in less than one year)	113,539	114,471
	<u>\$ 10,955,870</u>	<u>\$ 8,721,923</u>

Note 3. Unconditional Promises to Give and Estate Receivable

Unconditional promises to give and estate receivable consist of the following at June 30:

	2021	2020
Gross unconditional promises to give	\$ 2,004,585	\$ 237,884
Less allowance for uncollectible promises	(56,000)	(28,000)
Less unamortized discount	(30,240)	(10,603)
Unconditional promises to give, net	<u>\$ 1,918,345</u>	<u>\$ 199,281</u>

	2021	2020
Amounts due in:		
Less than one year	\$ 1,722,773	\$ 123,952
One to four years	281,812	113,932
	<u>\$ 2,004,585</u>	<u>\$ 237,884</u>

Promises to give with due dates extending beyond one year are discounted to present value using treasury bill rates with similar term investments with an added amount for economic uncertainty. The applicable discount rate for amounts due in more than one year was approximately 3%.

At June 30, 2021 and 2020, approximately \$20,000 and \$26,000 respectively, of unconditional promises to give were deemed uncollectible and written off.

During 2021, the Organization was named a 5% beneficiary in an estate and trust which became irrevocable in May 2021. The gift was made without donor restriction. As of June 30, 2021, the Organization has an outstanding estate receivable balance of approximately \$1,570,000 which is expected to be collected during fiscal year 2022.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

	2021	2020
Vehicles	\$ 183,745	\$ 215,061
Furniture and fixtures	96,423	96,423
Land	-	232,787
Buildings	192,267	516,311
Leasehold improvements	405,773	373,030
Signage	45,254	41,908
Construction equipment	52,690	52,690
Office equipment	213,040	257,290
	<u>1,189,192</u>	<u>1,785,500</u>
Less accumulated depreciation	(770,540)	(789,989)
	<u>\$ 418,652</u>	<u>\$ 995,511</u>

Depreciation expense was approximately \$131,000 and \$147,000 for the years ended June 30, 2021 and 2020, respectively.

Note 5. Mortgages Receivable, Net

Mortgages receivable, net consist of the following at June 30:

	2021	2020
Non-interest bearing loans at par value	\$ 1,368,981	\$ 1,487,555
Less unamortized discount based on imputed interest	(650,185)	(709,443)
	<u>\$ 718,796</u>	<u>\$ 778,112</u>

All loans were deemed performing as of June 30, 2021 and 2020. Loans are deemed performing if they are less than 90 days delinquent, or if on an approved payment plan and current with the terms of the plan. No amounts were past due as of June 30, 2021 and 2020.

As of June 30, 2021, the balances due on the mortgages that are scheduled to be received for the next five years and thereafter are as follows:

Years ending June 30,	
2022	\$ 113,539
2023	106,033
2024	101,134
2025	95,047
2026	82,356
Thereafter	870,872
	<u>\$ 1,368,981</u>

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Mortgages Receivable, Net (Continued)

The initial amount of each mortgage loan approximates the Organization's cost to build the house, plus mortgage discount expense. The residential mortgage loans have been discounted to reflect their economic value. The interest rates used to determine the discount range from 3.0% to 10.0% and are based on prevailing market rates, as provided by either Habitat International or applicable federal rates, in the year the mortgage originated. The discount rate used for each of the years ended June 30, 2021 and 2020, was 7.66%. The discount is calculated by computing the present value of each of the non-interest-bearing notes using the applicable discount rate.

The Organization typically sells mortgages receivable to various financial institutions at face value. During the years ended June 30, 2021 and 2020, the Organization sold mortgages receivable with a face value of \$11.2 million and \$9.9 million, respectively. The Organization recognized no gain on sale of mortgages during the year ended June 30, 2021. The Organization recognized a gain on sale of mortgages of approximately \$98,000 during the year ended June 30, 2020.

The Organization services loans which it had sold to various banks. Under the agreements with the banks, the Organization agrees to service all loans in accordance with all applicable federal and state laws and regulations, and customary practices, policies and procedures for servicing residential mortgage loans. Additionally, in the event a loan becomes in default, the loan is subject to certain recourse by the bank.

