

# **Habitat for Humanity of Jacksonville, Inc.**

**(a non-profit organization)**

**Jacksonville, Florida**

**Consolidated Financial Statements**

**June 30, 2022 and 2021**

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

---

	<u>Page No.</u>
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	9
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 <i>Government Auditing Standards</i>	23



R. BRUCE SHEALY  
KEVIN M. FRITZ  
JON E. CORNAIRE  
MICHAEL R. RITCH  
GREGORY S. LACINA

ROBERT E. RALSTON  
(1921 - 1986)

BERT J. PITTMAN, JR.  
(1944 - 2019)

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Jacksonville, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated 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, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Jacksonville, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated 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 for Humanity of Jacksonville, Inc.'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 for Humanity of Jacksonville, Inc.'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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, 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.

*Rabitan & Company P.A.*

October 17, 2022

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Consolidated Statements of Financial Position**  
**June 30, 2022 and 2021**

---

<b>ASSETS</b>		
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,137,191	\$ 6,722,092
Restricted cash - NMTC	340	120
Investment in NMTC	977,836	977,838
Pledges receivable	80,500	75,000
Grants receivable	103,986	99,517
Accounts receivable - other	30,496	36,096
Mortgage notes receivable - net of unearned discounts	10,019,276	10,557,108
Inventory	1,771,314	1,302,833
Prepaid expenses and other assets	234,278	198,684
Property and equipment - net of accumulated depreciation	6,035,400	4,129,073
Land held for future use	1,396,547	2,129,558
	<hr/>	<hr/>
Total assets	<u>\$ 28,787,164</u>	<u>\$ 26,227,919</u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 291,291	\$ 131,088
Accrued expenses	153,474	122,452
Deferred revenue	8,819	-
Notes payable	36,599	36,583
Loan payable - NMTC	1,382,342	1,379,637
Tenant security deposits	8,684	-
Deposits and payments on houses awaiting closing	12,926	10,770
	<hr/>	<hr/>
Total liabilities	<u>1,894,135</u>	<u>1,680,530</u>
Net assets:		
Without donor restrictions	26,879,329	24,418,118
With donor restrictions	13,700	129,271
	<hr/>	<hr/>
Total net assets	<u>26,893,029</u>	<u>24,547,389</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 28,787,164</u>	<u>\$ 26,227,919</u>

The accompanying notes are an integral part of this statement.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Consolidated Statements of Activities**  
**For the years ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Revenue and support		
Program service revenue	\$ 5,512,616	\$ 8,316,145
Contributions and sponsorships	3,176,777	4,647,389
Noncash contributions	1,657,003	1,324,156
Amortization of mortgage discount, net	704,821	-
Grants	154,976	306,494
Tiny Home rental income, net	67,728	-
Interest income	17,047	22,848
PPP loan forgiveness	-	396,122
Other income	3,522	12,846
	<hr/>	<hr/>
Total revenue and support	11,294,490	15,026,000
Net assets released from restriction	<hr/> 120,171	<hr/> -
	<hr/>	<hr/>
	11,414,661	15,026,000
	<hr/>	<hr/>
Expenses		
Program services	7,846,656	9,247,440
Management and general	704,166	489,981
Fundraising	402,628	224,063
	<hr/>	<hr/>
Total expenses	8,953,450	9,961,484
	<hr/>	<hr/>
Change in net assets without donor restrictions	2,461,211	5,064,516
Changes in net assets with donor restrictions		
Contributions and sponsorships	4,600	129,271
Net assets released from restrictions	(120,171)	-
Change in net assets with donor restrictions	<hr/> (115,571)	<hr/> 129,271
	<hr/>	<hr/>
Increase in net assets:	2,345,640	5,193,787
Net assets - beginning of year	<hr/> 24,547,389	<hr/> 19,353,602
	<hr/>	<hr/>
Net assets - end of year	<u><u>\$ 26,893,029</u></u>	<u><u>\$ 24,547,389</u></u>

The accompanying notes are an integral part of this statement.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2022**

