

**RUTHERFORD COUNTY AREA
HABITAT FOR HUMANITY, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2021 AND 2020**

**RUTHERFORD COUNTY AREA
HABITAT FOR HUMANITY, INC.
FINANCIAL STATEMENTS
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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rutherford County Area Habitat for Humanity, Inc.

I have audited the accompanying financial statements of Rutherford County Area Habitat for Humanity, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutherford County Area Habitat for Humanity, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Tim Montgomery, CPA PLLC

October 28, 2021
Murfreesboro, Tennessee

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,914,350	\$ 1,940,644
Restricted cash and cash equivalents	125,515	489,450
Accounts receivable	4,118	19,620
Prepaid expenses	43,900	43,900
ReStore inventory	18,777	11,737
Construction in process/lots held	2,025,221	1,770,200
Property and equipment, net	860,486	896,037
Mortgage notes receivable, net of discounts	<u>1,941,393</u>	<u>1,880,193</u>
TOTAL ASSETS	<u><u>\$6,933,760</u></u>	<u><u>\$7,051,781</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 40,080	\$ 6,577
Other accrued expenses	29,482	27,941
Refundable advance - PPP loan	-	26,065
Lines of credit	884,243	1,165,979
Notes payable, secured by mortgages, net of unamortized discount	<u>1,122,506</u>	<u>1,225,909</u>
Total liabilities	<u>2,076,311</u>	<u>2,452,471</u>
Net assets:		
Without donor restrictions	4,542,827	4,229,076
With donor restrictions	<u>314,622</u>	<u>370,234</u>
Total net assets	<u>4,857,449</u>	<u>4,599,310</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$6,933,760</u></u>	<u><u>\$7,051,781</u></u>

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

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Totals	Without donor restrictions	With donor restrictions	Totals
SUPPORT AND REVENUE:						
Grants and contributions	\$ 718,182	\$ 85,000	\$ 803,182	\$ 1,047,949	\$ 360,933	\$ 1,408,882
Transfers to homeowners	967,827	-	967,827	590,331	-	590,331
Mortgage discount amortization	211,985	-	211,985	227,101	-	227,101
Contributions of land, materials, labor	35,132	-	35,132	22,828	-	22,828
Interest income	1,146	-	1,146	723	-	723
ReStore income	429,062	-	429,062	359,874	-	359,874
Other real estate sales, net of costs	193,210	-	193,210	-	-	-
Other income	95,618	-	95,618	83,839	-	83,839
Net assets released from restrictions	140,612	(140,612)	-	107,868	(107,868)	-
Total unrestricted support and revenue	2,792,774	(55,612)	2,737,162	2,440,513	253,065	2,693,578
EXPENSES:						
Program services:						
Construction	1,271,268	-	1,271,268	884,503	-	884,503
ReStore	321,096	-	321,096	329,325	-	329,325
Discounts on mortgage origination	377,036	-	377,036	152,130	-	152,130
Homeowner support ministries	168,851	-	168,851	156,987	-	156,987
Total program services	2,138,251	-	2,138,251	1,522,945	-	1,522,945
Supporting services:						
Fundraising	145,369	-	145,369	149,273	-	149,273
General and administrative	195,403	-	195,403	190,328	-	190,328
Total supporting services	340,772	-	340,772	339,601	-	339,601
Total expenses	2,479,023	-	2,479,023	1,862,546	-	1,862,546
CHANGES IN NET ASSETS	313,751	(55,612)	258,139	577,967	253,065	831,032
NET ASSETS, BEGINNING OF YEAR	4,229,076	370,234	4,599,310	3,651,109	117,169	3,768,278
NET ASSETS, END OF YEAR	\$ 4,542,827	\$ 314,622	\$ 4,857,449	\$ 4,229,076	\$ 370,234	\$ 4,599,310