Note 6. Beneficial Interest in Assets Held By Foundations

The Organization established funds, with the use of net assets with donor restrictions, within the Pinellas Community Foundation (PCF) in the amount of \$10,000 and Community Foundation of Tampa Bay (CFTB) in the amount of \$10,000 and named the Organization as beneficiary of each fund (original funds). During 2021, with the use of net assets without donor restrictions, the Organization established additional funds within PCF in the amount of \$1,000,000 and CFTB in the amount of \$500,000 and named the Organization as beneficiary of each fund. The various fund agreements grant variance power to the respective Community Foundations, which allows the respective Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the respective Community Foundation's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The source of the funds originated from contributions without restrictions. Earnings on the funds, net of any service fees, will be periodically distributed to the Organization in accordance with the agreement. The Organization has received approximately \$39,000 and \$1,000 in earnings on these accounts for the years ended June 30, 2021 and 2020, respectively. The portfolio is managed by an investment company with oversight by PCF and CFTB. As of June 30, 2021 and 2020, the Organization's investment in beneficial interest in assets held by community foundations totaled approximately \$1,561,000 and \$22,000, respectively.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurement

The Organization's investments are reported at fair value in the accompanying consolidated statements of financial position.

Fair value of assets measured on a recurring basis at June 30, 2021 and 2020, is as follows:

	Estimated Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
2021				
Estate receivable	\$ 1,570,860	\$ -	\$ -	\$ 1,570,860
Beneficial interest in assets held by community foundations	1,561,014	-	-	1,561,014
	<u>\$ 3,131,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,131,874</u>

	Estimated Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
2020				
Beneficial interest in assets held by community foundations	\$ 22,135	\$ -	\$ -	\$ 22,135

The beneficial interest in assets held by community foundations are managed by two independent third-party trustees, and the Organization has no authority over investment decisions. The trust assets are valued based upon the third-party information without adjustment. The Organization does not develop, nor are they provided with, the quantitative inputs used to develop the fair market values. Thus, the beneficial interest in assets held by community foundations are classified as Level 3 within the fair value hierarchy level.

The estate receivable is valued based on the Organization's percentage ownership of the underlying assets held by the trust adjusted for expected expenses of the estate. Thus the estate receivable is classified as Level 3 within the fair value hierarchy level.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurement (Continued)

During the years ending June 30, 2021 and 2020, there were no transfers into and out of Level 3 investments. The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2021 and 2020.

	2021		
	Estate Receivable	Beneficial Interest in Assets Held by Community Foundations	Total
Beginning balance	\$ -	\$ 22,135	\$ 22,135
Additions	1,570,860	1,500,000	3,070,860
Change in beneficial interests	-	38,879	38,879
Ending balance	<u>\$ 1,570,860</u>	<u>\$ 1,561,014</u>	<u>\$ 3,131,874</u>
	2020		
	Estate Receivable	Beneficial Interest in Assets Held by Community Foundations	Total
Beginning balance	\$ -	\$ 20,000	\$ 20,000
Change in beneficial interests	-	2,135	2,135
Ending balance	<u>\$ -</u>	<u>\$ 22,135</u>	<u>\$ 22,135</u>

Note 8. Investment in Joint Venture

The Organization participates in New Markets Tax Credit (NMTC) programs. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. The programs provide funds to eligible organizations for investment in “qualified low-income community investment”. Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In August 2012, the Organization invested, along with other Habitat affiliates, in a joint venture (CCML Leverage II LLC) to take advantage of NMTC financing. As a result, the Organization invested \$100,000 of cash plus a leverage amount of construction in process value of \$1,330,132. With this initial investment, the Organization was able to secure a 16-year loan in the amount of \$1,880,000 payable to CCM Community Development XXVII (CCM), an affiliate of the joint venture. The loan accrued interest only for years one through seven at a reduced rate of .7608%. Beginning in years eight through 15, the principal balance of the loan was reduced by an eight-year amortization at the same rate of .7608% (see Note 10). During the year ended June 30, 2020, the loan was forgiven and CCML Leverage II LLC was dissolved. All remaining income was distributed to the Organization. The Organization recognized approximately \$300,000 of forgiveness of debt income during the year ended June 30, 2020.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Investment in Joint Venture (Continued)

