

HABITAT FOR HUMANITY
OF COLLIER COUNTY, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2021 AND 2020

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY

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YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors of
Habitat for Humanity of Collier County, Inc. and Subsidiary
Naples, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Collier County, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

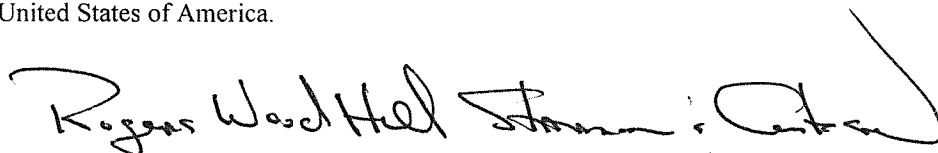
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Collier County, Inc. and Subsidiary as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.

Certified Public Accountants & Advisors

October 1, 2021

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,173,480	\$ 2,898,589
Investments	3,013,051	4,010,955
Grants receivable	-	91,008
Promises to give	1,222,500	2,285,220
Beneficial interest in assets held by Community Foundation	2,183,194	1,468,470
Other assets	447,558	444,239
Mortgage notes receivable, net	59,061,023	54,514,157
Houses under construction	2,706,752	4,645,700
Houses held or available for sale	642,345	1,401,267
Land held for development	27,532,326	27,185,867
Remainder interest in life estate	2,900,000	-
Property and equipment, net	3,696,653	3,774,120
Total assets	<u>\$ 112,578,882</u>	<u>\$ 102,719,592</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 3,792,983	\$ 1,859,659
Deferred grant income	1,000,000	1,000,000
Escrow deposits from homeowners	1,558,844	1,928,713
Due to homeowner associations	78,720	72,399
Notes payable	3,231,574	4,185,547
Total liabilities	<u>9,662,121</u>	<u>9,046,318</u>
Net assets:		
<u>Without Donor Restrictions</u>		
Undesignated	86,093,785	84,828,110
Designated by the Board of Directors for future use	1,617,289	1,558,456
Investment in property and equipment	3,696,653	3,774,120
	<u>91,407,727</u>	<u>90,160,686</u>
<u>With Donor Restrictions</u>		
Time restrictions	2,900,000	-
Purpose restrictions	8,609,034	3,512,588
Total net assets	<u>102,916,761</u>	<u>93,673,274</u>
Total liabilities and net assets	<u>\$ 112,578,882</u>	<u>\$ 102,719,592</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT:			
Contributions	\$ 9,728,773	\$ 5,096,446	\$ 14,825,219
In-kind contributions	340,343	-	340,343
Life estate property donation	-	2,900,000	2,900,000
Sales of completed homes (net of mortgage and sales discounts on homes sold totaling approximately \$11,490,000)	7,166,399	-	7,166,399
Amortization of mortgage discounts	4,440,810	-	4,440,810
Thrift shops (ReStores) revenue	2,453,170	-	2,453,170
Other revenue	118,183	-	118,183
Investment return, net	550,544	-	550,544
Total operating revenue and support - before releases from restrictions	24,798,222	7,996,446	32,794,668
Net assets released from donor restrictions	-	-	-
Total operating revenues and support	24,798,222	7,996,446	32,794,668
OPERATING EXPENSES:			
Program services	22,585,258	-	22,585,258
Management and general	472,058	-	472,058
Fundraising	626,529	-	626,529
Thrift shops (ReStores)	1,572,769	-	1,572,769
Total expenses	25,256,614	-	25,256,614
OPERATING INCREASE (DECREASE) IN NET ASSETS	(458,392)	7,996,446	7,538,054
NON-OPERATING ACTIVITIES:			
Gain on Forgiveness of Payroll Protection Program Loan	780,695	-	780,695
Gain on sale of mortgages	934,351	-	934,351
Other net losses	(9,613)	-	(9,613)
NON-OPERATING INCREASE IN NET ASSETS	1,705,433	-	1,705,433
CHANGE IN NET ASSETS	1,247,041	7,996,446	9,243,487
NET ASSETS - BEGINNING OF YEAR	90,160,686	3,512,588	93,673,274
NET ASSETS - END OF YEAR	\$ 91,407,727	\$ 11,509,034	\$ 102,916,761

