

Habitat for Humanity/Lenawee County, Inc.
Financial Statements
Year Ended June 30, 2021



DRAFT

Habitat for Humanity/Lenawee County, Inc.

Financial Statements

Table of Contents

Financial Statements	Page Number
Independent Auditor's Report	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 – 7
Notes to Financial Statements	8 – 16

DRAFT

Independent Auditor's Report

To the Board of Directors
Habitat for Humanity/Lenawee County, Inc.
Adrian, Michigan

We have audited the accompanying financial statements of Habitat for Humanity/Lenawee County, Inc. (Habitat), a Nonprofit Organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 /Lenawee County, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Your partner in financial statement auditing and all things accounting.

Phone: 517.945.3312 - Meredith@MeredithFrancis.com

To the Board of Directors
Habitat for Humanity/Lenawee County, Inc.
Adrian, Michigan

Report on Summarized Comparative Information

We have previously audited Habitat's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meredith Francis, CPA, P.C.

Adrian, Michigan
September 21, 2021

DRAFT

Habitat for Humanity/Lenawee County, Inc.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 274,393	\$ 87,189
Restricted cash	90,829	119,598
Escrow accounts	20,064	23,192
Accounts receivable	13,010	-
Inventory	17,566	17,566
Current portion of mortgage and land contracts receivable	68,236	76,251
Prepaid expenses	9,620	9,620
Total current assets	493,718	333,416
Noncurrent portion of mortgage and land contracts receivable (net of discount of \$197,166 and \$260,377 respectively)	115,764	197,364
Land	10,341	46,182
Construction in progress	44,979	82,581
Leasehold improvements	293,159	111,348
Office equipment	27,278	27,278
Equipment	10,440	10,440
Leased equipment	2,396	2,396
Vehicle	15,120	15,120
Less: accumulated amortization	(2,396)	(2,396)
Less: accumulated depreciation	(68,156)	(58,039)
Total assets	942,643	765,690
Liabilities and Net Assets		
Current liabilities		
Accounts payable	5,176	27,993
Accrued expenses	5,713	5,015
Escrow payable	20,064	23,192
Line of credit	-	121,873
Refundable advance	100,393	90,300
Current portion of loans payable	52,502	34,088
Total current liabilities	183,848	302,461
Noncurrent portion of loans payable	165,018	107,472
Total liabilities	348,866	409,933
Net assets:		
With donor restrictions	13,959	13,038
Without donor restrictions	579,818	342,719
Total net assets	593,777	355,757
Total liabilities and net assets	\$ 942,643	\$ 765,690

The accompanying notes are an integral part of this statement.

Habitat for Humanity/Lenawee County, Inc.

Statements of Activities

**For the Year Ended June 30, 2021
With Comparative Totals for the year ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Operating revenues, gains and other support:				
Contributions	\$ 65,762	301,591	\$ 367,353	\$ 211,988
Contributions - in kind	16,705	-	16,705	19,395
Home sales and projects	251,752	-	251,752	225,643
Restore sales	421,141	-	421,141	333,911
Mortgage discount	63,212	-	63,212	34,589
Late fees	294	-	294	426
Special event revenue	43,101	-	43,101	22,947
Programmatic investing return	1,425	-	1,425	1,370
Other income	29,591	-	29,591	13,011
Net assets released from restrictions (Note 9):				
Satisfaction of program restrictions	300,670	(300,670)	-	-
Total operating revenues, gains and other support	1,193,653	921	1,194,574	863,280
Operating expenses:				
Home construction	548,885	-	548,885	564,626
Restore	269,875	-	269,875	265,011
International tithes	8,133	-	8,133	14,025
General and administrative	89,365	-	89,365	127,497
Fund-raising	71,927	-	71,927	84,484
Total operating expenses	988,185	-	988,185	1,055,643
Nonoperating activities:				
Gain (loss) on disposition of assets	31,631	-	31,631	(1,493)
Change in net assets	237,099	921	238,020	(193,856)
Net assets at the beginning of the year	342,719	13,038	355,757	549,613
Net assets at the end of the year	<u>\$ 579,818</u>	<u>\$ 13,959</u>	<u>\$ 593,777</u>	<u>\$ 355,757</u>

The accompanying notes are an integral part of this statement.