In December 2019, the Organization invested in a partnership (Habitat Pinellas Leverage III, LLC), with 95.0% ownership to take advantage of NMTC financing. As a result, the Organization has invested \$4,032,750 and was able to secure two 20-year loans in the amount of \$4,245,000 and \$1,755,000 payable to a community development entity. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in qualified census tracts and selling all homes to low income persons. The loans are interest only for years one through seven at a reduced rate of 0.7076% per year. Beginning in year eight through year 20 the principal balance of the loan is reduced by a twelve-year amortization at the same rate of 0.7076%. In December 2026, Hancock Whitney New Markets Investor 37, LLC (the Fund), and the upstream effective owner of Hancock Whitney New Markets CDE 37, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement, Habitat Pinellas Leverage III, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund.

Investments in joint ventures are accounted for under the equity method, with the Organization's share of the operating results of the joint venture reflected in investment income from joint venture. During each of the years ended June 30, 2021 and 2020, investment income from joint ventures was approximately \$30,800 and \$2,000, respectively, and is included in investment income on the consolidated statements of activities.

Note 9. Capital Lease Payable

The Organization acquired equipment through capital lease arrangements. Equipment under the capital leases totaled \$77,259 at June 30, 2021 and 2020. Depreciation expense reported in the consolidated statements of activities and changes in net assets for each of the years ended June 30, 2021 and 2020, was approximately \$15,000.

Minimum payments required under the capital lease during the following fiscal years are as follows at June 30, 2021:

Years ending June 30:	
2022	\$ 13,930
2023	13,930
2024	13,930
2025	3,472
Total minimum lease payments	<u>45,262</u>
Less interest portions included in payments	<u>(2,188)</u>
Present value of lease obligations	<u>\$ 43,074</u>

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable

	2021	2020
Loans payable to Habitat International as part of the SHOP 2010 grant, with total monthly payments ranging from \$545 to \$951 at 0% interest; maturing between January 2018 and January 2021. The loans payable were paid in full during fiscal year 2021.	\$ -	\$ 3,692
Loans payable to Habitat International as part of the SHOP 2011 grant with total monthly payments ranging from \$456 to \$971 at 0% interest; maturing between January 2019 and January 2021. The loans payable were paid in full during fiscal year 2021.	-	4,680
Loans payable to Habitat International as part of the SHOP 2012 grant with total monthly payments ranging from \$290 to \$362 at at 0% interest; maturing between July 2019 and January 2022.	795	1,476
Loans payable to Habitat International as part of the SHOP 2013 grant with total monthly payments ranging from \$74 to \$444 at 0% interest; maturing between July 2020 and January 2023.	12,667	24,091
Loan payable to Habitat International as part of the SHOP 2014 grant with monthly payments of \$520 beginning January 2018, at 0% interest; maturing January 2022.	5,760	10,960
Loan payable to Habitat International as part of the SHOP 2015 grant with monthly payments of \$677 beginning July 2019, at 0% interest; maturing July 2023.	19,637	26,407

(Continued)

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable (Continued)

	2021	2020
Loans payable to Habitat International as part of the SHOP 2016 grant with total monthly payments ranging from \$70 to \$768 beginning January 2020, at 0% interest; maturing through January 2026.	\$ 84,634	\$ 89,000
Loans payable to Habitat International as part of the SHOP 2017 grant with total monthly payments ranging from \$145 to \$510 beginning January 2022, at 0% interest; maturing through July 2026.	106,250	40,625
Loans payable to Habitat International as part of the SHOP 2018 grant with total monthly payments ranging from \$221 to \$515 beginning July 2022, at 0% interest; maturing through July 2026.	35,500	-
Loan payable to Habitat International as part of the SHOP 2019 grant with monthly payments of \$528 beginning January 2023, at 0% interest; maturing January 2027.	25,375	-
Note payable from Pinellas Funding to PNC Community Development Company, LLC for \$1,004,236 with monthly payments of \$2,843 at 0% interest until maturity at June 2043; collateralized by assignment of notes (see Note 16).	660,796	771,110
Note payable to Hancock Whitney New Markets CDE 37, LLC (see Note 9), debt requires interest only. Loan A \$4,245,000 and Loan B \$1,755,000. Debt requires interest only payments through December 2026 and matures in December 2039. The loan is secured by substantially all the assets acquired by the Organization from the loan proceeds. Debt has a put option feature that is exercisable on December 25, 2026.	6,000,000	6,000,000
Two (2) notes payable to the City of St. Petersburg for purchase of land with 0% interest, and collateralized by real property. The loans are forgiven if the home is owned by an eligible homeowner through January 2032.	24,000	-
Three (3) \$15,000 notes payable to the City of St. Petersburg for three parcels of land with 0% interest, and collateralized by real property. The loans are forgiven if the home is owned by an eligible homeowner beginning February 2030 through March 2030.	45,000	45,000

