Habitat for Humanity of Jacksonville, Inc.

(a non-profit organization)
Jacksonville, Florida

Financial Statements
June 30, 2021 and 2020

Habitat for Humanity of Jacksonville, Inc.
(a non-profit organization)
Index to Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Jacksonville, Inc.
Jacksonville, Florida

We have audited the accompanying financial statements of Habitat for Humanity of Jacksonville, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, statements of functional expenses and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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.

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Opinion

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of Habitat for Humanity of Jacksonville, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Jacksonville, Inc.'s internal control over financial reporting and compliance.

Ralston & Company P.A.

October 18, 2021

Habitat for Humanity of Jacksonville, Inc.
(a non-profit organization)
Statements of Financial Position
June 30, 2021 and 2020

ASSETS

	2021	2020
Cash and cash equivalents	$ 6,722,092	$ 3,108,634
Restricted cash - NMTC	120	77
Certificates of deposit	-	859,446
Investment in NMTC	977,838	977,839
Pledges receivable	75,000	118,000
Grants receivable	99,517	-
Accounts receivable - other	36,096	110,158
Mortgage notes receivable - net of unearned discounts	10,557,108	12,469,490
Inventory	1,302,833	1,966,886
Prepaid expenses and other assets	198,684	86,521
Property and equipment - net of accumulated depreciation	4,129,073	822,274
Land held for future use	2,129,558	2,081,192
Total assets	$ 26,227,919	$ 22,600,517

LIABILITIES AND NET ASSETS

	2021	2020
Accounts payable	$ 131,088	$ 158,268
Accrued expenses	122,452	111,337
Line of credit	-	1,125,000
Notes payable	36,583	453,195
Loan payable - NMTC	1,379,637	1,376,933
Deposits and payments on houses awaiting closing	10,770	22,182
Total liabilities	1,680,530	3,246,915
Net assets:		
Without donor restrictions	24,418,118	19,353,602
With donor restrictions	129,271	-
Total net assets	24,547,389	19,353,602
Total liabilities and net assets	$ 26,227,919	$ 22,600,517

The accompanying notes are an integral part of this statement.

Habitat for Humanity of Jacksonville, Inc.
(a non-profit organization)
Statements of Activities
For the years ended June 30, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions		
Revenue and support		
Program service revenue	$ 8,316,145	$ 7,417,934
Contributions and sponsorships	4,649,949	2,152,082
PPP loan forgiveness	396,122	-
Grants	306,494	32,130
Interest income	22,848	48,928
Other income	12,846	23,938
Total revenue and support	13,704,404	9,675,012
Net assets released from restriction	-	18,026
	13,704,404	9,693,038
Expenses		
Program services	7,925,844	7,681,587
Management and general	489,981	514,840
Fundraising	224,063	245,736
Total expenses	8,639,888	8,442,163
Change in net assets without donor restrictions	5,064,516	1,250,875
Changes in net assets with donor restrictions		
Contributions and sponsorships	129,271	-
Net assets released from restrictions	-	(18,026)
Change in net assets with donor restrictions	129,271	(18,026)
Increase in net assets:	5,193,787	1,232,849
Net assets - beginning of year	19,353,602	18,120,753
Net assets - end of year	$ 24,547,389	$ 19,353,602

The accompanying notes are an integral part of this statement.

Habitat for Humanity of Jacksonville, Inc.
(a non-profit organization)
Statement of Functional Expenses
For the year ended June 30, 2021

	Program Services	Supporting Services Management and General	Fund Raising	Total
Salaries	$ 1,448,744	$ 259,327	$ 146,915	$ 1,854,986
Employee benefits	122,973	22,898	11,504	157,375
Payroll taxes	117,175	19,135	11,564	147,874
Total salaries and related expenses	1,688,892	301,360	169,983	2,160,235
Construction and supplies	4,581,955	458	-	4,582,413
Rent	669,936	6,595	3,331	679,862
Mortgage discounts, net of amortization	303,377	-	-	303,377
Office and premises	143,573	25,601	27,906	197,080
Professional fees	124,890	38,648	13,586	177,124
Insurance	115,628	25,435	85	141,148
Maintenance	74,206	-	-	74,206
Depreciation	-	71,887	-	71,887
Vehicle expenses	61,991	181	93	62,265
Warranty	46,681	-	-	46,681
Tithe	30,845	-	-	30,845
Telephone and communications	22,385	4,411	2,207	29,003
Interest	19,586	-	-	19,586
Special events	5,263	6,127	3,427	14,817
Advertising	713	30	2,331	3,074
Community development	3,111	-	-	3,111
Other	32,812	9,248	1,114	43,174
Total expenses	$ 7,925,844	$ 489,981	$ 224,063	$ 8,639,888

The accompanying notes are an integral part of this statement.

