

Habitat for Humanity/Lenawee County, Inc.
Financial Statements
Year Ended June 30, 2022



Habitat for Humanity/Lenawee County, Inc.

Financial Statements

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Independent Auditor's Report

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

Opinion

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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Habitat's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meredith Francis, CPA, P.C.

Adrian, Michigan
November 15, 2022

Habitat for Humanity/Lenawee County, Inc.

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 68,607	\$ 274,393
Restricted cash	88,493	90,829
Escrow accounts	18,136	20,064
Accounts receivable	685	13,010
Inventory	32,002	40,020
Current portion of mortgage and land contracts receivable	87,632	68,236
Prepaid expenses	-	9,620
	295,555	516,172
Noncurrent assets		
Noncurrent portion of mortgage and land contracts receivable (net of discount of \$171,156 and \$197,166 respectively)	72,851	115,764
Land	19,705	10,341
Construction in progress	139,970	44,979
Right-of-use asset	1,344,844	-
Leasehold improvements	309,947	293,159
Office equipment	19,921	27,278
Equipment	15,736	10,440
Leased equipment	2,396	2,396
Vehicle	15,120	15,120
Less: accumulated amortization	(2,396)	(2,396)
Less: accumulated depreciation	(80,807)	(68,156)
	2,152,842	965,097
Total assets	2,152,842	965,097
Liabilities and Net Assets		
Current liabilities		
Accounts payable	6,029	5,176
Accrued expenses	5,581	5,713
Escrow payable	18,136	20,064
PPP Loan	-	100,393
Current portion of loans payable	54,050	52,502
	83,796	183,848
Total current liabilities	83,796	183,848
Noncurrent liabilities		
Lease liability	1,344,844	-
Noncurrent portion of loans payable	110,968	165,018
	1,539,608	348,866
Total liabilities	1,539,608	348,866
Net assets		
With donor restrictions	19,250	13,959
Without donor restrictions	593,984	602,272
	613,234	616,231
Total net assets	613,234	616,231
Total liabilities and net assets	\$ 2,152,842	\$ 965,097

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, 2022
With Comparative Totals for the year ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Operating revenues, gains and other support				
Contributions	\$ 53,472	88,650	\$ 142,122	\$ 367,353
Contributions - in kind	32,153	-	32,153	16,705
Home sales and projects	164,012	-	164,012	251,752
Restore sales	477,356	-	477,356	421,141
Mortgage discount	26,009	-	26,009	63,212
Late fees	262	-	262	294
Special event revenue	62,262	-	62,262	43,101
Less: costs of direct benefits to donors	(5,180)	-	(5,180)	-
Programmatic investing return	955	-	955	1,425
Other income	14,428	-	14,428	29,591
Net assets released from restrictions (Note 9):				
Satisfaction of program restrictions	83,359	(83,359)	-	-
Total operating revenues, gains and other support	909,088	5,291	914,379	1,194,574
Operating expenses				
Home construction	417,633	-	417,633	548,885
Restore	252,263	-	252,263	247,421
International tithes	11,639	-	11,639	8,133
General and administrative	148,022	-	148,022	89,365
Fund-raising	87,819	-	87,819	71,927
Total operating expenses	917,376	-	917,376	965,731
Nonoperating activities				
Gain (loss) on disposition of assets	-	-	-	31,631
Change in net assets	(8,288)	5,291	(2,997)	260,474
Net assets at the beginning of the year	602,272	13,959	616,231	355,757
Net assets at the end of the year	<u>\$ 593,984</u>	<u>\$ 19,250</u>	<u>\$ 613,234</u>	<u>\$ 616,231</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, 2022
With Comparative Totals for the year ended June 30, 2021**