(Continued)

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable (Continued)

	2021	2020
Note payable to Pinellas County for the purchase of Habitat Pinellas Park Sub property with 0% interest. Effective October 2022, the loan was extended to have principal payments due at the earlier of the borrowers' sale of the property or March 2023.	\$ 700,000	\$ 840,000
\$192,250 available note payable to Pinellas County for the purchase and development of property with 0% interest and a maturity date of February 2023, collateralized by the property. No payments were due until the earlier of the maturity date or the date the property was sold. The note payable was paid in full during fiscal year 2021.	-	31,250
\$192,250 available note payable to Pinellas County for the purchase and development of property with 0% interest and a maturity date of February 2023, collateralized by the property. No payments are due until the earlier of the maturity date or the date the property is sold.	31,250	31,250
\$212,500 note payable to Pinellas County for the purchase and development of property with 0% interest and a maturity date of December 2021, collateralized by the property. Repayment of the balance will be forgiven upon the sale of the property as approved by Pinellas County. The Organization is required to remain in compliance with a land use restriction for 14 years.	210,000	205,000
Note payable of \$90,000 to Pinellas County for the purchase of property with 0% interest. Principal is due at the earlier of the borrowers' sale of the property or March 2023.	90,000	-
Paycheck Protection Program note payable with 1% interest and was scheduled to mature in April 2022. During 2021, the Organization received notification from the Small Business Administration the entire outstanding principal amount and accrued interest was forgiven.	-	536,607
Note payable of \$410,000 to a bank to refinance outstanding note payable. The note accrued interest at 4.75% and required monthly principal and interest payments of \$4,312 through August 2029. The loan was collateralized by Madison St. building. The note payable was paid off in full during fiscal year 2021.	-	357,550

(Continued)

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable (Continued)

	2021	2020
Note payable of \$166,884 to Pasco County for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021.	\$ 104,303	\$ 125,163
Note payable of \$244,000 to Pasco County for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	211,467	244,000
Note payable of \$12,900 to Pasco County for the purchase of Leisure Lane property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	12,900	12,900
Note payable of \$18,861 to Pasco County for the purchase of Leisure Lane property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	18,861	18,861
Note payable of \$10,460 to Pasco County for the purchase of Van Doren Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	10,460	10,460
Note payable of \$20,600 to Pasco County for the purchase of Van Doren Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	20,600	20,600
Note payable of \$35,000 to City of Clearwater for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or March 2023.	35,000	-
Note payable of \$500,000 to City of Clearwater for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or June 2023.	50,000	-
Note payable of \$130,000 to City of Clearwater for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or April 2023.	130,000	-
	8,645,255	9,450,682
	(170,670)	(185,872)
Debt issuance costs, net of accumulated amortization	\$ 8,474,585	\$ 9,264,810

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable (Continued)

The following is a summary of future contractual debt maturities during each of the following years ending June 30:

2022	\$ 629,947
2023	875,962
2024	191,453
2025	93,784
2026	74,076
Thereafter	6,780,033
	<u>\$ 8,645,255</u>

Effective October 2021, the Organization entered into a loan agreement for \$1.6 million to facilitate the purchase of land. The loan bears interest at Prime less 0.25% with a floor of 3%. Repayment of the loan in the amount of \$1 million is due upon receipt of grant funding by Habitat. The remainder of the note is to be repaid with 100% of loan proceeds from sale of each home with any remaining amounts due at maturity, August 2023.