Habitat for Humanity of Jacksonville, Inc.
(a non-profit organization)
Statement of Functional Expenses
For the year ended June 30, 2020

	Program Services	Supporting Services Management and General	Fund Raising	Total
Salaries	$ 1,398,409	$ 250,317	$ 141,811	$ 1,790,537
Employee benefits	119,027	22,163	11,135	152,325
Payroll taxes	123,047	20,094	12,143	155,284
Total salaries and related expenses	1,640,483	292,574	165,089	2,098,146
Construction and supplies	4,227,608	423	-	4,228,031
Rent	663,413	6,530	3,299	673,242
Office and premises	239,830	42,765	46,616	329,211
Mortgage discounts, net of amortization	244,689	-		244,689
Professional fees	171,073	52,940	18,610	242,623
Insurance	116,433	25,612	85	142,130
Maintenance	112,756	-	-	112,756
Vehicle expenses	81,651	238	123	82,012
Interest	78,348	-	-	78,348
Depreciation	-	67,902		67,902
Telephone and communications	22,341	4,403	2,202	28,946
Special events	5,140	5,984	3,347	14,471
Tithe	11,433	-	-	11,433
Warranty	7,791	-	-	7,791
Advertising	1,380	58	4,509	5,947
Community development	2,538	-	-	2,538
Other	54,680	15,411	1,856	71,947
Total expenses	$ 7,681,587	$ 514,840	$ 245,736	$ 8,442,163

The accompanying notes are an integral part of this statement.

Habitat for Humanity of Jacksonville, Inc.
(a non-profit organization)
Statements of Cash Flows
For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 5,193,787	$ 1,232,849
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	71,887	67,902
Forgiveness of PPP loan	(396,122)	-
Discounts on mortgages	303,377	244,689
Loss on disposal of assets	-	1,290
Changes in assets and liabilities		
Pledges receivable	43,000	132,450
Grants receivable	(99,517)	-
Accounts receivable - other	74,062	(7,540)
Inventory	664,053	(442,091)
Prepaid expenses and other assets	(112,163)	72,573
Accounts payable	(27,180)	93,363
Accrued expenses	11,115	12,450
Deposits and payments on houses awaiting closing	(11,412)	5,507
Net cash provided by operating activities	5,714,887	1,413,442
Cash flows from investing activities		
Proceeds (purchase) from/of certificates of deposit, net	859,446	(859,446)
Change in investment in NMTC	1	2
Changes in mortgage notes receivable - net of discounts	1,609,005	2,211,102
Purchase of property and equipment	(67,168)	(44,255)
Payments for construction-in-progress	(3,311,518)	-
Transfer of land held for future use, net of purchase	(48,366)	(681,490)
Net cash provided (used) by investing activities	(958,600)	625,913
Cash flows from financing activities		
Repayments of line of credit, net	(1,125,000)	(1,100,000)
Proceeds from long-term debt	398,826	398,827
Repayments of long-term debt	(416,612)	(42,984)
Net cash used by financing activities	(1,142,786)	(744,157)
Net increase in cash and cash equivalents	3,613,501	1,295,198
Cash and cash equivalents, beginning of year	3,108,711	1,813,513
Cash and cash equivalents, end of year	$ 6,722,212	$ 3,108,711

The accompanying notes are an integral part of this statement.

Habitat for Humanity of Jacksonville, Inc.
(a non-profit organization)
Statements of Cash Flows
For the years ended June 30, 2021 and 2020

	2021	2020
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 19,586	$ 78,348

The accompanying notes are an integral part of this statement.

1. Organization and Purpose

Habitat for Humanity of Jacksonville, Inc. (the Organization) was established March 28, 1988, to provide affordable housing for low-income families in the Jacksonville, Florida area who have demonstrated a housing need, have the ability to repay a non-interest bearing mortgage, and have the willingness to volunteer 200 hours of their time to the project. These houses are constructed with the assistance of volunteer labor.

The Organization also operates two stores at which donated supplies that are not designated for Organization homes are sold.

2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below.

