

**HABITAT FOR HUMANITY  
OF ANDERSON, INC.**

**FINANCIAL STATEMENTS  
June 30, 2020**

**(With Independent Auditors' Report Thereon)**

# HABITAT FOR HUMANITY OF ANDERSON, INC.

FINANCIAL STATEMENTS  
June 30, 2020

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# MARTIN · SMITH

& COMPANY CPAs

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Habitat for Humanity of Anderson, Inc.  
Anderson, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Habitat for Humanity of Anderson, Inc. as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended.

### **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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Anderson, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Martin Smith & Company CPAs PA*

Greenville, South Carolina  
February 11, 2021

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,061,894
Inventories	88,508
Prepaid expense	9,593
Mortgages receivable - current portion	177,276
Total current assets	<u>1,337,271</u>

**PROPERTY AND EQUIPMENT - NET**

384,140

**OTHER ASSETS**

Mortgages receivable - non-current portion	1,409,040
Land held for development	32,290
Land held for sale	3,000
Total other assets	<u>1,444,330</u>

Total assets \$ 3,165,741

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 3,413
Accrued expenses	132
Notes payable - current portion	16,313
Total current liabilities	<u>19,858</u>

**NON-CURRENT LIABILITIES**

Notes payable - non-current portion	<u>61,987</u>
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Total liabilities 81,845

**NET ASSETS**

Without donor restrictions:	
Invested in property and equipment	384,140
Board designated reserve	191,128
Undesignated	2,508,628
Total net assets	<u>3,083,896</u>

Total liabilities and net assets \$ 3,165,741

See accompanying notes to financial statements.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT:</b>			
Contributions and bequests	\$ 208,875	\$ -	\$ 208,875
In-kind contributions	991,671	-	991,671
Home sales	463,856	-	463,856
ReStore sales	635,156	-	635,156
Miscellaneous income	1,425	-	1,425
Total revenue and support	2,300,983	-0-	2,300,983
<b>EXPENSES:</b>			
Program services:			
ReStore	1,326,219	-	1,326,219
Construction	531,896	-	531,896
Mortgage originations	89,753	-	89,753
Total program services	1,947,868	-0-	1,947,868
Supporting services:			
General and administrative	164,672	-	164,672
Fundraising	78,477	-	78,477
Total supporting services	243,149	-0-	243,149
Total expenses	2,191,017	-0-	2,191,017
Changes in net assets	109,966	-0-	109,966
Net assets at beginning of year	2,973,930	-0-	2,973,930
Net assets at end of year	\$ 3,083,896	\$ -0-	\$ 3,083,896

See accompanying notes to financial statements.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2020

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Construction Supervision and Support</u>	<u>ReStore Retail</u>	<u>Mortgage Originations</u>	<u>Total</u>	<u>Administrative and General</u>	<u>Fundraising and Public Support</u>	
Cost of goods sold	\$ -	\$ 1,017,243	\$ -	\$ 1,017,243	\$ -	\$ -	\$ 1,017,243
Cost of houses sold	500,826	-	-	500,826	4,941	-	505,767
Mortgage discounts	-	-	89,753	89,753	-	-	89,753
Salaries	-	192,004	-	192,004	87,610	47,674	327,288
Health insurance	-	18,755	-	18,755	8,241	5,073	32,069
Payroll taxes	-	14,519	-	14,519	6,214	3,043	23,776
Retirement	-	3,450	-	3,450	1,855	1,396	6,701
Insurance	19,198	19,227	-	38,425	3,073	1,211	42,709
Maintenance	38	4,542	-	4,580	131	-	4,711
Depreciation	-	1,108	-	1,108	10,780	-	11,888
Utilities	-	9,360	-	9,360	900	-	10,260
Telephone	1,250	3,956	-	5,206	2,969	1,044	9,219
Advertising	45	12,273	-	12,318	55	5,105	17,478
Professional services	-	1,800	-	1,800	13,500	-	15,300
Truck expense	2,454	7,941	-	10,395	955	248	11,598
Credit checks and fees	-	9,231	-	9,231	412	-	9,643
Office expense	817	6,908	-	7,725	3,696	-	11,421
Contributions	-	-	-	-	6,000	-	6,000
Miscellaneous	3,713	1,663	-	5,376	8,079	48	13,503
Fundraising	-	-	-	-	-	10,176	10,176
Planning development	-	-	-	-	-	2,705	2,705
Dues and memberships	515	1,340	-	1,855	2,644	642	5,141
Training	527	46	-	573	356	-	929
Volunteer expense	2,513	434	-	2,947	276	-	3,223
Subscriptions	-	419	-	419	650	-	1,069
Postage and freight	-	-	-	-	550	112	662
Board development	-	-	-	-	785	-	785
	<u>\$ 531,896</u>	<u>\$ 1,326,219</u>	<u>\$ 89,753</u>	<u>\$ 1,947,868</u>	<u>\$ 164,672</u>	<u>\$ 78,477</u>	<u>\$ 2,191,017</u>