Undisbursed commitments to borrow: In the ordinary course of business, the Organization has entered into various lending arrangements, which include undisbursed commitments to borrow. Undisbursed commitments to borrow and the available borrowing amount at June 30, 2021, are as follows:

	Total Commitment	Available as of June 30, 2021
\$192,250 available note payable to Pinellas County for the purchase and development of property with 0% interest and a maturity date of February 2023, collateralized by the property. No payments are due until the earlier of the maturity date or the date the property is sold.	\$ 192,250	\$ 161,000
	<u>\$ 192,250</u>	<u>\$ 161,000</u>

Additionally, the Organization maintains a line of credit through a financial institution that allows the Organization to borrow up to \$350,000 for the purpose of short-term working capital. The outstanding amount of the line of credit plus accrued interest is due on December 31, 2021. Interest is payable monthly at 30-day LIBOR Rate plus 2.5% (with a floor of 3.5% and a ceiling of 5.5%). There were no draws on the line of credit during the years ended June 30, 2021 and 2020.

During the year ended June 30, 2021, the Organization incurred no debt issuance costs in connection with the issuance of notes payable above. During the year ended June 30, 2020, the Organization incurred debt issuance costs of approximately \$220,000 in connection with the issuance of notes payable. Debt issuance costs are presented as a reduction of notes payable to be amortized over the term of the loan. The components of debt issuance costs are as follows at June 30:

	2021	2020
Loan costs	\$ 184,509	\$ 191,088
Less accumulated amortization	(13,839)	(5,216)
Total direct debt costs, net	<u>\$ 170,670</u>	<u>\$ 185,872</u>

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Notes Payable (Continued)

Interest expense related to the direct debt costs for the years ended June 30, 2021 and 2020, was approximately \$15,000 and \$51,000, respectively.

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows at June 30:

	2021	2020
Subject to expenditure for specified purpose or time restriction:		
Unconditional promises to give, net of unamortized discount	\$ 403,485	\$ 227,281
Estate receivable	1,570,860	-
Use restriction	6,400	13,750
Donated labor and materials	26,000	94,500
Donated land	162,682	113,389
Subject to spending policy:	2,169,427	448,920
Beneficial interest in assets held by community foundations	20,000	20,000
	<u>\$ 2,189,427</u>	<u>\$ 468,920</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time were as follows for the years ended June 30:

	2021	2020
Unconditional promises to give, net of unamortized discount	\$ 144,096	\$ 168,625
Use restriction	13,750	97,500
Donated labor and materials	94,500	56,000
Donated land	53,410	152,064
	<u>\$ 305,756</u>	<u>\$ 474,189</u>

Note 12. Leases

The Organization leases its office and two ReStore locations under non-cancelable operating lease agreements with expiration dates through September 2026. In addition to monthly base rent, the Organization is required to pay 5% of ReStore sales to the landlord. Total rent expense was approximately \$484,000 and \$428,000 for the years ended June 30, 2021 and 2020, respectively.

Based on the terms of the agreements, the minimum payments, excluding the percentage of Habitat ReStore's gross sales, due on all leases are as follows at June 30, 2021:

Years ending June 30:	
2022	\$ 593,683
2023	470,175
2024	486,411
2025	503,173
2026	509,526
Thereafter	77,939
	<u>\$ 2,640,907</u>

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Commitments and Contingencies

Litigation: The Organization is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the Organization's consolidated financial position or the results of its operations.

Grantors: Certain expenditures incurred by the Organization are subject to audit and possible disallowance by federal and state agencies. Management believes that, if audited, an adjustment for disallowed expenses would be immaterial. Additionally, certain properties sold maintain land use restrictions over a period of time which require the properties to be owned by families of low-income. Noncompliance with the land use restriction could result in repayment of all or a portion of previous amounts forgiven. Management believes the Organization is in compliance with land use restrictions through June 30, 2021.