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT:			
Contributions	\$ 10,993,317	\$ 1,700,000	\$ 12,693,317
In-kind contributions	462,325	-	462,325
Sales of completed homes (net of mortgage and sales discounts on homes sold totaling approximately \$9,539,000)	6,696,057	-	6,696,057
Amortization of mortgage discounts	3,958,045	-	3,958,045
Grants recognized, net of deferred funds of \$1,000,000	726,249	-	726,249
Thrift shops (ReStores) revenue	1,549,683	-	1,549,683
Other revenue	114,126	-	114,126
Investment return, net	250,765	-	250,765
Total operating revenue and support - before releases from restrictions	24,750,567	1,700,000	26,450,567
Net assets released from donor restrictions	3,211,667	(3,211,667)	-
Total operating revenues and support	27,962,234	(1,511,667)	26,450,567
OPERATING EXPENSES:			
Program services	22,955,607	-	22,955,607
Management and general	432,420	-	432,420
Fundraising	625,910	-	625,910
Thrift shops (ReStores)	1,192,157	-	1,192,157
Total expenses	25,206,094	-	25,206,094
OPERATING INCREASE (DECREASE) IN NET ASSETS	2,756,140	(1,511,667)	1,244,473
NON-OPERATING ACTIVITIES:			
Gain on sale of mortgages	897,248	-	897,248
NON-OPERATING INCREASE IN NET ASSETS	897,248	-	897,248
CHANGE IN NET ASSETS	3,653,388	(1,511,667)	2,141,721
NET ASSETS - BEGINNING OF YEAR	86,507,298	5,024,255	91,531,553
NET ASSETS - END OF YEAR	<u>\$ 90,160,686</u>	<u>\$ 3,512,588</u>	<u>\$ 93,673,274</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	Year Ended June 30, 2021					
	Program Services	Management and General	Fund Raising	Thrift Shops (ReStores)	Total Expenses	Total 2020 Expenses
Cost of homes sold	\$ 18,365,273	\$ -	\$ -	\$ -	\$ 18,365,273	\$ 18,220,551
Salaries and wages	2,392,792	193,038	389,910	700,622	3,676,362	3,702,716
Payroll taxes	165,051	9,433	27,698	51,238	253,420	271,068
Employee benefits	406,339	74,160	45,335	68,114	593,948	571,845
Occupancy	159,096	23,307	4,579	293,095	480,077	311,336
Office expenses	226,068	51,856	48,696	105,087	431,707	598,755
Habitat International	301,000	-	-	-	301,000	294,000
Auto	109,930	1,074	530	151,097	262,631	254,003
Insurance	160,218	71,079	13,966	9,311	254,574	274,351
Depreciation	135,472	16,325	14,284	66,851	232,932	223,752
Professional fees	91,231	12,837	(4,549)	37,544	137,063	152,354
Printing and postage	29,078	6,831	48,754	5,828	90,491	109,471
Advertising and events	4,741	-	34,201	46,462	85,404	112,631
Telephone	32,642	9,311	2,573	1,702	46,228	52,595
Purchased products for resale	-	-	-	35,450	35,450	40,095
Taxes, real estate	6,327	2,807	552	368	10,054	16,571
Total expenses	<u>\$ 22,585,258</u>	<u>\$ 472,058</u>	<u>\$ 626,529</u>	<u>\$1,572,769</u>	<u>\$ 25,256,614</u>	<u>\$ 25,206,094</u>
Total 2020 by Function	<u>\$ 22,955,607</u>	<u>\$ 432,420</u>	<u>\$ 625,910</u>	<u>\$1,192,157</u>	<u>\$ 25,206,094</u>	