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

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

2021

	Program Services				Supporting Services				Total 2021	Total 2020
	Construction	ReStore	Discounts on Mortgage Originations	Homeowner Support Ministries	Total Program Services	Fundraising	General and Administrative	Total Supporting Services		
Payroll and related costs	\$ 170,582	\$ 144,840	\$ -	\$ 108,313	\$ 423,735	\$ 127,018	\$ 113,613	\$ 240,631	\$ 664,366	\$ 669,171
Construction materials and supplies	1,009,119	-	-	-	1,009,119	-	-	-	1,009,119	642,645
Mortgage discount	-	-	377,036	-	377,036	-	-	-	377,036	152,130
ReStore costs of operations	-	81,007	-	-	81,007	-	-	-	81,007	67,279
Insurance	30,259	19,081	-	1,131	50,471	1,131	1,134	2,265	52,736	56,039
Depreciation and amortization	2,579	35,415	-	3,759	41,753	3,612	3,016	6,628	48,381	47,098
Family services	-	-	-	42,208	42,208	-	-	-	42,208	6,723
Habitat International tithes and contributions	15,000	-	-	-	15,000	-	17,500	17,500	32,500	27,500
Interest	28,612	275	-	-	28,887	-	-	-	28,887	35,921
Utilities	1,521	20,884	-	2,216	24,621	2,130	1,779	3,909	28,530	31,416
Office supplies	168	4,325	-	1,900	6,393	4,002	16,007	20,009	26,402	20,651
Professional fees	-	-	-	-	-	-	24,454	24,454	24,454	28,911
Repair and maintenance	873	12,741	-	1,271	14,885	1,222	1,020	2,242	17,127	18,345
Miscellaneous	2,040	2,391	-	3,682	8,113	-	4,063	4,063	12,176	10,313
Community events	2,870	-	-	976	3,846	5,446	-	5,446	9,292	8,862
Dues and fees	-	-	-	-	-	-	7,900	7,900	7,900	5,788
Tools	6,671	-	-	-	6,671	-	-	-	6,671	9,216
Bank charges	-	-	-	-	-	-	2,607	2,607	2,607	4,586
Meetings and travel	799	137	-	-	936	-	1,340	1,340	2,276	2,542
Training	-	-	-	1,887	1,887	-	370	370	2,257	9,667
Rental expenses	-	-	-	1,508	1,508	-	-	-	1,508	6,046
Advertising	175	-	-	-	175	808	-	808	983	1,347
Contract labor	-	-	-	-	-	-	600	600	600	1,350
Total expenses	\$ 1,271,268	\$ 321,096	\$ 377,036	\$ 168,851	\$ 2,138,251	\$ 145,369	\$ 195,403	\$ 340,772	\$ 2,479,023	\$ 1,862,546

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

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	2020								
	Program Services			Supporting Services					
	Construction	ReStore	Discounts on Mortgage Origination	Homeowner Support Ministries	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total
Payroll and related costs	\$ 148,410	\$ 162,249	\$ -	\$ 116,318	\$ 426,977	\$ 131,343	\$ 110,851	\$ 242,194	\$ 669,171
Construction materials and supplies	642,645	-	-	-	642,645	-	-	-	642,645
Mortgage discount	-	-	152,130	-	152,130	-	-	-	152,130
ReStore costs of operations	-	67,279	-	-	67,279	-	-	-	67,279
Insurance	34,658	18,118	-	1,087	53,863	1,087	1,089	2,176	56,039
Depreciation and amortization	2,511	34,476	-	3,659	40,646	2,936	3,516	6,452	47,098
Interest	30,841	4,050	-	373	35,264	299	358	657	35,921
Utilities	1,870	23,001	-	2,251	27,122	1,806	2,488	4,294	31,416
Professional fees	-	-	-	11,005	11,005	-	17,906	17,906	28,911
Habitat International tithes and contributions	10,000	-	-	-	10,000	-	17,500	17,500	27,500
Office supplies	72	1,423	-	-	1,495	3,831	15,325	19,156	20,651
Repair and maintenance	959	13,524	-	1,397	15,880	1,121	1,344	2,465	18,345
Miscellaneous	644	4,916	-	3,193	8,753	-	1,560	1,560	10,313
Training	854	289	-	2,376	3,519	1,009	5,139	6,148	9,667
Community events	2,823	-	-	255	3,078	5,784	-	5,784	8,862
Tools	8,216	-	-	-	8,216	-	-	-	8,216
Family services	-	-	-	6,723	6,723	-	-	-	6,723
Rental expenses	-	-	-	6,046	6,046	-	-	-	6,046
Dues and fees	-	-	-	-	-	-	5,788	5,788	5,788
Bank charges	-	-	-	-	-	-	4,586	4,586	4,586
Meetings and travel	-	-	-	1,844	1,844	57	641	698	2,542
Contract labor	-	-	-	-	-	-	1,350	1,350	1,350
Advertising	-	-	-	460	460	-	887	887	1,347
Total expenses	\$ 884,503	\$ 329,325	\$ 152,130	\$ 156,987	\$ 1,522,945	\$ 149,273	\$ 190,328	\$ 339,601	\$ 1,862,546