COVID-19: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be on the Organization. The extent of the impact of COVID-19 on the Organization's operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

During 2020, the Organization received proceeds from the Paycheck Protection Program (see Note 10). During 2021, under the terms of the loan, the entire outstanding principal balance and accrued interest was forgiven. The Small Business Administration has the ability to review the original application and forgiveness application for six years to assess compliance with the CARES Act. Management believes the Organization is in compliance with the CARES Act and does not anticipate repayment of any amounts forgiven.

Note 14. Transactions With Habitat International

The Organization remits a portion of its contributions without donor restrictions to Habitat International as tithe to support its operations. The Organization contributed \$210,000 and \$150,000 to Habitat International during the years ended June 30, 2021 and 2020, respectively. These amounts are included in program services expense in the consolidated statements of activities and changes in net assets.

Note 15. Community Development Block Grant

On June 15, 2006, the Organization was awarded a Community Development Block Grant (Grant) from Pinellas County, Florida in the amount of \$350,000. Under the Grant, the Organization acquired 2.5 acres of land in Dunedin, Florida and constructed 18 affordable home ownership housing units. If the homebuyer sells the property between years six and 20, the Organization is required to return a prorated portion of the funds back to Pinellas County. The Organization has recorded a second mortgage on the properties to secure its interest in the properties. Both an asset for the second mortgage and a corresponding liability of \$350,000 due to Pinellas County, are recorded as a deferred affordable housing note, and are reflected in the June 30, 2021 and 2020, consolidated statements of financial position. The amounts will be forgiven in 2026 if the homebuyers do not sell the properties.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Sale of Mortgages With PNC Bank

In August 2013, Pinellas Funding was formed as a single member LLC with Habitat as the member. During 2014, Pinellas Funding acquired seven mortgages from Habitat with a carrying value of \$666,422. Pinellas Funding then entered into a note purchase agreement with PNC Bank. Pinellas Funding authorized the issuance and sale of the mortgages with a face value of \$1,004,236 to PNC Bank for \$666,422 on August 29, 2013. This transaction did not meet the requirements under ASC 860 to be treated as a sale due to the Organization maintaining effective control and involvement with the mortgage receivables. Accordingly, the mortgages receivable were not derecognized and are recorded in other mortgages receivable in the accompanying consolidated statements of financial position in the amount of approximately \$661,000 and \$771,000 at June 30, 2021 and 2020, respectively. Additionally, the Organization recorded a note payable due to PNC Bank. See Note 10 for the terms and outstanding balance of the offsetting PNC note payable at June 30, 2021 and 2020.

Note 17. Retirement Plan

The Organization has a 401(k) profit sharing plan that provides for a discretionary matching contribution. For the years ended June 30, 2021 and 2020, the Organization made contributions of approximately \$56,000 and \$31,000, respectively.

Note 18. Conditional Promises to Give from Grantors

The Organization has conditional federal grants of approximately \$221,000 as of June 30, 2021. Future payments are contingent upon the Organization carrying out certain activities (meeting grant imposed barriers) stipulated by the grant.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2021**

Federal Agency Pass-Through Entity Federal Program Pass-Through Entity Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of the Treasury:				
Direct Award				
COVID-19 - Coronavirus Relief Fund	21.019	Not Applicable	\$ 378,971	\$ -
Total Assistance Listing Number 21.019			<u>378,971</u>	<u>-</u>
Subtotal – (U.S. Department of the Treasury)			<u>378,971</u>	<u>-</u>
U.S. Department of Housing and Urban Development (HUD):				
Passed through Pinellas County, Florida				
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	350,000 *	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	205,000 *	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	5,000	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	90,000	-
Passed through City of Clearwater, Florida				
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	35,000	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	15,000	-
Passed through City of St. Petersburg, Florida				
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	750	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	7,714	-
Total Assistance Listing Number 14.218			<u>708,464</u>	<u>-</u>
Passed through City of St. Petersburg, Florida				
HOME Investment Partnerships Program	14.239	Not Applicable	15,000 *	-
HOME Investment Partnerships Program	14.239	Not Applicable	15,000 *	-
HOME Investment Partnerships Program	14.239	Not Applicable	15,000 *	-
HOME Investment Partnerships Program	14.239	Not Applicable	14,000	-
HOME Investment Partnerships Program	14.239	Not Applicable	14,000	-
HOME Investment Partnerships Program	14.239	Not Applicable	10,000	-
HOME Investment Partnerships Program	14.239	Not Applicable	14,000	-
Total Assistance Listing Number 14.239			<u>97,000</u>	<u>-</u>
Passed through Habitat for Humanity International, Inc.				
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	200,931 *	-
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	126,500	-
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	379,500	-
Total Assistance Listing Number 14.247			<u>706,931</u>	<u>-</u>
Passed through City of Clearwater, Florida				
Neighborhood Stabilization Programs (Recovery Act Funded)	14.256	Not Applicable	50,000	-
Total Assistance Listing Number 14.256			<u>50,000</u>	<u>-</u>
Passed through Habitat for Humanity International, Inc.				
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	Not Applicable	45,154	-
Total Assistance Listing Number 14.252			<u>45,154</u>	<u>-</u>
Subtotal—(HUD)			<u>1,607,549</u>	<u>-</u>
Total federal awards			<u>\$ 1,986,520</u>	<u>\$ -</u>