See accompanying notes to financial statements.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2020**

Cash flows from operating activities:	
Increase in net assets	\$ 109,966
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	11,888
Discounts on mortgages receivable	77,148
Change in donated ReStore inventory, net	1,878
(Increase) decrease in assets:	
Inventories	363
Prepaid expense	(26)
Mortgages receivable	(225,620)
Houses under construction	91,791
Land held for development	9,000
Land held for sale	24,500
Increase (decrease) in liabilities:	
Accounts payable	(10,545)
Accrued expenses	(900)
Net cash provided by operating activities	<u>89,443</u>
Cash flows from investing activities:	
Net cash provided by investing activities	<u>-0-</u>
Cash flows from financing activities:	
Borrowings under notes payable	<u>78,300</u>
Net cash provided by investing activities	<u>78,300</u>
Net increase in cash and cash equivalents	167,743
Cash and cash equivalents at beginning of year	<u>894,151</u>
Cash and cash equivalents at end of year	<u>\$ 1,061,894</u>

See accompanying notes to financial statements.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Nature of Organization**

Habitat for Humanity of Anderson, Inc. (“the Organization” or “Habitat”), is a non-profit organization whose mission is to help low-income individuals and families in Anderson County purchase a home that otherwise could not afford a home. Habitat builds market-quality affordable homes, utilizing volunteer labor, and sells homes to qualified low-income families for minimal cash down. Habitat requires each of its home buyers to provide “sweat-equity” by participating in a significant amount of labor in its home construction program. Each homeowner is provided pre-purchase and post-purchase homeowner education and counseling. The Organization is affiliated with Habitat for Humanity International but is autonomous in its day-to-day operations.

Habitat’s programs are funded through contributions, grants and in-kind donations from individuals, corporations, public agencies, and religious organizations. Habitat’s program services include its home construction program.

In addition to its homebuilding activities, the Organization operates a Habitat for Humanity ReStore (“the ReStore”) as a retail operation where building supplies, not utilized by Habitat in home construction, and home furnishings, appliances and other miscellaneous items donated by the general public are available for sale. All net proceeds from the operation of the ReStore help support and enhance Habitat’s non-profit mission related activities.

b) **Basis of Accounting**

The accompanying financial statements of the Organization have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

c) **Financial Statement Presentation**

These financial statements have been prepared to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with recommendations of the Financial Accounting Standards Board (“FASB”) in the *Accounting Standards Codification* (“ASC”). This guidance requires that unconditional promises to give be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. It establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net assets without donor restrictions** - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors (“the Board”), designated by the Board for specific purposes, or invested in property and equipment.

**Net assets with donor restrictions** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

d) **Contributions and Revenue**

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions.

Contributions are recognized when received. Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions and are reclassified to unrestricted net assets and reported in the Statement of Activities as restricted contributions expended as the restrictions expire.



**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**d) Contributions and Revenue, continued**

Noncash contributions are recorded as support at their estimated fair value at the date they are placed into service or are sold. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

Habitat receives in-kind contributions of materials and supplies used in the construction and furnishing of its homes, which are recorded as donated materials and supplies in the Statement of Activities. Donations of property are recorded in land held for development until the home is constructed and transferred to a homeowner.

Habitat also receives in-kind contributions of furniture, household items, and other material used for resale and operations at the ReStore. Donated inventory items are recorded at estimated fair market value as determined by management using a calculation based on factors such as estimated sales and inventory turnover. When donated inventory items are sold in the ReStore, they are reflected in the cost of goods sold of thrift operations.

Donated services are recognized when the services received create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to Habitat principally in the area of home construction. The value of non-professional contributed time is not reflected in the accompanying financial statements.

**e) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, cash balances in depository institutions, and money market balances.

**f) Inventories**

The Organization's inventory is valued at lower of cost or market value using the retail method.