Habitat for Humanity/Lenawee County, Inc.

Statements of Functional Expenses

For the Year Ended June 30, 2021
With Comparative Totals for the year ended June 30, 2020

	Construction	Restore	Total Programs	General & Administrative	Fund Raising	Total 2021	Total 2020
Cost of sales	\$ 340,997	\$ 27,940	\$ 368,937	\$ -	\$ -	\$ 368,937	\$ 356,441
Salaries	112,367	130,625	242,992	17,591	46,408	306,991	339,620
Payroll taxes	7,131	9,482	16,613	1,815	3,293	21,721	30,583
Employee benefits	13,106	6,167	19,273	16,808	5,589	41,670	22,276
Professional fees	3,976	3,000	6,976	1,270	-	8,246	16,492
Client assistance	27,755	-	27,755	-	-	27,755	26,500
Occupancy	4,410	46,436	50,846	9,713	1,260	61,819	63,375
Interest expense	2,304	-	2,304	958	32	3,294	14,990
Printing, postage & publications	-	-	-	1,185	3,894	5,079	4,061
Office supplies	-	364	364	3,856	-	4,220	10,882
Information technology	-	72	72	7,523	3,202	10,797	4,725
Telephone and internet	3,129	1,698	4,827	2,246	-	7,073	6,683
Travel expense	1,610	2,907	4,517	1,249	-	5,766	9,645
Meetings	183	150	333	-	-	333	5,927
Depreciation and amortization	1,217	5,000	6,217	3,900	-	10,117	16,050
Insurance	10,989	7,514	18,503	1,080	-	19,583	22,271
Membership fees	5,000	-	5,000	412	-	5,412	5,884
Bank charges	3,084	9,097	12,181	-	-	12,181	8,678
Public relations	436	2,798	3,234	75	3,120	6,429	13,526
Utilities	-	7,809	7,809	6,113	-	13,922	10,878
Supplies	1,351	5,299	6,650	6,733	5,129	18,512	19,469
Equipment lease	-	3,517	3,517	-	-	3,517	5,176
Miscellaneous	9,840	-	9,840	6,838	-	16,678	27,486
Total expenses	<u>\$ 548,885</u>	<u>\$ 269,875</u>	<u>\$ 818,760</u>	<u>\$ 89,365</u>	<u>\$ 71,927</u>	<u>\$ 980,052</u>	<u>\$ 1,041,618</u>

The accompanying notes are an integral part of this statement.

Habitat for Humanity/Lenawee County, Inc.

Statements of Cash Flows

For the Year Ended June 30, 2021
With Comparative Totals for the year ended June 30, 2020

Increase In Cash

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from donors	\$ 396,122	\$ 202,168
Cash from special events	43,101	22,947
Cash from program income and grants	781,423	665,503
Cash from other	29,591	13,011
Interest received	1,425	1,370
Interest paid	(3,294)	(14,990)
Cash paid for program and other expenses	(996,893)	(1,033,595)
Net cash used in operating activities	<u>251,475</u>	<u>(143,586)</u>
Cash flows from investing activities:		
Home purchases	(45,445)	(61,909)
Property asset purchases	(181,811)	(10,000)
Proceeds from sale of assets	118,888	188,956
Net cash provided by investing activities	<u>(108,368)</u>	<u>117,047</u>
Cash flows from financing activities:		
Proceeds from loan payable	216,043	35,000
Repayment of loan payable and capital lease	(56,946)	61,196
Redemption of line of credit principal	(121,873)	(47,761)
Net cash provided by (used in) financing activities	<u>37,224</u>	<u>48,435</u>
Increase in cash	180,331	21,896
Cash at beginning of year	<u>184,891</u>	<u>184,891</u>
Cash at end of year	<u>\$ 365,222</u>	<u>\$ 206,787</u>
Non-cash activity:		
Home purchases	\$ -	\$ 11,000
(not shown in above figures)		

The accompanying notes are an integral part of this statement.