---

	Program Services	Supporting Services Management and General	Fund Raising	Total
Salaries	\$ 1,356,790	\$ 422,215	\$ 249,233	\$ 2,028,238
Employee benefits	122,144	40,930	27,626	190,700
Payroll taxes	114,759	33,947	19,996	168,702
Total salaries and related expenses	1,593,693	497,092	296,855	2,387,640
Construction and supplies	4,652,072	-	-	4,652,072
Rent	638,406	9,730	1,396	649,532
Office and premises	133,811	82,609	25,001	241,421
Depreciation	201,915	20,056	2,869	224,840
Professional fees	84,685	65,674	16,460	166,819
Insurance	129,720	6,715	1,447	137,882
Maintenance	125,792	6,129	880	132,801
Community development	101,549	-	-	101,549
Vehicle expenses	58,278	-	-	58,278
Warranty	52,269	-	-	52,269
Special events	-	-	31,638	31,638
Telephone and communications	15,360	9,233	1,326	25,919
Tithe	-	-	20,518	20,518
Interest	9,937	628	89	10,654
Advertising	1,396	562	2,480	4,438
Other	47,773	5,738	1,669	55,180
Total expenses	<u>\$ 7,846,656</u>	<u>\$ 704,166</u>	<u>\$ 402,628</u>	<u>\$ 8,953,450</u>

The accompanying notes are an integral part of this statement.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Consolidated 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	5,903,551	458	-	5,904,009
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	<u>\$ 9,247,440</u>	<u>\$ 489,981</u>	<u>\$ 224,063</u>	<u>\$ 9,961,484</u>

The accompanying notes are an integral part of this statement.



**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 2,345,640	\$ 5,193,787
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	224,840	71,887
Forgiveness of PPP loan	-	(396,122)
Discounts on mortgages	(704,821)	303,377
Changes in assets and liabilities		
Pledges receivable	(5,500)	43,000
Grants receivable	(4,469)	(99,517)
Accounts receivable - other	5,600	74,062
Inventory	(468,481)	664,053
Prepaid expenses and other assets	(35,594)	(112,163)
Accounts payable	160,203	(27,180)
Accrued expenses	31,022	11,115
Deferred revenue	8,819	-
Tenant security deposits	8,684	-
Deposits and payments on houses awaiting closing	2,156	(11,412)
Net cash provided by operating activities	<u>1,568,099</u>	<u>5,714,887</u>
Cash flows from investing activities		
Proceeds (purchase) from/of certificates of deposit, net	-	859,446
Change in investment in NMTC	2	1
Changes in mortgage notes receivable - net of discounts	1,242,653	1,609,005
Purchase of property and equipment	(2,131,167)	(67,168)
Payments for construction-in-progress	-	(3,311,518)
Transfer of land held for future use, net of purchase	733,011	(48,366)
Net cash provided (used) by investing activities	<u>(155,501)</u>	<u>(958,600)</u>
Cash flows from financing activities		
Repayments of line of credit, net	-	(1,125,000)
Proceeds from long-term debt	18,955	398,826
Repayments of long-term debt	(16,234)	(416,612)
Net cash used by financing activities	<u>2,721</u>	<u>(1,142,786)</u>
Net increase in cash and cash equivalents	1,415,319	3,613,501
Cash and cash equivalents, beginning of year	<u>6,722,212</u>	<u>3,108,711</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,137,531</u></u>	<u><u>\$ 6,722,212</u></u>

The accompanying notes are an integral part of this statement.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2022 and 2021**

---

	<u>2022</u>	<u>2021</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 10,654</u>	<u>\$ 19,586</u>

The accompanying notes are an integral part of this statement.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

**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 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 purchased and donated supplies, that are not designated for Organization homes, are sold.

Additionally, the Organization established Navaho-HRDC, LLC (“HRDC”) a Florida single-member limited liability company (a disregarded entity for tax information return purposes), which commenced operations in November 2021. HRDC operates a fifty(50) unit tiny home facility, located in Jacksonville Florida. The HRDC provides low-income individuals with affordable rental housing opportunity.

**2. Summary of Significant Accounting Policies**

Basis of Consolidation

The consolidated financial statements include the Organization and its subsidiary, HRDC. All material inter-organizational transactions have been eliminated.

Basis of Accounting

The consolidated 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 consolidated 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

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

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, 2022 and 2021.

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.

Tiny Home rental income - The Organization recognizes revenue stream in rent charges for residential units under leases with duration of one year. The Organization records revenue for such leases at gross potential rentals prescribed by lease agreements. Subsidy revenue for low-income eligible tenants is provided under a Section 8 housing assistance payment contract. This contract requires tenants to contribute a portion of the contracted rent based on a formula. Subsidy income is considered part of the lease and is not considered a contribution under ASC 958.