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2021**

State Agency Pass-Through Entity State Award Pass-Through Entity State Project	State CSFA Number	Agency or Pass-Through Identifying Number	State Expenditures	Passed Through to Subrecipients
Florida Housing Finance Corporation				
Passed through Pinellas County, Florida				
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	\$ 240,000	* \$ -
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	31,250	* -
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	31,250	* -
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	130,572	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	19,586	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	126,168	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	18,925	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	145,975	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	21,896	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	123,835	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	18,575	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	106,931	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	16,040	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	92,239	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	13,885	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	126,228	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	18,934	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	140,385	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	21,058	-
Passed through City of Clearwater, Florida				
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	128,190	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	15,383	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	130,000	-
Passed through Pasco County, Florida				
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	50,000	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	50,000	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	50,000	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	50,000	-
State Housing Initiatives Partnership Program (SHIP)	40.901	Not Applicable	50,000	-
Total CSFA # 40.901			<u>1,967,305</u>	-
Subtotal—(Florida Housing Finance Corporation)			<u>1,967,305</u>	-
Total state financial assistance			<u>\$ 1,967,305</u>	<u>\$ -</u>

* This represents the balance of a loan from a previous year which the federal government imposes the continuing compliance requirements.

See accompanying notes to schedule of expenditures of federal awards and state assistance and independent auditor's report.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Habitat for Humanity of Pinellas County, Inc. (Habitat). The information in this schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of Habitat, it is not intended to and does not present the financial position, changes in net assets or cash flows of Habitat.

Some amounts presented in the schedule may differ from amounts presented or used in the preparation of the consolidated financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

Habitat has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 4. Self-Help Homeownership Opportunity Program

HUD's Self-Help Homeownership Opportunity Program (SHOP) grants and loans were passed through to Habitat by Habitat for Humanity International, Inc. (Habitat International). The SHOP Agreement stipulates that 75% of each sub-grant from Habitat International to the affiliate is in the form of a grant and 25% is in the form of a loan. The awards provided under CFDA 14.247 for SHOP were as follows for the year ended June 30, 2021:

Pass-Through Grantor	Identifying Number	Federal Expenditures
Habitat International	SHOP 2010 – Existing Loans	\$ 3,692 *
Habitat International	SHOP 2011 – Existing Loans	4,680 *
Habitat International	SHOP 2012 – Existing Loans	1,476 *
Habitat International	SHOP 2013 – Existing Loans	24,091 *
Habitat International	SHOP 2014 – Existing Loans	10,960 *
Habitat International	SHOP 2015 – Existing Loans	26,407 *
Habitat International	SHOP 2016 – Existing Loans	89,000 *
Habitat International	SHOP 2017 – Existing Loans	40,625 *
Habitat International	SHOP 2017 – New Loans (25%)	65,625
Habitat International	SHOP 2018 – New Loans (25%)	35,500
Habitat International	SHOP 2019 – New Loans (25%)	25,375
		<u>327,431</u>
Habitat International	SHOP 2017 – New Grant (75%)	196,875
Habitat International	SHOP 2018 – New Grant (75%)	106,500
Habitat International	SHOP 2019 – New Grant (75%)	76,125
		<u>379,500</u>
		<u>\$ 706,931</u>