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

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 258,139	\$ 831,032
Depreciation and amortization	48,381	47,098
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Mortgage loan discount amortization	-	(248,933)
Amortization of discount on note payable	28,612	14,868
Forgiveness of PPP loan	(26,065)	(101,517)
(Increase) decrease in assets:		
Warehouse inventory	(7,040)	1,715
Grants/accounts receivable	15,502	6,096
Construction in process/lots held	(255,021)	(907,407)
Mortgages receivable	(61,200)	111,048
Prepaid expenses	-	(43,901)
Other assets	-	5,000
Increase (decrease) in liabilities:		
Accounts payable	33,503	(4,883)
Accrued expenses	1,541	9,442
Net cash provided by (used in) operating activities	<u>36,352</u>	<u>(280,342)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(12,830)</u>	<u>(47,669)</u>
Net cash used in investing activities	<u>(12,830)</u>	<u>(47,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net advances (repayments) on lines-of-credit	(281,736)	(248,953)
Advances on PPP loan	-	127,582
Proceeds from issuance of note payable	-	1,000,000
Principal paid on long-term debt	<u>(132,015)</u>	<u>(95,939)</u>
Net cash provided by (used in) financing activities	<u>(413,751)</u>	<u>782,690</u>
Net increase (decrease) in cash and cash equivalents	(390,229)	454,679
Cash and cash equivalents, beginning of year	<u>2,430,094</u>	<u>1,975,415</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,039,865</u></u>	<u><u>\$ 2,430,094</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 28,887</u>	<u>\$ 21,053</u>
Cash and cash equivalents reported above:		
Cash and cash equivalents	\$ 1,914,350	\$ 1,940,644
Restricted cash and cash equivalents	<u>125,515</u>	<u>489,450</u>
	<u><u>\$ 2,039,865</u></u>	<u><u>\$ 2,430,094</u></u>

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

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - NATURE OF ORGANIZATION

Rutherford County Area Habitat for Humanity, Inc. ("Habitat" or "Organization"), is a not-for-profit organization, chartered by the State of Tennessee, and is the local affiliate of Habitat for Humanity International ("HFHI") headquartered in Americus, Georgia. The purpose of the Organization is to provide simple, decent, affordable homes for sale to low income families. Homes are sold at no profit and are financed with non-interest-bearing mortgages. The Organization also operates a ReStore in Murfreesboro which receive donated used building materials, appliances, and other items and then resells them to the general public.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.
- Net Assets With Donor Restriction – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions include amounts available for programs and an unamortized discount on a note payable.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent cash the Organization has been required to set aside as a result of its Line of Credit agreement related to the new Legacy Pointe Subdivision. Bank approval is required for expenditures from these funds. See note 10.