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

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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, 2022 and 2021 was \$340 and \$120, 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

For the year ended June 30, 2021, the Organization had a practice of selling some single-family homes, with interest free mortgages. Therefore, interest free 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.

For the year ended June 30, 2022, the Organization modified its practice of financing the sale of single-family homes. Generally, home sales are financed by unaffiliated financial institutions utilizing lending products developed for low to moderate income home buyers.

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

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

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, 2022 and 2021. The Organization is no longer subject to U.S. Federal income tax examinations by the tax authorities for years before June 30, 2019.

Valuation

To best reflect economic realities and comply with certain grant requirements, the selling price of new homes is at or below market prices.

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

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

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.

Reclassifications

Certain balances from the 2021 consolidated financial statements have been reclassified to conform to the 2022 consolidated financial statement presentation. Such reclassifications had no effect on the previously reported increase in net assets for the year ended June 30, 2021

Date of Managements' Review

Subsequent events have been evaluated through October 17, 2022, the date these consolidated financial statements were available to be issued.

Paycheck Protection Program

In 2020, 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.

Accounting Pronouncement Adopted

Effective July 1, 2021, The Organization adopted Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). The amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms. The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets such as land, buildings, and equipment, use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

Accounting Pronouncement Issued but Not Yet Effective

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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 8,137,191	\$ 6,722,092
Pledges receivable	80,500	75,000
Grants receivable	103,986	99,517
Accounts receivable - other	<u>30,496</u>	<u>36,096</u>
Total financial assets at year end	<u>\$ 8,352,173</u>	<u>\$ 6,932,705</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 8,352,173</u>	<u>\$ 6,932,705</u>

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.



**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 977,838	\$ 977,839
Share of income	9,778	9,779
Distributions	<u>(9,780)</u>	<u>(9,780)</u>
Balance, end of year	<u>\$ 977,836</u>	<u>\$ 977,838</u>

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, 2022 and 2021 was \$340 and \$120, 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, 2022 and 2021.

**6. Mortgage Notes Receivable**

Prior to the year ended June 30, 2022, the Organization provides 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, 2022 and 2021 was 7.23% and 7.38% 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.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

	<u>2022</u>	<u>2021</u>
Mortgage notes receivable	\$ 19,146,248	\$ 20,445,292
Less: Unamortized discount	<u>(9,126,972)</u>	<u>(9,888,184)</u>
	<u>\$ 10,019,276</u>	<u>\$ 10,557,108</u>

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.

Some mortgages sold to third parties obligate the Organization to swap out any of the mortgages sold if any become significantly in arrears.

As of June 30, 2022 and 2021, the Organization had 94 and 124, respectively delinquent loans, with approximate delinquent amounts of \$327,000 and \$376,000, respectively. The total principal balance for the delinquent mortgages as of June 30, 2022 and 2021 is approximately \$3,515,000 and \$4,540,000, respectively.

Mortgages totaling \$5,890,289 are pledged as collateral on the line of credit at June 30, 2022.

## **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, 2022 and 2021, there were 5 and 1 completed but unclosed houses as well as 10 and 15 homes in process, respectively. There were 1 and 2 repurchased homes at June 30, 2022 and 2021 respectively. The detail of the inventory is as follows:

	<u>2022</u>	<u>2021</u>
ReStore inventory	\$ 668,120	\$ 375,748
Construction supplies	64,619	73,812
Construction in progress	850,972	458,175
Repurchased homes	<u>187,603</u>	<u>395,098</u>
	<u>\$ 1,771,314</u>	<u>\$ 1,302,833</u>

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

**8. Property and Equipment**

Major classes of property and equipment are as follows:

	Estimated Use Life	<u>2022</u>	<u>2021</u>
Land and buildings	5-40	\$ 6,391,383	\$ 1,243,004
Vehicles	5	263,098	263,098
Furniture and fixtures	7	249,047	-
Office equipment	3-7	243,777	239,520
Construction equipment	5-10	149,880	108,880
		<u>7,297,185</u>	<u>1,854,502</u>
Less accumulated depreciation		<u>(1,261,785)</u>	<u>(1,036,946)</u>
		6,035,400	817,556
Construction-in-progress		-	3,311,518
		<u>\$ 6,035,400</u>	<u>\$ 4,129,074</u>

**9. Deposits and Payments on Houses Awaiting Closing**

As stated in Note 1, for the year ended June 30, 2021, families had to meet certain requirements before they could 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 were collected on all houses and applied to reduce the mortgage at closing.