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shops (ReStores)</u>	<u>Total Expenses</u>
Cost of homes sold	\$ 18,220,551	\$ -	\$ -	\$ -	\$ 18,220,551
Salaries and wages	2,671,389	168,280	345,205	517,842	3,702,716
Payroll taxes	195,119	11,660	25,757	38,532	271,068
Employee benefits	406,966	54,708	36,131	74,040	571,845
Office expenses	365,650	72,496	72,801	87,808	598,755
Occupancy	169,158	21,454	3,603	117,121	311,336
Habitat International	294,000	-	-	-	294,000
Insurance	187,331	59,500	9,971	17,549	274,351
Auto	108,449	2,653	2,061	140,840	254,003
Depreciation	130,133	15,681	13,721	64,217	223,752
Professional fees	109,352	10,044	(1,581)	34,539	152,354
Advertising and events	6,446	-	54,503	51,682	112,631
Printing and postage	37,709	7,387	60,782	3,593	109,471
Telephone	42,039	4,963	2,354	3,239	52,595
Purchased products for resale	-	-	-	40,095	40,095
Taxes, real estate	11,315	3,594	602	1,060	16,571
	<u>\$ 22,955,607</u>	<u>\$ 432,420</u>	<u>\$ 625,910</u>	<u>\$ 1,192,157</u>	<u>\$ 25,206,094</u>
Total expenses	<u>\$ 22,955,607</u>	<u>\$ 432,420</u>	<u>\$ 625,910</u>	<u>\$ 1,192,157</u>	<u>\$ 25,206,094</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,243,487	\$ 2,141,721
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	232,932	223,752
Gain on sale of mortgages	(514,251)	(550,005)
Gain on paid-off and foreclosed mortgages	(226,227)	(308,215)
Gain on Forgiveness of Payroll Protection Program Loan	(780,695)	-
Life estate property donation	(2,900,000)	-
Amortization of mortgage discount	(4,440,810)	(3,937,614)
Face value of mortgages issued	(16,915,804)	(14,537,636)
Discounts on mortgages issued	9,955,631	8,479,783
Mortgage loan collections	6,229,657	4,917,277
Repossessioned homes	431,274	633,315
(Increase)/decrease in:		
Grants receivable	91,008	271,379
Promises to give	1,062,720	(555,220)
Other assets	(3,319)	348,837
Houses available for sale	758,922	(549,267)
Houses under construction	1,938,948	(2,401,238)
Land held for development	(346,459)	(5,205,434)
Increase/(decrease) in:		
Accounts payable and accrued expenses	1,933,323	(44,666)
Deferred grant income	-	792,900
Due to homeowner associations	6,321	(153,147)
Escrow deposits from homeowners	(369,869)	(237,196)
Net cash provided (used) by operating activities	<u>5,386,789</u>	<u>(10,670,674)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(11,726,464)
Proceeds from sale of investments	997,904	18,226,122
Decrease (increase) from beneficial interest in assets held by Community Foundation	(714,724)	1,395,427
Purchases of property and equipment	(155,465)	(174,758)
Proceeds from sales of mortgage loans, net	933,665	980,191
Net cash provided by investing activities	<u>1,061,380</u>	<u>8,700,518</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from payment protection plan (CARES Act) note payable	-	780,695
Principal payments on notes payable	(173,278)	(214,681)
Net cash provided (used) by financing activities	<u>(173,278)</u>	<u>566,014</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,274,891	(1,404,142)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,898,589</u>	<u>4,302,731</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,173,480</u>	<u>\$ 2,898,589</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Forgiveness of Payroll Protection Program Loan	\$ 780,695	\$ -
Contributions of securities at fair market value	<u>336,166</u>	<u>510,155</u>
Total of non-cash investing and financing activities	<u>\$ 1,116,861</u>	<u>\$ 510,155</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Collier County, Inc. (the "Organization"), was incorporated in 1978 as an interdenominational organization. It is part of a global, nonprofit housing entity operating on Christian principles that seeks to put God's love into action by building homes, communities and hope. The Organization is dedicated to eliminating substandard housing locally and worldwide through constructing, rehabilitating and maintaining owner occupied homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions. The Organization pursues its mission by building and rehabilitating homes, using donated supplies, volunteer labor, contributed funds, and both purchased and donated properties. The contributions of supplies, labor, cash and properties enable the Organization to also provide buyer families with no-interest financing. The Organization then sells and finances these homes to pre-approved, income qualified families who also provide volunteer hours of time, as part of their investment in the home. During the years ended June 30, 2021 and 2020 due to the COVID-19 Pandemic, some or all of the volunteer hour requirements may have been modified.

In providing housing to certain income qualified families, some homeowners may require additional funding to cover the difference between the final value of the home constructed and the homeowners' maximum allowed mortgage indebtedness ("Subsidies"). The Organization funds Subsidies through a variety of sources including federal, state and local grants and/or programs. Additionally, when the need determined exceeds the funds received from outside the Organization, the Organization will provide its own funds to fulfill the Organization's mission and to make the homes affordable for those in need.

Monthly principal payments received from families who purchased a home from the Organization are added to the pool of resources used to fund the building of more homes to serve those families in need.

During the years ended June 30, 2021 and 2020, the Organization was impacted by the global pandemic related to COVID-19. The pandemic impacted both the Organization's employees and the families they serve. Employees had to adapt to working remotely and working in ways never anticipated. Families were impacted in how they worked with the Organization through the approval process, while maintaining the social distancing set forth by the Center for Disease Control ("CDC"). Certain families, in the home ownership process were deferred or delayed as a result of the pandemic's impact on personal income requirements of home ownership.

Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, HFHCC Funding Company I, LLC, which was incorporated under the laws of the state of Florida on April 24, 2015, for the purpose of securitizing mortgage notes. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

The consolidated accounts of the Organization are maintained, and the accompanying consolidated financial statements have been prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when the obligation is incurred.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions

Undesignated - Those resources over which the board of directors has discretionary control.

Board Designated - Those resources over which the board of directors has designated for a particular purpose.

With Donor Restrictions - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time, or that must be maintained permanently by the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted bank and similar deposits, demand accounts, money market funds and short-term investments with an original maturity of three months or less to be cash equivalents, except those held for long-term investment. The Organization maintains bank accounts with balances, which, at times may exceed Federal Deposit Insurance Corporation "FDIC" limits. During the year ended June 30, 2021, the Organization entered into an Insured Cash Sweep "ICS" program, whereby all excess funds held at its main operating bank are on deposit in regulated, FDIC-insured institutions not exceeding the FDIC limits.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

Investments are initially recorded at cost, if purchased, or, if donated, at fair market value on the date received. Investment securities are reflected at market value and realized and unrealized gains and losses are recognized as changes in net assets without restriction, unless restricted by the donor, in which case the amounts are reflected as with donor restrictions, until expended according to the donors' stipulations.