Home Sales and Mortgage Notes Receivable

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgage notes receivable. These mortgage payments do not include interest and, accordingly, the mortgages have been discounted at various interest rates based upon prevailing market rates at the inception of the mortgages. The discounted value of the mortgages at the time of sale is generally less than the home's fair market value. Therefore, management believes that losses resulting from non-payment of mortgages are not reasonably probable, and accordingly, no allowance for mortgage notes receivable has been recorded. Past due status is based on contractual terms of the mortgage notes receivable. At 180 days past due, the mortgage notes receivable become subject to foreclosure.

A loan is considered impaired when, based upon current information and events, it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Based on this standard, management has concluded that none of its loans are impaired. Loans are classified as delinquent when payments are over 90 days overdue.

Inventory

For the ReStore operations, contributed inventory is not recorded until it is sold due to the uncertainty of its ultimate value. Purchased inventory is valued at the lower of cost or net realizable value with cost being determined using the first-in, first-out basis method.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Buildings and improvements, including rental property, are depreciated using the straight-line method over an estimated life ranging from ten to thirty-nine years. The remaining assets are depreciated using the straight-line method over three to seven year estimated life.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contribution revenue is recognized when received. Contributed land and equipment are recorded at estimated fair value at the date of the donation. In-kind contributions (primarily construction materials and land for development) are recorded based on their estimated value on the date of receipt.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. Over 870 volunteers have contributed approximately 4,700 hours to construction activities and over 60 volunteers have contributed approximately 200 hours of service in the ReStore.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts, when present, are computed using an interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. Allowances for uncollected promises to give are made when management has determined they are necessary.

ReStore income is generated through the sale of home furnishings, appliances, and other miscellaneous items that are donated or purchased and then sold at a reduced price. The transaction price is a fixed amount set by the Organization, and revenue is recognized at the time of sale, as that is when the performance obligation is satisfied. Historically, sales returns have been insignificant.

Program Services

Program services include construction, ReStore operations, homeowner support services, and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner, including the cost of new homes transferred.

Concentration of Credit Risk

The Organization's credit risk relates to cash and cash equivalents. The Organization maintains deposits at three banks. The deposits in these banks, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021, deposits at two banks exceeded federally insured limits by approximately \$1,906,000. The Organization believes that there is no significant risk with respect to these deposits.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Habitat is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. The Organization does not believe that during the fiscal years ended June 30, 2021 and 2020 that it had unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Use of Estimates

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

Recently Adopted Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which added a new ASC Topic 606 (ASC 606). ASC 606 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. ASC 606 has been adopted for the fiscal year beginning July 1, 2020, using a modified retrospective approach. Under this approach, the Organization's financial statements are prepared under the revised guidance for the year of adoption, but not for prior years, and the Organization recognizes a cumulative adjustment to the opening balance of net assets for any contract that still required performance by the Organization at the date of adoption. The adoption of ASC 606 did not result in any changes required to be recognized by the Organization under this approach.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments (if applicable).

Financial assets:	
Cash and cash equivalents	\$ 1,914,350
Cash and cash equivalents - restricted	125,515
Accounts receivable	4,118
Financial assets, at year-end	<u>2,043,983</u>
Less those unavailable for general expenditure within one year, due to:	
Restricted cash - held for development	(125,515)
Purpose restricted net assets	<u>(314,622)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,603,846</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization also has lines of credit, which it could draw upon in the event of an anticipated liquidity need. Funds available under lines of credit are discussed in Note 7.

NOTE 4 - MORTGAGES RECEIVABLE AND TRANSFERS TO HOMEOWNERS

The Organization recognizes revenue at the time of closing of a sale, when title to and possession of the homes are transferred to homeowners. The Organization's performance obligation, to deliver the agreed-upon home, is satisfied upon delivery at this time.