	<u>Construction</u>	<u>Restore</u>	<u>Total Programs</u>	<u>General & Administrative</u>	<u>Fund Raising</u>	<u>Total 2022</u>	<u>Total 2021</u>
Cost of sales	\$ 177,720	\$ 36,414	\$ 214,134	\$ -	\$ -	\$ 214,134	\$ 346,483
Salaries	164,938	103,528	268,466	24,973	57,193	350,632	306,991
Payroll taxes	10,837	12,397	23,234	12,266	3,913	39,413	21,721
Employee benefits	17,502	6,845	24,347	15,481	5,234	45,062	41,670
Professional fees	3,595	3,830	7,425	6,471	-	13,896	8,246
Client assistance	0	-	-	-	-	-	27,755
Occupancy	13	44,418	44,431	23,067	-	67,498	61,819
Interest expense	3	-	3	4,383	6	4,392	3,294
Printing, postage & publications	-	116	116	847	3,039	4,002	5,079
Office supplies	36	2,609	2,645	8,549	-	11,194	4,220
Information technology	4,732	326	5,058	7,182	3,205	15,445	10,797
Telephone and internet	2,750	1,925	4,675	2,605	-	7,280	7,073
Travel expense	574	4,676	5,250	1,210	-	6,460	5,766
Meetings	3,985	-	3,985	3,208	-	7,193	333
Depreciation and amortization	1,217	5,508	6,725	7,987	-	14,712	10,117
Insurance	17,360	5,811	23,171	6,319	-	29,490	19,583
Membership fees	5,675	-	5,675	412	175	6,262	5,412
Bank charges	2,615	8,024	10,639	-	-	10,639	12,181
Public relations	802	3,826	4,628	66	1,659	6,353	6,429
Utilities	-	7,083	7,083	4,721	-	11,804	13,922
Supplies	3,279	827	4,106	16,226	13,395	33,727	18,512
Equipment lease	-	4,100	4,100	-	-	4,100	3,517
Miscellaneous	-	-	-	2,049	-	2,049	16,678
Total expenses	<u>\$ 417,633</u>	<u>\$ 252,263</u>	<u>\$ 669,896</u>	<u>\$ 148,022</u>	<u>\$ 87,819</u>	<u>\$ 905,737</u>	<u>\$ 957,598</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, 2022
With Comparative Totals for the year ended June 30, 2021**

Increase (Decrease) In Cash

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from donors	\$ 144,458	\$ 396,122
Cash from special events	57,082	43,101
Cash from program income and grants	677,472	781,423
Cash from other	14,428	29,591
Interest received	955	1,425
Interest paid	(4,392)	(3,294)
Cash paid for program and other expenses	<u>(879,913)</u>	<u>(996,893)</u>
Net cash provided by operating activities	<u>10,090</u>	<u>251,475</u>
Cash flows from investing activities		
Home purchases	(97,936)	(45,445)
Property asset purchases	(16,788)	(181,811)
Proceeds from sale of assets	<u>49,407</u>	<u>118,888</u>
Net cash used in investing activities	<u>(65,317)</u>	<u>(108,368)</u>
Cash flows from financing activities		
Proceeds from loan payable	-	216,043
Repayment of loan payable and capital lease	(152,895)	(56,946)
Redemption of line of credit principal	<u>-</u>	<u>(121,873)</u>
Net cash provided by (used in) financing activities	<u>(152,895)</u>	<u>37,224</u>
Increase (decrease) in cash	(208,122)	180,331
Cash at beginning of year	<u>365,222</u>	<u>184,891</u>
Cash at end of year	<u>\$ 157,100</u>	<u>\$ 365,222</u>
 Non-cash activity:		
Home purchases (not shown in above figures)	\$ 55,826	\$ 11,000

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, 2022
With Comparative Totals for the year ended June 30, 2021**

**Reconciliation of Change in Net Assets to Net Cash
Provided by Operating Activities**

	<u>2022</u>	<u>2021</u>
Change in net assets	\$ (2,997)	\$ 260,474
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,712	10,117
Mortgage discount	(26,009)	(63,212)
Contributed services and materials included in projects	(32,153)	(16,705)
(Increase) decrease in:		
Accounts receivable	35,842	76,605
Restricted cash	2,336	28,769
Prepaid expenses	9,620	-
Increase (decrease) in:		
Accounts payable	853	(22,817)
Accrued expenses	(132)	698
Total adjustments	<u>13,087</u>	<u>(8,999)</u>
Net cash provided by operating activities	<u>\$ 10,090</u>	<u>\$ 251,475</u>

The accompanying notes are an integral part of this statement.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2022

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, community, 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, 2021, 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, 2022, 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, 2022

1. Principal Activity and Significant Accounting Policies (Continued)

Leases

Habitat determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. Habitat does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

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).

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2022

1. Principal Activity and Significant Accounting Policies (Continued)

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.

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, 2018-2021, 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, 2022

1. Principal Activity and Significant Accounting Policies (Concluded)

Recently adopted accounting standards

Habitat adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. Habitat elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, Habitat recognized right-of-use asset of \$1,039,369 and lease liability of \$1,039,639 in its statement of financial position as of July 1, 2021. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2022.

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>2022</u>	<u>2021</u>
Cash	\$ 68,607	\$ 274,393
Accounts receivable	685	13,010
Loan proceeds expected to be released from purpose accomplishments	30,289	30,289
Other cash expected to be released from purpose accomplishments	19,250	13,959
Current portion of mortgage and repair receivables	<u>87,632</u>	<u>68,236</u>
Financial assets available	<u>\$ 206,463</u>	<u>\$ 399,887</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Construction materials	\$ 2,000	\$ 2,000
Purchased inventory	<u>30,002</u>	<u>38,020</u>
Total	<u>\$ 32,002</u>	<u>\$ 40,020</u>

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2022

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.