Contributions and Grants

Contributions and grants received are recorded with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Restricted contributions and grants are reported as with donor restriction and are then reclassified to without donor restrictions upon expiration of the time or use restriction. However, donor-restricted contributions or grants whose restrictions are met in the same reporting period, are shown as donor funds without restriction. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions.

Contributed Goods and Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its program services, thrift shop, and fundraising campaigns. The Organization has more than 2,200 volunteers who have provided approximately 30,000 hours a year. During the years ended June 30, 2021 and 2020, as a result of the COVID-19 pandemic, volunteers and their related hours, have been substantially reduced from prior year levels. The volunteer hours are not reflected in the consolidated financial statements since the services do not meet the criteria for recognition. Donations of inventory items held for resale are recognized when sold because the Organization does not have an objective measurement basis for determining fair value.

Federal Grants

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. The Organization recognizes the awards as grant revenues as the expenditures stipulated in the grant agreement have been incurred and requests for reimbursements have been submitted. Funds not utilized may be required to be maintained in separate bank accounts.

Revenue Recognition and Sales

Sales of completed houses are accounted for under the deposit method because the Organization continues to have obligations with respect to the property. Under the deposit method, no gain/loss or receivable is recognized until closing and any payments received from the potential buyers are recorded as liabilities.

Escrow Reserves

The Organization services all the home mortgages it holds and those sold to banks. Included in cash are amounts received from homeowners for insurance, property taxes and other items on their behalf (escrow funds). This cash will be used to pay amounts as they become due for the escrowed items. The Organization maintains a corresponding liability in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Construction Costs

House costs consist of land, land improvements and direct construction costs. The value of donated labor related to building construction is not recorded, because the houses that the Organization builds are transferred at a price lower than market for mortgages. Therefore, the donated labor is considered financial assets that do not meet the criteria for recognition.

Property and Equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as without donor restriction unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire land, buildings or equipment are reported as with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or purchased and reclassified with donor restriction net assets to without donor restriction net assets at that time. Property and equipment is depreciated using the straight-line method calculated over

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment, continued

the estimated useful lives of five to forty years. All acquisitions of property and equipment in excess of \$2,500, and all expenditures for repairs, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Land Held for Development and Houses under Construction

Land held for development, which includes land improvements, and houses under construction are carried at cost. They represent land and homes available for current and future development in fulfillment of the Organization's mission. Real estate assets are periodically evaluated for impairment. If impairment indicators are present, a write-down to fair value (less costs to sell), occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. Land and development costs associated with homes under construction are included in homes under construction in the accompanying consolidated statements of financial position.

Mortgage Notes Receivable

Mortgage notes receivable are mortgage notes entered into at rates substantially below market rates. These notes are then discounted to net present value using implied year market interest rates. The discounts are recorded at the inception of the mortgage and amortized over the life of the contract. Interest accrued at stated rates and discount amortization is reported as amortization income in the period accrued or amortized.

Allowance for Credit Losses

The Organization's allowance for credit losses is the amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the mortgage notes receivable portfolio. Such evaluations consider historical information and experience with clients. Specific allowances for credit losses are established for large impaired notes on an individual basis. A note is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. The Organization maintains a separate general valuation allowance, if required, for homogeneous portfolio segments. (See Note 6)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization follows the policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization determined it has no uncertain tax positions. The Organization files as a tax-exempt organization. As of June 30, 2021, its 2018 through 2020 fiscal year tax returns are open for examination by the IRS.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one activity, therefore, certain expenses required allocation on a reasonable basis that is consistently applied. Material expenses that are allocated include certain depreciation, which is allocated on a square foot basis, as well as certain occupancy, professional services, office expenses, which are allocated based on headcount. Certain management salaries and wages and benefits are allocated based on estimates of time and effort.

Program Services

Program services include expenses related to home construction, home repairs, support of families, and education of homeowners and the general public. Program services also include the actual cost of homes sold to homeowners.

Liquidity

Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. (see Note 2)

Recently Issued Accounting Pronouncements

Revenue Recognition

Effective for the year ended June 30, 2021, the Organization has adopted the Financial Accounting Board Standard Topic 606 "Revenue from Contracts with Customers". The core principal of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Since final acceptance of applications to Community Contribution Tax Credit Program "CCTCP" may be impacted by the total of all applications and will not be determined until after the fiscal year end, the Organization has determined that the 'satisfaction of the performance obligation' remains open until the final approval of all applications. Accordingly, the revenue related to the CCTCP was not recognized during the current year when the applications were submitted, but will be recognized in the year in which final approval is received (expected in FY2022). The impact for the year ended June 30, 2021, is revenue of \$972,500 submitted under this program, has been deferred and recorded as a liability, until final approval, expected in fiscal year 2022.