The Organization records and accounts for mortgage loans receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present values, discount rates are determined based on the market rates for a similar type loan on the date of closing and range from 7.4% to 8.5% for all loans outstanding. Habitat also holds second and/or third mortgages on each home that is not reflected in loans outstanding. These mortgages represent the difference between market value and purchase price of the homes. These mortgages would only be collected if the family sold the property. Habitat holds a right of first refusal on each property.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - MORTGAGES RECEIVABLE (CONTINUED)

The Organization makes mortgage loans in accordance with its stated mission. As such, the Organization has credit exposure in the residential real estate market. No provision for mortgage loan losses has been made.

Future scheduled mortgage payments are summarized as follows:

<u>Year ending June 30,</u>	
2022	\$ 239,987
2023	233,730
2024	231,817
2025	220,468
2026	214,903
Thereafter	<u>3,563,663</u>
	4,704,568
Less discount	<u>(2,763,175)</u>
	<u>\$1,941,393</u>

Age Analysis of Past Due Loans (excluding unamortized discount):

30 - 59 days past due	\$ -
60 - 90 days past due	437,955
91 - 120 days past due	7,091
121 - 150 days past due	54,817
151 - 180 days past due	-
Over 180 days past due	7,896
Current	<u>4,196,809</u>
	<u>\$ 4,704,568</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of each June 30 is as follows:

	2021	2020
Vehicles	\$ 112,651	\$ 112,651
Office furniture and equipment	126,553	117,403
Rental property	46,800	46,800
Building	<u>905,213</u>	<u>901,533</u>
	1,191,217	1,178,387
Less accumulated depreciation	<u>557,966</u>	<u>509,585</u>
	633,251	668,802
Land	<u>227,235</u>	<u>227,235</u>
	<u>\$ 860,486</u>	<u>\$ 896,037</u>

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - PAYCHECK PROTECTION PROGRAM

During 2020, the Organization applied for and was approved for a \$127,582 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was set to accrue interest at 1%, with payments required beginning six months after the funding of the loan. The Organization was eligible for and received loan forgiveness during the fiscal year June 30, 2021. The loan was uncollateralized and was fully guaranteed by the Federal Government.

The Organization spent \$101,517 from the PPP funds through June 30, 2020 and had recognized this amount as a government grant recognizing income under FASB ASC 958. The Organization recognized forgiveness for the remaining \$26,065 during the June 30, 2021 fiscal year.

NOTE 7 - LINES OF CREDIT

The Organization utilized three lines-of-credit with a bank available for its operations. A \$300,000 line secured by the mortgage notes receivable and deeds of trust was paid off in December 2020 and is no longer used.

The second unsecured line for \$100,000 is used for ReStore inventory purchases, and matures November 30, 2021. The interest rate on the line at June 30, 2021 was 7.5%. The balance outstanding at June 30, 2021 and 2020 is \$14,105 and \$7,229, respectively.

The third line is a \$1,298,750 line secured by 4.62 acres (Phase I) in the new Legacy Pointe Subdivision, which is being developed by the Organization. This line matures June 28, 2022. The interest rate on the line at June 30, 2021 was the prime rate minus 4% (currently 0%) and is payable monthly. The balance outstanding at June 30, 2021 and 2020 is \$870,138 and \$1,158,750, respectively. Funds drawn on the line are deposited into a separate bank account and are used to pay costs associated with the development. Lots under development will be used for home construction under the Organization's programs. See Note 10.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - LONG TERM DEBT

Long term debt is composed of the following:

	2021	2020
Note payable to bank; variable interest rate at the bank's index rate minus 4% (currently 0%), maturity date of April 19, 2023.		
The note is secured by real estate.	\$ 427,959	\$ 493,308
Note payable to bank; non-interest bearing, payable in monthly principal installments totalling \$5,556, maturing in December 2034. The note has been discounted using a 4% rate. The note has an undiscounted balance outstanding at June 30, 2021 of \$900,000. Contribution revenue of \$248,933 was recognized during 2020 to present the difference between the undiscounted note payable balance and its present value at time of issuance. The discount is being amortized to interest expense over the respective term of the note. The unamortized discount at June 30, 2021 is \$205,453. The note is secured by specific mortgage notes, deeds of trust and associated documentation.		
	694,547	732,601
	<u>\$ 1,122,506</u>	<u>\$ 1,225,909</u>