*Represents the balance of a loan from a previous year that the federal government imposes the continuing compliance requirements equaling \$200,931.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 5. Loans

Habitat has the following loan balances at June 30, 2021:

Assistance Listing Number	Description	Original Loan Amount	Balance at July 1, 2020	New Loans	Payments	Balance at June 30, 2021
14.218	Shady Grove	\$ 350,000	\$ 350,000	\$ -	\$ -	\$ 350,000
14.218	Ridgecrest/Largo	205,000	205,000	5,000	-	210,000
14.218	1204 Gooden Crossing	90,000	-	90,000	-	90,000
14.218	1404 Taft Street	35,000	-	35,000	-	35,000
14.239	3818 14th Ave S.	15,000	15,000	-	-	15,000
14.239	3743 31st Ave S.	15,000	15,000	-	-	15,000
14.239	1220 22nd Ave S.	15,000	15,000	-	-	15,000
14.239	1127 Fargo Street	10,000	-	10,000	-	10,000
14.239	2119 Union Street	14,000	-	14,000	-	14,000
14.247	SHOP 2010 – Loans	45,778	3,692	-	(3,692)	-
14.247	SHOP 2011 – Loans	46,665	4,680	-	(4,680)	-
14.247	SHOP 2012 – Loans	20,881	1,476	-	(681)	795
14.247	SHOP 2013 – Loans	57,416	24,091	-	(11,424)	12,667
14.247	SHOP 2014 – Loans	25,000	10,960	-	(5,200)	5,760
14.247	SHOP 2015 – Loans	32,500	26,407	-	(6,770)	19,637
14.247	SHOP 2016 – Loans	23,750	89,000	-	(4,366)	84,634
14.247	SHOP 2017 – Loans	40,625	40,625	65,625	-	106,250
14.247	SHOP 2018 – Loans	65,625	-	35,500	-	35,500
14.247	SHOP 2019 – Loans	35,500	-	25,375	-	25,375
14.256	1304 Pennsylvania	50,000	-	50,000	-	50,000

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Habitat for Humanity of Pinellas County, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity of Pinellas County, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated November 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

St. Petersburg, Florida
November 3, 2021

**Independent Auditor's Report on Compliance for Each Major Federal Program
And on Internal Control Over Compliance Required by the Uniform Guidance;
and State of Florida Chapter 10.650, Rules of the Auditor General**

Board of Directors
Habitat for Humanity of Pinellas County, Inc.

Report on Compliance for Each Major Federal Program

We have audited Humanity of Pinellas County, Inc. and Subsidiaries' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Organization's major federal program and major state financial assistance project for the year ended June 30, 2021. The Organization's major federal program and major state financial assistance project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program and state financial assistance project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance and State of Florida Chapter 10.650, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and major state financial assistance project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program and Major State Financial Assistance Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and major state financial assistance project for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and major state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Florida Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program and state financial assistance project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

St. Petersburg, Florida
November 3, 2021

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section I – Summary of Auditor’s Report

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes **X** No

Significant deficiency(ies) identified? Yes **X** None reported

Noncompliance material to financial statements noted? Yes **X** No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes **X** No

Significant deficiency(ies) identified? Yes **X** None reported

Type of auditor’s report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes **X** No

Identification of major federal programs

Assistance Listing Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant/Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000

Auditee qualified as low-risk auditee? **X** Yes No

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021**

State Financial Assistance

Internal control over major state financial assistance project:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for major
state financial assistance project:

_____ Unmodified _____

Any audit findings disclosed that are required to be reported
in accordance with Chapter 10.650, *Rules of the Auditor
General of the State of Florida*

_____ Yes X No

Identification of major state financial assistance projects

CSFA Number	Name of State Financial Assistance Project
40.901	State Housing Initiatives Partnership Program (SHIP)

Dollar threshold used to distinguish between Type A and Type B
state financial assistance projects:

_____ \$750,000 _____

Section II – Financial Statement Findings

None Reported.

Section III – Findings and Questions Costs for Federal Awards and State Financial Assistance

None Reported.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary Schedule of Prior Audit Findings*.