Lease Accounting

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases. It will require that lessees record nearly all leases on the statement of financial position. This will increase transparency and comparability among Organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing information about leasing arrangements. It is effective for fiscal years beginning after December 15, 2021. The Organization has elected to not early adopt this standard.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization manages liquidity during its normal operating cycle with funds received from current year donations, grants and amounts received from homeowner remittances. The Organization expects these funds will provide the substantial majority of funds needed to pay its obligations as they become due. The current restrictions imposed by donors with time or purpose restrictions are, in all material respects, for normal annual operating purposes such as the acquisition/building/remodeling of homes in certain neighborhoods and/or acquisition of properties from certain owners – therefore those restricted funds are effectively expected to be used for normal operating purposes in the Organization's annual operating cycle.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 2 - LIQUIDITY AND AVAILABILITY, continued

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

Cash & cash equivalents	\$ 9,173,480
Operating investments	3,013,051
Promises to give	1,222,500
County down payment assistance due	150,000
Current portion of mortgage loans	5,802,786
Current portion of repair loans	78,479
Total financial assets	<u>19,440,296</u>

Less those unavailable for general expenditures within one year, due to:

Cash restricted by contract, escrow deposits from homeowners	(1,558,844)
Donor purpose restrictions	<u>(8,609,034)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 9,272,418</u></u>

Although the Organization does not intend to spend funds from board-designated cash or investments, which at June 30, 2021 total \$1,617,289, these amounts could be made available with board approval to fund operations, if necessary.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land, excludes land held for development	\$ 1,803,546	\$ 1,803,546
Buildings	3,026,982	2,960,700
Vehicles	568,144	663,434
Equipment	<u>462,107</u>	<u>363,561</u>
	5,860,779	5,791,241
Less: accumulated depreciation	<u>(2,164,126)</u>	<u>(2,017,121)</u>
Total property and equipment, net	<u><u>\$ 3,696,653</u></u>	<u><u>\$ 3,774,120</u></u>

For the years ended June 30, 2021 and 2020, depreciation expense was \$232,932 and \$223,752, respectively.

NOTE 4 - LAND HELD FOR DEVELOPMENT

Land held for development consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land acquisition and initial ownership costs	\$ 14,455,548	\$ 14,506,975
Land improvements	21,937,778	16,386,892
Less: Land held for development, allocated to cost of homes	<u>(8,861,000)</u>	<u>(3,708,000)</u>
Total land held for development	<u><u>\$ 27,532,326</u></u>	<u><u>\$ 27,185,867</u></u>

NOTE 5 - PROMISES TO GIVE

Promises to give are comprised of contributions receivable in fiscal year 2020 from Collier County, Florida businesses in connection with the State of Florida Community Contribution Tax Credit Program "CCTCP". All payments for 2020 were received during fiscal year 2021. Due to the adoption of Financial Accounting Board Standard Topic 606, the Organization has determined that the "satisfaction of the performance obligation" remains open until the final approval of all applications. Accordingly, the revenue related to the CCTCP has been deferred in the current fiscal year and is recorded as a liability at June 30, 2021. Final approval is expected to be received during fiscal year 2022.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 6 - MORTGAGE NOTES RECEIVABLE, NET

Mortgage notes receivable, secured by houses sold, are non-interest bearing with generally original terms of eighteen to thirty six years. Interest is imputed at market rates at the date of the note and amortized over the term of the note using the interest method. The mortgage discount rates utilized for calculating the mortgage discounts range from 6% to 9%. The receivable and discounts are as follows at June 30:

	2021	2020
Mortgage notes receivable	\$ 122,986,935	\$ 113,769,467
Less: unamortized discounts	(63,925,912)	(59,255,310)
	<u>\$ 59,061,023</u>	<u>\$ 54,514,157</u>

The Organization may obtain additional mortgages from a homeowner for the appropriate difference between the estimated fair value of the house and the purchase price. The additional mortgages, may be forgiven over the term of the first mortgage and those forgiven are assumed to have no economic value and, accordingly, are not recognized in the Organization's financial statements. Those additional mortgages, that are not forgiven, are recorded at their net present value.

All mortgage notes can be categorized into segments by their risk characteristics and are described as follows:

First mortgages - The degree of risk on residential mortgage lending is minimal due to the fact that all first mortgage notes are secured by property with fair values that management believes exceed the uncollected balances. As such, no allowance has been established for first mortgage notes as of June 30, 2021 or 2020.

Other homeowner indebtedness - All other real estate loans include additional mortgage notes and deed restrictions. These notes only become collectible if the houses are sold within a defined period. Income from these mortgage notes is recognized as the cash is collected. Due to the uncertainty of some of these mortgages, they may represent a greater risk than first mortgage loans and in that case they are fully reserved upon the initial recording of the note with the exception of the following:

Additional Mortgages - Additional mortgage receivables are for the deferral of certain fees due and payable between 2040 and 2041. These notes were adjusted to their respective net present values consistent with the Mortgage Note Receivable policy and the discount rates of their corresponding first mortgages.