Basis of Presentation
The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. The Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Revenue and Cost Recognition
Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

ReStore sales – To help fund the Organization's ability to provide affordable housing for low-income families the Organization operates two home improvement retail stores, which sells a wide assortment of building materials and home improvement products. The performance obligation is the delivery of the goods to the consumer. The transaction price is established by the Organization based on retail prices. As each item is individually priced, no allocation of the transaction price is necessary. The Organization recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with the right to return. If probable custom returns exist at the end of an accounting period, the Organization estimates and records in its financial statements as liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of June 30, 2021 and 2020.

Home sales - The Organization recognizes revenues from construction of homebuilding contracts at the closing of the sale using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities. Capitalized costs are charged to earnings upon closing. Costs incurred in connection with completed homes and general and administrative costs are charged to expense as incurred. Payment typically is due over time in installments, based on terms specified in the contracts. All mortgages and contracts for deed are due based on the notes terms. Construction costs include all direct material and labor cost, subcontract cost and those indirect costs related to construction of the home, such as indirect labor, supplies, tools, and repairs. Selling, general and administrative costs are charged to expenses as incurred.

Contributions

Contributions received are recorded as with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are with restriction by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with restriction are reclassified to without restriction and are reported in the Statements of Activities as assets released from restriction.

Donated Materials, Long-lived Assets, Facilities & Services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Long-lived assets or the use facilities are recorded as contributions in the period received at fair value. The Organization reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Restricted Cash

New Market Tax Credit restricted cash is funds set aside for new construction in process and operating expenses of the NMTC. The balance at June 30, 2021 and 2020 was $120 and $77, respectively.

Investment in New Market Tax Credits
In November 2017, the Organization invested in a New Market Tax Credit (NMTC) financial joint venture, HFHI NMTC Leverage Lender 2016-1, LLC, along with ten other Habitat affiliates, to take advantage of tax credit equity funding. The investment is accounted for using the equity method and the carrying amount of the investment is increased for the Organization's proportionate share of the joint venture's earnings and decreased for the Organization's proportionate share of the joint venture's losses and distributions.

Mortgage Notes Receivable
The Organization has a policy of selling affordable housing with interest free mortgages. Therefore, mortgages receivable do not have a stated interest rate. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. The Organization does not maintain an allowance for uncollectible mortgages receivable because the houses are sold at or below market prices and the Organization has the ability to foreclose on properties and resell them to collect any past due amounts. All mortgages and contracts for deed are due based on the notes terms. Management believes all mortgages and contracts for deed receivable are realizable through either collection or foreclosure proceeds, if not collected.

Inventories
Inventories consist of construction supplies, homes, and ReStore inventory. The construction supplies and ReStore inventory are valued at the lower of cost or market. Cost is determined on the first-in, first out method. Donated items are recorded at estimated fair value at the date of donation. Home inventory consists of houses and lots constructed or purchased by the Organization for the rehabilitation and resale. The houses and lots are valued at the lower of specific acquisition and carrying costs or estimated net value. Any additional costs to rehabilitate the homes are added to the carrying cost of the home.

Repurchased Homes
Repurchased homes acquired through or in lieu of loan foreclosure are initially recorded at the lesser of outstanding loan balance less the outstanding discount on the loan or fair value. Any write-down on the asset to fair value at the date of acquisition is charged to loss on the Statement of Activities. Cost of significant property improvements are added to the cost of the home, whereas costs relating to holding the property are expensed.

Property and Equipment
Acquisitions of property and equipment are capitalized at cost, or if donated, at fair value at the date of donation. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities. Depreciation is computed using straight-line and accelerated methods over the useful lives of the assets.

Long-lived assets to be held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed following generally accepted accounting principles.

Notes Payable
Notes payable are recorded at their outstanding principal amounts.

Income Taxes
The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is not taxed on income derived from its exempt functions. However, the Organization is subject to tax on unrelated business income, which is generated from the Organization's investment income and other activities not related to their stated exempt purposes. The Organization had no deferred income tax assets or liabilities as of June 30, 2021 and 2020. The Organization is no longer subject to U.S. Federal income tax examinations by the tax authorities for years before June 30, 2018.

Valuation
To best reflect economic realities and comply with certain grant requirements, the selling price of new homes is at or below market prices. The mortgage receivable due from the homeowner is adjusted to reflect the value of significant volunteer credits in the form of internal down payment assistance, thus meeting the requirements of the national organization.