**g) Mortgages Receivable**

Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments. Habitat records and accounts for non-interest-bearing 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 3% for all loans outstanding. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognizes imputed interest income over the life of the loans. An expense is recorded upon the sale of the homes for the difference between the face value of the mortgage loans receivable and the present value of the loans. Habitat has not established an allowance for doubtful accounts as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible.

**h) Land Held for Development**

Land held for development is stated at the lower of the cost of land and improvements or fair value. When costs exceed fair value a valuation adjustment is recorded to value buildings and real estate based on appraisals and comparable sales in the area.

**i) Land Held for Sale**

From time to time, the Organization receives gifts of property. In accordance with donor intent, the Organization lists the property for sale.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

j) **Property and Equipment**

Property and equipment are stated at cost if purchased or fair market value at the date of donation. Additions of assets valued over \$3,000 are capitalized and major items retired are removed from the accounts. Replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Straight-line depreciation is taken on the recorded value of the property and equipment at annual rates ranging from 2% to 20%. No depreciation is taken on land, land improvements, or construction in progress.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset is less than the carrying value.

k) **Income Taxes**

The Organization is exempt from Federal and State income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. As a result of the implementation of this guidance, the Organization has determined that it has no uncertain tax positions requiring accrual and disclosure.

l) **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.

m) **Statement of Financial Position Presentation**

Assets and liabilities presented in the Statement of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

n) **Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to program and supporting services based on various factors as determined by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Habitat.

2) **CASH AND CASH EQUIVALENTS**

The Organization maintains cash balances at three financial institutions located in South Carolina. Accounts at each institution are protected by depository insurance up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation. At June 30, 2020, the Organization had uninsured cash and cash equivalents balances of \$478,118. At June 30, 2020 the Board has designated \$191,128 in cash as reserves for specific projects.

3) **MORTGAGES RECEIVABLE**

Habitat for Humanity of Anderson, Inc. sells to individuals usually on a twenty year no interest rate loan. The loan is serviced by a local bank and charges Habitat a fee of \$10 per loan it collects on each month.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**3) MORTGAGES RECEIVABLE, Continued**

Mortgages receivable at June 30, 2020 are as follows:

Receivable in less than one year	\$ 177,276
Receivable in more than one year	<u>2,246,437</u>
Total mortgages receivable	2,423,713
Less discounts to net present value	<u>(837,397)</u>
Net mortgages receivable	<u><u>\$ 1,586,316</u></u>

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Mortgages receivable	\$ 177,276	\$ 2,246,437	\$ 2,423,713
Prior year discounts	-	(760,248)	(760,248)
Additional discount 2020	<u>-</u>	<u>(77,149)</u>	<u>(77,149)</u>
	<u><u>\$ 177,276</u></u>	<u><u>\$ 1,409,040</u></u>	<u><u>\$ 1,586,316</u></u>

**4) PROPERTY AND EQUIPMENT**

Furniture and fixtures consist of the following at June 30, 2020:

Vehicles	\$ 34,560
Furniture and fixtures	21,751
Building and improvements	333,248
Land	45,000
Land improvements	9,400
Construction in progress	<u>164,341</u>
	608,300
Less accumulated depreciation	<u>(224,160)</u>
Total property and equipment, net	<u><u>\$ 384,140</u></u>

Depreciation expense for the year ended June 30, 2020 was \$11,888.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**5) RESALE STORE**

The resale store sells items that are donated to the Organization as well as items purchased for resale. Activity for the year ended June 30, 2020 is as follows:

ReStore Sales, including in-kind donations		\$	1,626,827
Beginning inventory	\$		90,749
In-kind donations			972,312
Purchases			42,690
			1,105,751
Less ending inventory			(88,508)
Cost of sales			1,017,243
Gross profit		\$	609,584

**6) NOTES PAYABLE**

Notes payable at June 30, 2020, are as follows:

Note payable to bank under PPP, payable in monthly installments of \$3,262, plus interest at 1%, beginning February 2021, subject to forgiveness.		\$	78,300
Current portion of notes payable			(16,313)
Long term portion of notes payable		\$	61,987

Principal maturities for the note payable shown at June 30, 2020 are as follows:

<u>Years Ending</u>			
2021		\$	16,313
2022			39,144
2023			22,843
		\$	78,300

Interest paid on this note payable for the year ended June 30, 2020, was \$-0-.