Habitat for Humanity/Lenawee County, Inc.

Statements of Cash Flows

For the Year Ended June 30, 2021
With Comparative Totals for the year ended June 30, 2020

Reconciliation of Change in Net Assets to Net Cash
Used In Operating Activities

	<u>2021</u>	<u>2020</u>
Change in net assets	\$ 238,020	\$ (193,856)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	10,117	16,050
Mortgage discount	(63,212)	(34,589)
Contributed services and materials included in projects	(16,705)	(19,395)
(Increase) decrease in:		
Accounts receivable	76,605	56,775
Restricted cash	28,769	40,421
Prepaid expenses	-	1,841
Increase (decrease) in:		
Accounts payable	(22,817)	835
Accrued expenses	698	(11,668)
Total adjustments	<u>13,455</u>	<u>50,270</u>
Net cash used in operating activities	<u>\$ 251,475</u>	<u>\$ (143,586)</u>

The accompanying notes are an integral part of this statement.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

1. Principal Activity and Significant Accounting Policies

Organization

Habitat for Humanity/Lenawee County, Inc. (“Habitat”) is a Michigan Non-Profit Corporation. Habitat for Humanity envisions a world where everyone has a decent place to live. The mission of Habitat is *“Seeking to put God’s love into action, Habitat for Humanity for Lenawee County brings people together to build homes, communities and hope.”* Habitat builds, renovates and repairs homes in Lenawee County, Michigan. Habitat’s major sources of revenue are home sales, philanthropic contributions and ReStore proceeds.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Cash, Cash Equivalents and Restricted Cash

Habitat considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Restricted cash represents amounts received from grantors or donors with either time or purpose restrictions.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from down payment assistance grants from the Michigan State Housing Development Authority (MSHDA). Habitat determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2021, there was no allowance for uncollectible accounts.

Inventory

Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. Inventories represent building materials and materials to be sold in the ReStore. Donated inventory items are not valued until the time of sale.

Property and Equipment

Habitat records property and equipment additions over \$3,500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

1. Principal Activity and Significant Accounting Policies (Continued)

Net Assets

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

Net assets without donor restrictions: 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 Habitat 's management and the board of directors.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Habitat recognizes revenue from home sales when ownership is transferred to the buyer and ReStore program revenue when purchased by customers. Habitat records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

Habitat recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, as of June 30, 2021, contributions of \$100,393, have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. This amount is expected to be forgiven through the Paycheck Protection Program, mentioned in Note 7, in the next fiscal year. As of June 30, 2021, \$100,393 is presented as a refundable advance on the statement of financial position.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received (Note 10).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, insurance and interest, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

1. Principal Activity and Significant Accounting Policies (Continued)

Income Taxes

Habitat is organized as a Michigan nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. According to the IRS's statute of limitations, there are three years, 2017-2020, of Form 990 information returns that are potentially subject to examination.

Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business disruptions and adversely impact our results of operations. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our actual results could materially differ from those estimates in future periods.

Financial Instruments and Credit Risk

Habitat manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Habitat has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and/or foundations supportive of our mission.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

2. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 274,393	\$ 82,189
Accounts receivable	13,010	-
Loan proceeds expected to be released from purpose accomplishments	30,289	29,690
Other cash expected to be released from purpose accomplishments	13,959	13,038
Current portion of mortgage and repair receivables	<u>68,236</u>	<u>69,778</u>
Financial assets available	<u>\$ 399,887</u>	<u>\$ 194,695</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position. To help manage unanticipated liquidity needs, Habitat can withdraw from established lines of credit (see Note 6) with a local bank.