Functional Classification of Expenses
The costs of providing affordable housing for low-income families and supporting services have been summarized on the Statement of Activities on a functional basis. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include rent, office and premises, professional fees, insurance, vehicle expenses, special events, telephone and communications, salaries and wages, payroll taxes, and other expense. The financial statements report expenses by function in the Statements of Functional Expenses.

Compensated Absences
Employees of the Organization are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. The Organization's policy is that employees may not roll over unused vacation days. Accordingly, compensated absences have not been accrued.

Date of Managements' Review
Subsequent events have been evaluated through October 18, 2021, the date these financial statements were available to be issued.

Paycheck Protection Program
The Organization received proceeds under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for forgivable loans to qualifying organizations as long as the organization maintains its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a "covered period" (eight or 24 weeks, not to extend beyond December 31, 2020). Up to 100% of a loan is forgivable. The forgiveness amount will be reduced if the organization terminates employees or reduces salaries

during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization used PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness within 10 months of the end of the covered period. See Note 12.

Recently Issued Accounting Standards
The following accounting pronouncement was issued by the FASB:

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2019, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

3. Liquidity and Availability of Funds

The Organization's financial assets available for general expenditure that are without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

	2021	2020
Cash	$ 6,722,092	$ 3,108,634
Certificates of deposit	-	859,446
Pledges receivable	75,000	118,000
Grants receivable	99,517	-
Accounts receivable - other	36,096	110,158
Total financial assets at year end	$ 6,932,705	$ 4,196,238
Total financial assets available to meet general expenditures within the next 12 months	$ 6,932,705	$ 4,196,238

As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Investment in New Markets Tax Credit

In November 2017, the Organization invested along with 10 other Habitat affiliates, in a joint venture (HFHI NMTC Leverage Lender 2016-1, LLC) to take advantage of New Markets Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside vendors, who will receive new market tax credits to be applied against their federal tax liability. The Organization invested a combination of cash and construction in progress totaling $977,841 for a 4.53% ownership stake and securing a loan in the amount of $1,450,557 payable to HFHI NMTC SUB-CDEHHS. The result was the Organization receiving $845,172 to be used solely for the purpose of constructing and selling qualified housing projects to low-income residents.

The balance of the investment in HFHI NMTC Leverage Lender 2016-1, LLC is as follows:

	2021	2020
Balance, beginning of year	$ 977,839	$ 977,841
Share of income	9,779	9,778
Distributions	(9,780)	(9,780)
Balance, end of year	$ 977,838	$ 977,839

The NMTC has restricted cash in the amount received from loan proceeds, less the construction in process transferred. Restricted cash is to be used for new construction in process and operating expenses of the NMTC. The balance of restricted cash at June 30, 2021 and 2020 was $120 and $77, respectively.

5. Pledges and Grants Receivable

Unconditional promises to give or grants are recorded as receivables and revenue when received and earned. The Organization distinguishes between contributions and grants received for each net asset category in accordance with donor-imposed or grant restrictions. Management has determined that the pledges and grants receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2021 and 2020.

6. Mortgage Notes Receivable

The Organization provides 100% financing on homes purchased over a 15 to 30 year period at no interest. Generally Accepted Accounting Principles (GAAP) require that contractual rights to receive money in the future be recorded at the present value of the consideration given in exchange.

The value of the house given in exchange for the mortgage note is deemed to be the present value of all future mortgage principal payments using an imputed interest rate. The difference between the face amount of the note and its present value is accounted for as a discount, recorded on the Statements of Financial Position reducing mortgage notes receivable, and amortized over the life of the note by the interest method. Present value is calculated using rates determined for the year the mortgage was executed. Rate used for the years ending June 30, 2021 and 2020 was 7.38% and 7.66% respectively.

The Organization has an underwriting agreement with a commercial bank, whereby the bank acts as an underwriter and loan processor. At closing, the bank issues payment to the Organization. After finalization and approval, the Organization purchases the mortgage from the bank dollar for dollar, plus certain closing costs. Loans awaiting final approval for payment to the bank are reflected as a mortgage purchase liability on the Statements of Financial Position.

	2021	2020
Mortgage notes receivable	$ 20,445,292	$ 24,560,806
Less: Unamortized discount	(9,888,184)	(12,091,316)
	$ 10,557,108	$ 12,469,490

All notes are collateralized by a first mortgage lien on the real property sold. In the event of a default by the mortgagor, the property may be repossessed to satisfy any outstanding obligations. In addition, all mortgages are non-assumable without prior written approval of the Organization.