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, 2022 and 2021, total current mortgage and repair projects receivable are \$327,944 and \$3,695, and \$380,654 and \$512, 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	\$ 223,901	\$ 104,043	\$ -	\$ -	\$ 327,944
Repair projects receivable	3,555	-	-	140	3,695
Total receivables	<u>\$ 227,456</u>	<u>\$ 104,043</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 331,639</u>

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2022

5. Property and Equipment

A summary of capital assets follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Nondepreciable assets:				
Land	\$ 10,341	\$ 15,375	\$ 6,011	\$ 19,705
Construction in progress	44,979	138,387	43,396	139,970
Total nondepreciable assets	55,320	153,762	49,407	159,675
Depreciable assets:				
Leasehold improvements	293,159	16,788	-	309,947
Office equipment	21,982	-	2,061	19,921
Equipment	15,736	-	-	15,736
Leased equipment	2,396	-	-	2,396
Vehicle	15,120	-	-	15,120
Total depreciable assets	348,393	16,788	2,061	363,120
Less: accumulated amortization	(2,396)	-	-	(2,396)
Less: accumulated depreciation	(68,156)	(14,712)	(2,061)	(80,807)
Total of accumulated depreciation and amortization	(70,552)	(14,712)	(2,061)	(83,203)
Net capital assets	<u>\$ 333,161</u>	<u>\$ 155,838</u>	<u>\$ 49,407</u>	<u>\$ 439,592</u>

Current year additions include lighting in the ReStore building and final office renovations and an awning. Depreciation expense at June 30, 2022 and 2021 was \$14,712 and \$10,117, respectively. Amortization expense at June 30, 2022 and 2021 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 5.57%. The line of credit is due January 30, 2023 however, Habitat expects to refinance this line of credit and any balance owed at the due date. At June 30, 2022, the balance of this line of credit was \$0. The interest expense for the years ended June 30, 2022 and 2021 was \$0 and \$426, respectively.

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2022

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 June 25, 2021, 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 November 2050.

The interest expense related to these loans for the years ended June 30, 2022 and 2021 was \$3,462 and \$1,909, respectively.

A schedule of payments follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 29,104	\$ 2,496	\$ 31,600
2021	\$ 34,088	\$ 1,910	\$ 35,998
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	671	613	1,284
2028-2032	3,644	2,776	6,420
2033-2037	4,182	2,238	6,420
2038-2042	4,797	1,623	6,420
2043-2047	5,503	917	6,420
2048-2051	3,808	169	3,977
	<u>\$ 165,018</u>	<u>\$ 15,811</u>	<u>\$ 180,829</u>

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2022

8. Lease Liability

Habitat evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent Habitat's right to use underlying assets for the lease term, and the lease liabilities represent Habitat's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Habitat has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2022, was 2.25%.

Habitat primarily leases space for its operations, for a renewable term of five years ending April 2025, with an option to extend to April 2055. Habitat intends to renew until the full term expires. For the year ended June 30, 2022, total operating lease cost was \$59,541 and \$47,379, respectively. As of June 30, 2022, the weighted-average remaining lease term for the Arts Center's operating leases was approximately 34 years.

Cash paid for operating leases for the year ended June 30, 2022 was \$57,204. There were no noncash investing and financing transactions related to leasing.

Future maturities of lease liabilities are presented in the following table:

<u>Year Ending June 30,</u>	<u>Building Lease</u>
2023	\$ 57,972
2024	57,972
2025	57,972
2026	57,972
2027	57,972
Thereafter	1,613,554
Total lease payments	1,903,964
Less: present value discount	(559,120)
Total lease obligations	<u>\$ 1,344,844</u>

9. Net Assets with Donor Restrictions

Contributions were received throughout the year with donor restrictions. As of June 30, 2022, net assets with donor restrictions were for the following activities.

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Construction program	\$ 7,200	\$ 6,659
General operations	11,000	6,300
Endowment fund	50	-
ReStore	1,000	1,000
Total net assets with donor restrictions	<u>\$ 19,250</u>	<u>\$ 13,959</u>

Habitat for Humanity/Lenawee County, Inc.

Notes to Financial Statements

June 30, 2022

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>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Construction	\$ 65,360	\$ 250,520
ReStore	6,999	50,150
General operations	11,000	-
Total restrictions released	<u>\$ 83,359</u>	<u>\$ 300,670</u>

10. Donated Professional Services and Materials

Habitat received contributed professional services valued at \$16,110, for its Construction Program and ReStore activities.

Habitat received three properties with aggregate value of \$15,000 for its Construction Program for future construction projects. Another \$962 of materials were received 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.

11. Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 15, 2022, which is the date the financial statements were available to be issued.