3. Inventory

Inventory consists of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Construction materials	\$ 2,000	\$ 2,000
Purchased inventory	<u>15,566</u>	<u>15,566</u>
Total	<u>\$ 17,566</u>	<u>\$ 17,566</u>

4. Mortgage, Land Contract and Project Receivables

In previous years, Habitat sold properties to homeowners without any interest charge. Receivables are reported at cost, equal to the sales price of the home, and secured by the property. In the event that a homeowner defaults on the mortgage or land contract, Habitat reacquires the property and sells it to another homeowner. A mortgage loan is issued with a face value equal to the purchase price of the house. At the point of those sales, a mortgage discount was estimated using the current market interest rate of similar mortgages and amortized over the life of the mortgage. Current practice is to sell the properties to homeowners through a partnership with a local financial institution. The local financial institution issues and collects the mortgage from Habitat homeowners.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

4. Mortgage, Land Contract and Project Receivables (Concluded)

The current portion of contracts receivable at the year-end consists of the principal payments due during the following year. Management estimates the amount of doubtful accounts based on historical measures and existing economic conditions. When receivables are deemed uncollectible, they are written off. At June 30, 2021 and 2020, total current mortgage and repair projects receivable are \$380,654 and \$512, and \$533,529 and \$463, respectively, which are deemed collectible.

An analysis follows:

	<u>Current</u>	<u>30 Days</u>	<u>Past Due 60 Days</u>	<u>90+ Days</u>	<u>Total</u>
Mortgages receivable	\$ 307,056		\$ 73,598		\$ 380,654
Repair projects receivable	512	-	-	-	512
Total receivables	<u>\$ 307,568</u>	<u>\$ -</u>	<u>\$ 73,598</u>	<u>\$ -</u>	<u>\$ 381,166</u>

5. Property and Equipment

A summary of capital assets follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Nondepreciable assets:				
Land	\$ 46,182	\$ 869	\$ 36,710	\$ 10,341
Construction in progress	82,581	44,576	82,178	44,979
Total nondepreciable assets	<u>128,763</u>	<u>45,445</u>	<u>118,888</u>	<u>55,320</u>
Depreciable assets:				
Leasehold improvements	111,348	181,811	-	293,159
Office equipment	27,278	-	-	27,278
Equipment	10,440	-	-	10,440
Leased equipment	2,396	-	-	2,396
Vehicle	15,120	-	-	15,120
Total depreciable assets	<u>166,582</u>	<u>181,811</u>	<u>-</u>	<u>348,393</u>
Less: accumulated amortization	(2,396)	-	-	(2,396)
Less: accumulated depreciation	(58,039)	(10,117)	-	(68,156)
Total of accumulated depreciation and amortization	<u>(60,435)</u>	<u>(10,117)</u>	<u>-</u>	<u>(70,552)</u>
Net capital assets	<u>\$ 234,910</u>	<u>\$ 217,139</u>	<u>\$ 118,888</u>	<u>\$ 333,161</u>

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

5. Property and Equipment (Concluded)

Current year additions include a renovation in the ReStore building to include office space. Depreciation expense at June 30, 2021 and 2020 was \$10,117 and \$16,050, respectively. Amortization expense at June 30, 2021 and 2020 was \$0 and \$0, respectively.

6. Line of Credit

Habitat has established a renewable line of credit with First Federal Bank of \$200,000 at an interest rate of 4.25%. The line of credit is due March 31, 2022 however, Habitat expects to refinance this line of credit and any balance owed at the due date. At June 30, 2021, the balance of this line of credit was \$0. The interest expense for the years ended June 30, 2021 and 2020 was \$426 and \$9,440, respectively.

7. Loans Payable

Habitat is obligated by a loan from the Adrian Dominican Sisters, with proceeds restricted for the construction program in the next fiscal year. The rate of interest is 2.00% with a maturity date of December 15, 2023. Payments are due quarterly based on an agreed upon amortization schedule.

Habitat is obligated by a loan from the Adrian Dominican Sisters, to renovate and expand its ReStore to include office space. The rate of interest is 2.00% with a maturity date of May 15, 2026. Payments are due quarterly based on an agreed upon amortization schedule. This loan is secured by Habitat's mortgage receivables.