Repair Loans - Certain homeowners have secured short term notes, typically less than 5 years, for repairs to their homes resulting from the 2017 Hurricane Irma damages. These notes are payable in monthly installments and have been adjusted to their respective net present values consistent with the Mortgage Note Receivable policy.

A Mortgage is deemed performing if it is less than 90 days delinquent, or if on an approved payment plan and is current with the terms of that plan. At June 30, 2021, all outstanding loans were deemed performing.

The following table shows an aging analysis of the mortgages by days past due:

	June 30, 2021			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Performing mortgages	\$ 121,565,145	\$ 1,028,076	\$ 393,714	\$ 122,986,935

Maturities of mortgage notes receivable are summarized as follows:

Amounts due in :	2021	2020
Less than one year	\$ 4,950	\$ 1,569
One to five years	621,887	675,081
Thereafter	122,360,098	113,092,817
Total	<u>\$ 122,986,935</u>	<u>\$ 113,769,467</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 6 - MORTGAGE NOTES RECEIVABLE, NET, continued

At June 30, 2021 and 2020, the Organization was servicing 553 and 585 loans, respectively, that it has sold or pledged to various banks. The outstanding balance of these mortgages was approximately \$26,667,000 and \$28,134,000, respectively. 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 is delinquent more than 90 days, the Organization is required to replace the loan with a similar loan (amount and terms) or repurchase the non-performing loan. As of June 30, 2021 and 2020, all sold or pledged loans were deemed performing.

As of June 30, 2020, there were 17 loans totaling \$1,419,341 that were in a deferment program for those impacted by the COVID-19 pandemic. This deferment allowed qualified homeowners to make escrow-only payments and defer principal payments for a period of up to 3 months. Since these were approved deferrals, these loans are shown as performing and included above as current. There are no deferred loans as of June 30, 2021.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2021	2020
2016 Land Acquisition Campaign	\$ 8,609,034	\$ 3,512,588
Donor life estate property	2,900,000	-
	<u>\$ 11,509,034</u>	<u>\$ 3,512,588</u>

On September 30, 2020, a donor entered into a Life Estate for real property, that upon his death would be deeded in full to the Organization. In addition, in November 2020, an Option agreement to purchase from the Organization the property held in the Life Estate for \$2,900,000 by the Heirs of the Life Estate holder, was executed. Upon the life Estate holder's death, the option holders have six months in which to exercise their option to purchase for property held in the Life Estate for \$2,900,000 from the Organization.

NOTE 8 - INVESTMENTS

	2021		2020	
Investments consist of the following at June 30:	Cost	Fair Market Value	Cost	Fair Market Value
Money market accounts	\$ 3,013,051	\$ 3,013,051	\$ 14,794	\$ 14,794
US Treasury Bills	-	-	3,996,052	3,996,161
Total investments	<u>\$ 3,013,051</u>	<u>\$ 3,013,051</u>	<u>\$ 4,010,846</u>	<u>\$ 4,010,955</u>

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following at June 30:

	2021	2020
<u>Secured note payable</u> to The Northern Trust Company; loan is collateralized by first mortgage receivables owned by the Organization's subsidiary, bearing interest at 0% per annum, payable in monthly installments of \$5,809. Maturity at August 1, 2044. See below "Securitization Agreements" for additional information.	\$ 1,565,775	\$ 1,635,483
<u>Secured note payable</u> to The Northern Trust Company; loan is collateralized by first mortgage receivables owned by the Organization's subsidiary, bearing interest at 0% per annum, payable in monthly installments of \$5,714. Maturity at January 1, 2046. See below "Securitization Agreements" for additional information.	1,646,617	1,715,183

Securitization Agreements

The Organization's subsidiary securitized 19 mortgages aggregating \$1,990,000 on April 24, 2015 and 17 mortgages aggregating \$1,977,000 on August 29, 2016. These securitizations collateralize the above mentioned secured notes payable.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 9 - NOTES PAYABLE, continued

In the event a securitized mortgage is delinquent by more than 90 days with respect to a required payment of principal (a "nonperforming loan"), the Organization will, at Northern Trust's option, replace the nonperforming loan with a substitute loan with a principal balance equal to the repurchase price of such loan or repurchase the nonperforming loan.

Unsecured notes payable to Habitat for Humanity International, Inc. All notes are non-interest bearing and are payable in monthly installments ranging from \$289 to \$8,593. The notes mature through July 1, 2024.

19,182

54,186

Habitat for Humanity International, Inc. notes are typically tied to completion of homes and accordingly the start of the repayment terms may be delayed until such time of construction completion. During 2020, the notes were included in a forbearance program that deferred payments on all loans until September 2020.