The Organization borrowed through the Paycheck Protection Program (“PPP”) under the Corona Aid, Relief, and Economic Security Act (“CARES”). This program allows eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs for the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**6) NOTES PAYABLE, Continued**

The Organization determined its eligibility for PPP and borrowed \$78,300 from a bank under this program in April 2020. The amount borrowed represented the permitted amount based upon eligible payroll costs of the Organization. The terms of the loan require twenty-four monthly payments of \$3,262, including principal and interest at 1%, commencing in February 2021. Management of the Organization is confident that it has expended the loan proceeds in such a manner that it will meet the requirements for full forgiveness of the loan. See Note 12 for further discussion. The Organization owes \$78,300 under this agreement as of June 30, 2020.

**7) HOUSE/LOT SALES**

The Organization sold two houses and lots for the year ended June 30, 2020. The sale and cost are as follows:

Sale of houses and lots	\$	463,856
Cost of houses and lots		<u>(500,826)</u>
Net gain (loss)	\$	<u><u>(36,970)</u></u>

**8) RETIREMENT PLAN**

The Organization has a defined contribution plan covering substantially all of its employees. The contribution is based on the employee's compensation. The contribution for the year ended June 30, 2020 was \$7,137, of which \$436 was capitalized.

**9) CAPITALIZED PAYROLL AND PAYROLL TAXES**

During the year ending June 30, 2020, the Organization included the salary and payroll taxes of the building coordinator in the construction in progress account. As of June 30, 2020, a portion of the expenses remain in construction in progress, and the balance is reflected in the cost of homes sold. Management believes the recording of these expenses gives a more accurate cost of each home sold. Below is a summary of the salaries and payroll taxes expensed and capitalized for the year ending June 30, 2020:

	<u>Total</u>	<u>Expensed</u>	<u>Capitalized</u>
Salaries and benefits	\$ 64,655	\$ 50,328	\$ 14,327
Payroll taxes	<u>4,272</u>	<u>3,325</u>	<u>947</u>
	<u><u>\$ 68,927</u></u>	<u><u>\$ 53,653</u></u>	<u><u>\$ 15,274</u></u>

**10) FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Organization has adopted the provisions of the *Fair Value Measurement and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**10) FAIR VALUES OF FINANCIAL INSTRUMENTS, Continued**

This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

**Cash and cash equivalents, accounts payable, accrued expenses, prepaid expenses** - the carrying values approximate fair value due to their short maturities.

**Mortgages receivable** - the carrying values approximate the discounted present value of cash flows.

**11) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable because certain net assets are Board designated for specific purposes (See Footnote 2). The Organization has the following financial assets that could readily be made available within one year of the Statement of Financial Position date to fund expenses without limitations:

Financial assets:	
Cash	\$ 1,061,894
Mortgage notes receivable, current portion	<u>177,276</u>
Financial assets, at year-end	<u>1,239,170</u>
Less those unavailable for general expenditures within one year due to:	
Board designated reserves	<u>(191,128)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,048,042</u>

The Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

**HABITAT FOR HUMANITY OF ANDERSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**12) OTHER**

In December 2019, an outbreak of novel coronavirus (“COVID-19”) originated in China and spread to other countries, including the U.S. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency, and have limited most aspects of business, education, travel, and personal physical interactions. It is anticipated that these substantial impacts will continue for some time. Beginning in March 2020, the Organization was forced to suspend its programs, close its resale store, and operate remotely. These necessary actions did cause certain contributions and resale store revenue to decrease and certain additional expenses to be incurred. Future significant impacts may include continued cancellation of programs, adjustments to resale store operations, and may include disruptions or restrictions on employee’s ability to work. Changes in the operating environment may also increase operating costs. Management of the Organization is carefully monitoring this situation and has budgeted so as to enable the Organization to maintain its financial stability.

In response to the pandemic, Congress passed the Corona Aid, Relief, and Economic Security Act (“CARES”), which, among other provisions, introduced additional aid to effected organizations through the Paycheck Protection Program (“PPP”). This program allows eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs for the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven.

The Organization determined its eligibility for PPP and borrowed \$78,300 under this program in April 2020. The Organization has accounted for the loan as a financial liability in accordance with FASB ASC 470 *Debt*. Based on this accounting guidance, the proceeds from the loan will remain recorded as a liability until either 1) the loan is, in part or wholly, forgiven and the Organization has been legally released or 2) the Organization pays off the loan. The Organization expended the loan proceeds in such a manner that it has met the requirements for full forgiveness of the loan and has submitted its request for debt forgiveness. Once the loan has been forgiven, the liability will be reduced and a gain on extinguishment recorded.

**13) SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 12, 2021, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2020.