Aggregate maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2022	\$ 132,016
2023	429,277
2024	66,667
2025	66,667
2026	66,667
Thereafter	566,665
Total principal maturities	1,327,959
Amounts representing imputed interest	(205,453)
	<u>\$ 1,122,506</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at each June 30 are available for the following purposes:

	2021	2020
Unamortized discount on note payable	\$ 205,453	\$ 234,065
Rehabilitation projects	24,169	24,169
Home sponsorships	85,000	112,000
	<u>\$ 314,622</u>	<u>\$ 370,234</u>

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 - LEGACY POINTE SUBDIVISION

The Organization purchased 17.8 acres in Murfreesboro, Tennessee, which is being used to develop the Legacy Pointe Subdivision. The subdivision is expected to have 77 total lots developed over four phases. Infrastructure costs will be allocated to each lot in the subdivision based on estimates for total costs of the subdivision. Any costs resulting from a change in estimated costs will be allocated to the remaining lots upon their completion. The subdivision is being financed with a line of credit described in Note 7. Advances on the line of credit are required to be deposited into a restricted bank account, whereby the bank approves expenditures from the account. The Organization was also required to transfer \$261,808 cash to the restricted account. These costs are included on the Statements of Financial Position in construction in process/lots held.

In connection with the subdivision, the Organization has two unused letters of credit required by the City of Murfreesboro for certain infrastructure items. A letter of credit in the amount of \$55,000 was established on July 17, 2020 for roads and drainage. A second letter of credit in the amount of \$44,000 was established August 14, 2020 as required by the City of Murfreesboro Engineering Department. These letters of credit would only be recorded in the accounting records if they were to be funded by the issuing bank.

NOTE 11 - 401K PLAN

The Organization has a 401k plan that covers all eligible employees who have reached age 30 and have completed one year of service. Participating employees may contribute up to 96% of their compensation to the plan, subject to IRS limits. The Organization makes a discretionary matching contribution determined annually. For the year ending June 30, 2021 participating employee deferrals were matched 50% up to 3% of eligible compensation. For the year ended June 30, 2021 and 2020 matching contributions were \$5,019 and \$4,574, respectively.

NOTE 12 - TRANSACTIONS WITH HABITAT AFFILIATED ORGANIZATIONS

Habitat voluntarily remits a portion of its cash contributions to HFHI. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$15,000 and \$10,000 to HFHI in 2021 and 2020, respectively.

Habitat remitted \$15,000 in 2021 and 2020 to HFHI in accordance with the U.S. Stewardship and Organizational Sustainability Initiative.

Habitat remitted \$2,500 in 2021 and 2020 to Habitat for Humanity of Tennessee in support of the Tennessee state association.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support services are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by employees.
- Occupancy and depreciation are allocated based on use of the space and the various assets involved in programs and supporting activities.
- Telephone and internet services, insurance, supplies and various other expenses that cannot be directly identified are allocated on the basis of employee costs for each program and supporting activity.

Every three years, or more often when new space or programs are added, the bases on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 14 - CONTINGENCY

During the year, the Organization sold two first mortgages to Tennessee Housing Development Agency (THDA) for \$247,500. A third-party agency contracted by THDA services the mortgages collecting principal and escrow payments from the homeowners. The Organization guarantees payment of the mortgages to THDA for the homeowners. In the event the homeowner defaults on their mortgage, THDA assigns the deed of trust back to the Organization, who would then be able to initiate foreclosure proceedings. Thirty-five mortgages totaling \$2,299,671 are serviced under this arrangement.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2021, which is the date that the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.