Unsecured note payable to Finemark National Bank & Trust, under the Paycheck Protection Program as authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, bearing interest at 1.00% per annum. This loan was forgiven in its entirety on March 8, 2021 under the terms of and the requirements of the CARES Act.

-

780,695

\$ 3,231,574

\$ 4,185,547

Future maturities of principal amounts on the notes payable as of June 30, 2021, are as follows.

Year Ending June 30,

2022	\$ 149,346
2023	142,332
2024	142,332
2025	138,276
2026	138,276
Thereafter	<u>2,521,012</u>
	<u>\$ 3,231,574</u>

NOTE 10 - LINE OF CREDIT

During 2020, the Organization entered into two separate bank lines of credit, in the amounts of \$10,000,000 and \$2,500,000. The \$10,000,000 line is available for the acquisition of new land and/or development of currently held land parcels. The line is collateralized by the acquired or developed property funded by the line of credit. The \$2,500,000 line is a unsecured working capital line which replaced a previous line in the same amount from another bank during 2020. As part of this line of credit, the Organization has entered into an agreement to not encumber both its Main Office building and East Restore locations for any other collateral purposes. Both lines bear interest at the Prime Rate less 1/2%. As of June 30, 2021 and 2020, there were no borrowings against either line.

NOTE 11 - GRANT REVENUE

For the years ended June 30, 2021 and 2020, the funds earned were as follows:

	<u>2021</u>	<u>2020</u>
Neighborhood Stabilization Program	\$ -	\$ 207,100
CDBG - Faith Landing Phase IV Infrastructure	-	-
Disaster Relief Grants Received	-	45,860
State Housing Initiatives Partnership	-	<u>473,289</u>
Total	<u>\$ -</u>	<u>\$ 726,249</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 11 - GRANT REVENUE, continued

The Organization recognizes the awarded grant revenues as the expenditures stipulated in the grant agreement are incurred. In 2020, revenues of \$207,100 were recognized as a result of grant projects completed during 2020, but which funds had been awarded before June 30, 2020. During 2020, a \$1,000,000 grant related to land acquisition and development, was awarded to the Organization for land it acquired. The land acquired is a future development project, accordingly the full grant awarded is deferred as of June 30, 2021 and 2020 until the grant requirements are met.

NOTE 12 - INVESTMENT RETURN, NET

Investment return, net of investment expense consists of the following for the years ended June 30:

	2021	2020
Interest & Dividends	\$ 43,646	\$ 247,800
Net Realized Gains	6,734	110,678
Net Unrealized Gains/(Losses)	537,950	(51,177)
Investment Expenses	(37,786)	(56,536)
	<u>\$ 550,544</u>	<u>\$ 250,765</u>

NOTE 13 - EMPLOYEE BENEFIT PLAN

The Organization has both a tax-deferred annuity plan and a 403(b) retirement plan, which covers qualified employees of the Organization. Employees are allowed to contribute up to 20% of their salary, subject to IRS regulations. The Organization matches contributions to the plan up to 5% of the employee's salary, based on a fixed matching schedule. Employer contributions to the plan were approximately \$104,000 and \$97,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 14 - FAIR VALUE MEASUREMENTS

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised value.

The Organization may remeasure the carrying value of assets and liabilities measured on a non-recurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value. No such adjustments were required during the years ended June 30, 2021 and 2020.

	2021			
	Fair Value	Level 1	Level 2	Level 3
Investments	\$ 3,013,051	\$ 3,013,051	\$ -	\$ -
Houses under construction	\$ 2,706,752	\$ -	\$ 2,706,752	\$ -
Remainder interest in life estate	\$ 2,900,000	\$ -	\$ 2,900,000	\$ -
Beneficial interest in assets held by the Community Foundation	\$ 2,183,194	\$ -	\$ -	\$ 2,183,194

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 14 - FAIR VALUE MEASUREMENTS, continued

	2020			
	Fair Value	Level 1	Level 2	Level 3
Investments	\$ 4,010,955	\$ 4,010,955	\$ -	\$ -
Houses under construction	\$ 4,645,700	\$ -	\$ 4,645,700	\$ -
Beneficial interest in assets held by the Community Foundation	\$ 1,468,470	\$ -	\$ -	\$ 1,468,470

NOTE 15 - BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION

The Community Foundation of Collier County (CFCC) maintains agency endowments ("The Habitat for Humanity of Collier County Endowment Fund and the Janet J. Allyn Habitat Collier Endowment Fund") for the benefit of the Organization. The Organization has granted CFCC's Board of Directors variance power which gives CFCC the power to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of CFCC's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The invested assets are subject to CFCC investment and spending policies. Invested assets are reported at fair value in the statements of financial position. Changes in the value of assets held by CFCC are reported as investment income in the statements of activities. Assets held by CFCC for the benefit of the Organization are invested in pooled funds managed by JP Morgan. As of June 30, 2021 and 2020, the funds were invested in indexed equity funds (100%).