On February 2, 2021, Habitat qualified for and received a second-round loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$100,300 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon Habitat's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Habitat. Habitat intends to apply for forgiveness for \$100,393 of the PPP Loan with respect to these covered expenses. , The loan is due January 2023.

On June 25, 2020, Habitat qualified for a received an Economic Injury Disaster Loan issued by the Small Business Administration for \$25,000 at an interest rate of 2.75%. The loan is due July 2050.

The interest expense related to these loans for the years ended June 30, 2021 and 2020 was \$1,909 and \$2,496, respectively.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

7. Loans Payable (Concluded)

A schedule of payments follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 52,502	\$ 4,746	\$ 57,248
2023	54,050	3,086	57,136
2024	39,419	2,029	41,448
2025	24,221	1,427	25,648
2026	24,723	933	25,656
2027-2031	3,546	2,874	6,420
2032-2036	4,068	2,352	6,420
2037-2041	4,667	1,753	6,420
2042-2046	5,354	1,066	6,420
2047-2051	4,970	291	5,261
	<u>\$ 217,520</u>	<u>\$ 20,557</u>	<u>\$ 238,077</u>

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

8. Operating Leases

Habitat is obligated by a lease for a copier. The 63-month lease began in February 2019 with monthly payments of \$262, which include a certain number of copies, overages are not included. Total rental expense including maintenance for the year ended June 30, 2021 and 2020 was \$3,144 and \$3,747, respectively.

Habitat leases space for its operations, the base rent is \$4,831 per month for a renewable term of five years ending April 2025, with no rent due the last two months of the lease. Habitat also pays for common area maintenance (CAM) evaluated annually. Total rental expense for the year ended June 30, 2021 and 2020 for both facilities, including CAM, was \$47,379 and \$42,668, respectively.

Habitat leases a postage meter for a 39-month term ending March 2023 for \$25 per month. The total rental expense for the year ended June 30, 2021 and 2020 was \$443 and \$1,318, respectively.

Habitat leases a forklift for its ReStore. The 60-month term ends August 2021 with payments of \$322.32 per month. Total rental expense for the year ending June 30, 2021 and 2020 was \$3,417 and \$4,799, respectively.

A schedule of future operating lease payments follows:

Year Ending June 30,	Building	Postage Machine	Copier	Forklift	Total
2022	\$ 57,972	\$ 443	\$ 3,144	\$ 3,868	\$ 65,427
2023	57,972	333	3,144	3,868	65,317
2024	57,972	-	1,834	645	60,451
2025	38,648	-	-	-	38,648
	<u>\$ 212,564</u>	<u>\$ 776</u>	<u>\$ 8,122</u>	<u>\$ 8,381</u>	<u>\$ 229,843</u>

9. Net Assets with Donor Restrictions

Contributions were received throughout the year with donor restrictions. As of June 30, 2021, net assets with donor restrictions were for the following activities.

Subject to expenditure for specified purpose:

Construction program	\$ 6,659	\$ 11,038
General operations	6,300	500
Fundraising	1,000	1,500
Total net assets with donor restrictions	<u>\$ 13,959</u>	<u>\$ 13,038</u>

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2021

9. Net Assets with Donor Restrictions (Concluded)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors, as follows.

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Construction	\$ 250,520	\$ 61,676
ReStore	50,150	9,500
General operations	-	500
Special events	-	1,500
Total restrictions released	<u>\$ 300,670</u>	<u>\$ 73,176</u>

10. Donated Professional Services and Materials

Habitat received contributed professional services valued at \$3,225, for its Construction Program and Management and General activities.

Habitat received three properties with aggregate value of \$5,000 for its Construction Program for future construction projects. Another \$8,275 of materials were received for its construction program and \$205 for general operations. A donation of materials for the ReStore is not valued or carried in inventories. The items are considered to have no value or indeterminate value until someone purchases them.

13. Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021.

14. Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 21, 2021, which is the date the financial statements were available to be issued.