Since all houses are collateralized by a first mortgage lien and a high demand for affordable housing in the area, the Organization has made no allowance for uncollectible mortgages.

Periodically the Organization will sell mortgage receivables at a discount of face value.

The Organization is obligated to swap out any of the mortgages sold if any become significantly in arrears.

As of June 30, 2021 and 2020, the Organization had 124 and 133, respectively delinquent loans, with approximate delinquent amounts of $376,000 and $297,000, respectively. The total principal balance for the delinquent mortgages as of June 30, 2021 and 2020 is approximately $4,540,000 and $4,905,000, respectively.

Included in mortgage notes receivable at the end of June 30, 2021 and 2020 were 0 and 3 mortgages totaling $0 and $106,145 respectively, on houses completed and closed but for which clear title has not been obtained. The title issues relate to land deeded by a governmental entity. During the year ended June 30, 2008, the Organization closed these mortgages without title insurance, indemnifying the homeowners of any potential future issues, which the Organization believes are remote.

Mortgages totaling $6,273,997 are pledged as collateral on the line of credit at June 30, 2021.

7. Inventory

All construction costs, including materials and subcontract labor paid by the Organization as well as the value of those items donated to the Organization, are considered construction in progress until a mortgage is signed on the house.

At June 30, 2021 and 2020, there were 1 and 10 completed but unclosed houses as well as 15 and 12 homes in process, respectively. There were 2 and 5 repurchased homes at June 30, 2021 and 2020 respectively. The detail of the inventory is as follows:

	2021	2020
ReStore inventory	$ 375,748	$ 141,027
Construction supplies	73,812	71,281
Construction in progress	665,670	1,359,480
Repurchased homes	187,603	395,098
	$ 1,302,833	$ 1,966,886

8. Property and Equipment

Major classes of property and equipment are as follows:

	Estimated Use Life	2021	2020
Land and buildings	5-40	$ 1,243,004	$ 1,228,158
Office equipment	3-7	239,520	224,400
Vehicles	5	263,098	226,253
Construction equipment	5-10	108,880	108,880
		1,854,502	1,787,691
Less accumulated depreciation		(1,036,946)	(965,417)
		817,556	822,274
Construction-in-progress		3,311,518	-
		$ 4,129,074	$ 822,274

9. Deposits and Payments on Houses Awaiting Closing

As stated in Note 1, families must meet certain requirements before they can sign a mortgage on a house. Families receive a rent credit at the time the house is closed, at which time it is applied to reduce the mortgage. In addition, down payments of 1% of the home contract sale price are collected on all houses and applied to reduce the mortgage at closing.

10. Line of Credit

The Organization has a line of credit with TIAA Bank, allowing for borrowings up to $4,000,000, subject to a borrowing base calculation, with interest at one-month LIBOR rate plus 2.5%, with a floor rate of 3.50% and a ceiling rate of 5.50%, currently at 3.5% at June 30, 2021, with interest payable monthly. The line of credit is collateralized by mortgage receivables and inventories of the Organization. At June 30, 2021, the Organization had not drawn on the line of credit and as of June 30, 2020, the Organization had drawn $1,125,000, on the line of credit.

11. Notes Payable

The Organization had the following notes payable at June 30, 2021 and 2020:

	2021	2020
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of $442 beginning January 2020 and maturing December 2025.	$ 16,830	$ 21,250
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of $130 beginning July 2019 and maturing June 2023.	2,220	3,520
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of $260 beginning July 2019 and maturing June 2027.	9,250	10,550
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of $520 beginning July 2019 and maturing June 2023.	6,843	12,043
Unsecured with $6,250 of available funds, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of $130 beginning January 2018 and maturing January 2022.	1,440	2,740
Unsecured with $37,000 of available funds, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of $770 beginning January 2017 and maturing December 2020, loan satisfied in current year.	-	6,970
Note payable under the SBA Payroll Protection Plan, interest at 1.00%, interest accrued for first six months, payable in monthly installments of principal and interest in two years. Payments may be deferred up to one year. Loan principal and accrued interest can be fully forgiven depending on use of funds as determined by the SBA. The loan was fully forgiven in current year.	-	396,122
	36,583	453,195
Less current portion	(16,104)	(200,808)
Long-term portion	$ 20,479	$ 252,387

Principal payments on notes payable for each of the next five years are as follows:

2022	$ 16,104
2023	8,127
2024	6,864
2025	2,478
2026	1,560
Thereafter	1,450
	$ 36,583

12. Paycheck Protection Program

In 2020, the Company was granted and received a $396,122 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Company initially recorded the loan as a refundable advance and subsequently recognized revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Company has recognized $396,122 as revenue for the year ended June 30, 2021, which represents 100% of the loan proceeds.