As state in Note 1, for the year ended June 30, 2022, the Organization modified its practice of financing home sales. Unaffiliated financial institutions served as lender to home buyers. Down payment requirements are set by the lender in consultation with the Organization. The Organization also requires completion of defined volunteer hours prior to the sale of the home.

**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, 2022, with interest payable monthly. The line of credit is collateralized by mortgage receivables and inventories of the Organization. At June 30, 2022, the Organization had not drawn on the line of credit and as of June 30, 2021, the Organization had drawn \$0, on the line of credit.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

**11. Notes Payable**

The Organization had the following notes payable at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of \$442 beginning January 2020 and maturing December 2025.	\$ 11,526	\$ 16,830
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of \$130 beginning July 2019 and maturing June 2023.	660	2,220
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of \$260 beginning July 2019 and maturing June 2027.	7,560	9,250
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of \$520 beginning July 2019 and maturing June 2023.	603	6,843
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, satisfied in current year.	-	1,440
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of \$135 beginning January 2023 and maturing January 2027.	6,500	-
Unsecured, non-interest bearing note payable to affiliate, payable in 48 monthly principal payments of \$203 beginning January 2023 and maturing January 2027.	9,750	-
	36,599	36,583
Less current portion	(10,155)	(16,104)
Long-term portion	<u>\$ 26,444</u>	<u>\$ 20,479</u>

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

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

2023	\$ 10,155
2024	10,920
2025	6,534
2026	5,616
2027	3,374
	<u>\$ 36,599</u>

**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, 2022 and 2021 the Organization has a loan payable of \$1,450,557 to HFHI NMTC SUD-CDE II, LLC as part of the New Market Tax Credit financing, net of unamortized loan cost of \$68,215 and \$70,920, 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, 2022 and 2021 was \$9,907 and \$7,212, respectively.

**14. Lease Commitments**

The Organization leases the space for one ReStore through August 2023 under an operating lease with monthly payments of \$15,80, 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.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

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

2023	\$ 415,917
2024	240,161
	<u>\$ 656,078</u>

**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, 2022, 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, 2022 and 2021 were \$33,430 and \$31,715, 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**

The Organization may receive equipment, land, construction supplies, restore inventory and professional services without payment or compensation. Contribution of donated services that create or enhance nonfinancial assets or that require specialized skills, are provide by an individual

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

possessing those skills, and would typically needed to be purchased when not provided by donation, are recorded. The value of such services is ascertainable and meets the requirements of FASB ASC 958-605-25-16, it is reflected in the accompanying financial statements as revenue and expenses. Materials and other noncash donations are recorded at cost or estimated fair value determined at the date of donation.

A substantial number of volunteers have made significant contributions of their time to the Organization, which do not meet the above criteria. The value of this contributed time is not reflected in these consolidated financial statements since there is no objective measurement or valuation of these services.

Total in-kind donations included in the accompanying financial statements in accordance with ASC 958-605-25-16, were as follows:

	<u>2022</u>	<u>2021</u>
ReStore inventory	\$ 1,535,102	\$ 1,321,596
Property and equipment	41,000	-
Miscellaneous	80,901	2,560
	<u>\$ 1,657,003</u>	<u>\$ 1,324,156</u>

**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:

	<u>2022</u>	<u>2021</u>
Tiny Homes Project	\$ -	\$ 120,171
Homeowner relief funds	13,700	9,100
	<u>\$ 13,700</u>	<u>\$ 129,271</u>

**21. Net Assets Released from Restrictions**

During 2022, net assets with donor restrictions contributed for a specific tiny home construction project, were satisfied and the remaining restricted portion of \$120,171 releasing those net assets 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.

**Habitat for Humanity of Jacksonville, Inc.**  
**(a non-profit organization)**  
**Notes to the Financial Statements**  
**June 30, 2022 and 2021**

---

**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.





R. BRUCE SHEALY  
KEVIN M. FRITZ  
JON E. CORNAIRE  
MICHAEL R. RITCH  
GREGORY S. LACINA

ROBERT E. RALSTON  
(1921 - 1986)

BERT J. PITTMAN, JR.  
(1944 - 2019)

**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 consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 17, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

*Robison & Company P.A.*

October 17, 2022