The changes in the agency endowment fund for the years ended June 30 are as follows:

	2021	2020
Community Foundation endowment , beginning balance	\$ 1,468,470	\$ 2,863,897
Contributions received	142,868	800,000
Distribution grants	-	(2,300,000)
Realized gains and losses	6,734	110,937
Unrealized gains and losses	538,602	(21,071)
Interest and dividends	38,648	25,853
Investment management fees	(968)	(616)
Administrative fees	(11,160)	(10,530)
Community Foundation endowment, ending balance	<u>\$ 2,183,194</u>	<u>\$ 1,468,470</u>

NOTE 16 - RELATED PARTY TRANSACTIONS

The Organization received \$703,890 and \$991,850 in contributions from Board members during the years ended June 30, 2021 and 2020, respectively.

The contributions consisted of \$102,560 in contributed securities and \$601,330 in cash contributions for the year ended June 30, 2021 and for the year ended June 30, 2020, contributions consisted of \$208,646 in contributed securities and \$783,204 in cash contributions. The total of these contributions was approximately 4.4% and 8.7% of total contributions received for the years ended June 30, 2021 and 2020, respectively.

The Organization remits a portion of its revenues as a tithe to Habitat for Humanity International, Inc. The practice of international tithing has the primary goal of ensuring that Habitat for Humanity affiliates worldwide, regardless of their national poverty or wealth, can keep working toward the goal of eliminating poverty housing. For the years ended June 30, 2021 and 2020, the Organization remitted \$301,000 and \$294,000, respectively.

NOTE 17 - CONCENTRATION OF CREDIT RISK - CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains accounts at several financial institutions in bank deposits which, at times, may exceed federally-insured limits of \$250,000. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash. During 2021, the Organization entered into an Insured Cash Sweep "ICS" program, whereby all excess funds held at its main operating bank are on deposit in regulated, FDIC-insured institutions not exceeding the FDIC limits. As of June 30, 2021, approximately \$8,186,000 was invested through the ICS program.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 18 - CONTINGENCIES

Noncompliance

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 19 - LEASE OBLIGATION

On October 7, 2020, the Organization entered into a lease agreement for its new North Restore location. Lease payments began January of 2021 after taking occupancy of the premises. The term of the lease is five years, with the right to renew for another 5 years. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 234,063
2023	241,085
2024	248,318
2025	255,767
2026	129,773
	\$ 1,109,006

NOTE 20 - PRIOR PERIOD ADJUSTMENTS

The Organization's past practice has been to record donations related to estate and irrevocable trusts upon the receipt of the cash or securities, regardless if the Organization had an unconditional right or not. During the year just ended, the Organization determined that according to accounting standards ASC 958-605, if an organization is the beneficiary of a trust or estate and has an unconditional right to all or a portion of the trust or estate, it should record that interest as promise to give. This promise to give is determined by the Organization's beneficial interest in the assets, as measured at fair value as soon as it is known. In addition, the organization should annually remeasure the fair value of its beneficial interest in the trust or estate.

As the Organization reviewed estate and trust distributions received in fiscal year 2021, it determined that in accordance with ASC 958-605 two distributions received and recorded in the current fiscal year, met the requirements as an unconditional promise to give as of June 30, 2020 and accordingly the Organization should have recorded them both as a "promises to give" as of June 30, 2020.

As a result of these changes, the Organization has restated the fiscal year 2020 comparative statements presented with the following adjustments:

	As previously presented	Currently Presented	Impact change
<u>Consolidated Statement of Activities</u>			
Contributions	\$ 11,369,634	\$ 12,693,317	\$ 1,323,683
Change in net assets	\$ 818,038	\$ 2,141,721	\$ 1,323,683
<u>Consolidated Statement of Financial Position</u>			
Promises to give	\$ 961,537	\$ 2,285,220	\$ 1,323,683
<u>Without Donor Restrictions</u>			
Undesignated	\$ 83,636,795	\$ 84,828,110	\$ 1,191,315
Designated by the Board of Directors for future use	1,426,088	1,558,456	132,368
Investment in property and equipment	3,774,120	3,774,120	-
<u>With Donor Restrictions</u>			
Purpose and time restrictions	3,512,588	3,512,588	-
Total net assets	<u>\$ 92,349,591</u>	<u>\$ 93,673,274</u>	<u>\$ 1,323,683</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 1, 2021, the date the financial statements were available to be issued.

As part of the Organization's land acquisition program, prior to June 30, 2021 it entered into due diligence to acquire approximately 47 acres of residentially zoned land at a purchase price of approximately \$8,000,000. The Organization expects to fund this land acquisition with its own financial resources and the partial use of the line of credit set up specifically for land acquisitions.