13. NMTC Loan Payable

As of June 30, 2021 and 2020 the Organization has a loan payable of $1,450,577 to HFHI NMTC SUD-CDE II, LLC as part of the New Market Tax Credit financing, net of unamortized loan cost of $70,920 and $73,624, respectively. The loan is a 30-year loan commencing November 2017. Interest is charged at a fixed annual rate of .674252% and paid semiannually. The note is interest only for 7 years. Principal payments are scheduled to begin May 2025. The loan has a put option feature, defined in an option agreement that is expected to be exercised in 2025, effectively removing the liability. The loan is secured by substantially all the assets acquired by the Organization from the proceeds.

Loan costs incurred with the loan were $80,836. Accumulated amortization at June 30, 2021 and 2020 was $9,907 and $7,212, respectively.

14. Lease Commitments

The Organization leases the space for one ReStore through June 2021 under an operating lease with monthly payments of $17,474, adjusted annually. A second ReStore is leasing space through April 2024 under an operating lease with monthly payments of $17,183 for 60 months and then $18,504 for 24 months. The Organization has various operating leases for office equipment and vehicles.

Future estimated lease payments under non cancelable operating leases for the next five years and in the aggregate are as follows:

2022	$	416,619
2023		258,665
2024		204,872
	$	880,156

15. Concentrations of Credit Risk

Since the Organization's home sales are concentrated within one geographic location (Duval County) to individuals who may otherwise not qualify for home mortgage financing, there is a significant concentration of credit risk associated with the Organization's mortgage notes receivable. In an effort to minimize this risk, it is the Organization's policy to require credit reports and employment verifications on all potential homeowners. Additional protection is provided by the recorded first mortgage lien on the real property during the period the mortgage is outstanding and the non-assumable nature of the mortgage without prior written approval of the Organization. The risk is further addressed by the loans being carried at a significant discount as discussed in Note 4.

The Organization maintains its cash and cash equivalents in several financial institution accounts, which may, at times, exceed the federally insured limit of $250,000 set by the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions. As of June 30, 2021, the uninsured portion of the balances was $6,496,803.

16. Affiliation

The Organization is an affiliate of Habitat for Humanity International, Inc.

17. Retirement Plan

The Organization has a 401(k) retirement plan. The Organization matches 50% of the employee contributions up to 6%. An employee is vested after two years. The total employer contributions for June 30, 2021 and 2020 were $31,715 and $31,563, respectively.

18. Separate Cash Accounts

Certain grants require separate cash accounts and/or accounting. The Organization is in compliance with these requirements.

19. In-kind Donations

In-kind donations are valued at estimated fair value. Total in-kind donations were $2,560 and $260,865 for the years ended June 30, 2021 and 2020, respectively. Donations were primarily land, construction supplies and related professional services.

20. Net Assets with Donor Restrictions

Although restricted contributions typically are reported as support that increases net assets with donor restrictions, they may be reported as support without donor restrictions if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed. Net assets with donor restrictions for the following purposes:

	2021	2020
Tiny Homes Project	$ 120,171	$ -
Homeowner relief funds	9,100	-
	$ 129,271	$ -

21. Net Assets Released from Restrictions

No net assets were released from donor restrictions during 2021 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

During 2020, net assets with donor restrictions contributed for a specific construction project and restricted for specific natural disaster construction, were satisfied and the remaining restricted portion of $18,026 releasing those net assets from restrictions.

22. Effect of Current Economic Conditions due to COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is dependent on its workforce to deliver its services. Developments in response to COVID-19, such as social distancing and shelter-in-place directives may impact the Organization's ability to deploy its workforce effectively. These same developments may affect the operations and timing of deliverables from the Organization's subcontractors and suppliers, as their own workforces and operations are disrupted by efforts to curtail the spread of this virus. Further, the Organization's customers (future homeowners) may either delay or cancel existing or future projects based on these same developments. Further, unforeseen conditions may require contract modifications and changes in the Organization's estimates to complete its existing contracts. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the

Organization's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Habitat for Humanity of Jacksonville, Inc.
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Jacksonville, Inc. (a non-profit 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, and have issued our report thereon dated October 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Jacksonville, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Jacksonville, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Jacksonville, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann & Company P.A

October 18, 2021