

HABITAT FOR HUMANITY - MIDOHIO

Columbus, Ohio

Financial Statements,
Schedule of Expenditures of Federal Awards and
Related Independent Auditor's Reports
In Accordance With Government
Auditing Standards and Uniform Guidance

For the years ended June 30, 2021 and 2020



SCHNEIDER DOWNS

Big Thinking. Personal Focus.

www.schneiderdowns.com

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position, June 30, 2021 and 2020	4
Statements for the years ended June 30, 2021 and 2020	
Activities and Change in Net Assets	6
Functional Expenses	8
Cash Flows	10
Notes to Financial Statements	11
SUPPLEMENTARY INFORMATION	
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>	29
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	31
Schedule of Expenditures of Federal Awards for the year ended June 30, 2021	33
Notes to the Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity - MidOhio
Columbus, Ohio

We have audited the accompanying financial statements of Habitat for Humanity - MidOhio (Habitat), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2021 and 2020, and the change 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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021, on our consideration of Habitat'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 solely 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 the effectiveness of Habitat's 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's internal control over financial reporting and compliance.

Schneider Downs & Co., Inc.

Columbus, Ohio
October 6, 2021

[This Page Intentionally Left Blank]

HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,163,862	\$ 3,193,718
Receivables:		
Contributions	254,842	457,483
Mortgages, net	1,180,287	1,163,979
Grants	251,251	280,146
Other	<u>2,705</u>	<u>2,705</u>
	1,689,085	1,904,313
Prepaid expenses and other	149,788	198,732
Construction-in-progress, net	<u>1,185,590</u>	<u>865,860</u>
Total Current Assets	6,188,325	6,162,623
PROPERTY AND EQUIPMENT, NET	4,732,254	4,960,596
MORTGAGES RECEIVABLE, NET	8,669,301	8,595,449
CONTRIBUTIONS RECEIVABLE, NET	-	108,190
OTHER, NET	<u>144,751</u>	<u>500,365</u>
Total Assets	<u>\$ 19,734,631</u>	<u>\$ 20,327,223</u>

	<u>2021</u>	<u>2020</u>
LIABILITIES		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 310,748	\$ 405,711
Current portion of Paycheck Protection Program loan	5,850	306,269
Lines of credit	-	1,000,000
Accounts payable and accrued liabilities	889,222	1,060,963
Refundable advances and other	<u>708,716</u>	<u>404,133</u>
Total Current Liabilities	1,914,536	3,177,076
NOTES PAYABLE, NET OF CURRENT PORTION	4,003,733	4,279,900
PAYCHECK PROTECTION PROGRAM LOAN, NET OF CURRENT PORTION	<u>608,646</u>	<u>382,837</u>
Total Liabilities	6,526,915	7,839,813
NET ASSETS		
NET ASSETS		
Without donor restrictions	13,028,539	12,081,810
With donor restrictions	<u>179,177</u>	<u>405,600</u>
Total Net Assets	<u>13,207,716</u>	<u>12,487,410</u>
Total Liabilities And Net Assets	<u>\$ 19,734,631</u>	<u>\$ 20,327,223</u>

See notes to financial statements.

HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, SUPPORT AND GRANTS			
Sales to homeowners, net	\$ 1,061,092	-	\$ 1,061,092
ReStore operations	2,365,820	-	2,365,820
Contributions and grants	4,033,036	\$ 58,720	4,091,756
Amortization of loan discount	510,568	-	510,568
Paycheck Protection Program loan forgiveness	689,106	-	689,106
Other income	84,848	-	84,848
Net assets released from restrictions	285,143	(285,143)	-
Total Revenues, Support And Grants	9,029,613	(226,423)	8,803,190
FUNCTIONAL EXPENSES			
Program services	6,867,941	-	6,867,941
Management and general	623,516	-	623,516
Fundraising	591,427	-	591,427
Total Functional Expenses	8,082,884	-	8,082,884
Change In Net Assets	946,729	(226,423)	720,306
NET ASSETS			
Beginning of year	12,081,810	405,600	12,487,410
End of year	<u>\$ 13,028,539</u>	<u>\$ 179,177</u>	<u>\$ 13,207,716</u>

2020		
Without Donor Restriction	With Donor Restriction	Total
\$ 1,728,496	-	\$ 1,728,496
2,157,135	-	2,157,135
3,313,805	\$ 288,796	3,602,601
488,869	-	488,869
-	-	-
122,836	-	122,836
1,083,402	(1,083,402)	-
8,894,543	(794,606)	8,099,937
7,159,026	-	7,159,026
763,661	-	763,661
742,960	-	742,960
8,665,647	-	8,665,647
228,896	(794,606)	(565,710)
11,852,914	1,200,206	13,053,120
\$ 12,081,810	\$ 405,600	\$ 12,487,410

See notes to financial statements.

HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,347,387	\$ 419,694	\$ 424,102	\$ 3,191,183
Depreciation	296,374	18,433	14,010	328,817
Professional fees	176,756	88,395	20,343	285,494
Payroll taxes	144,988	32,101	29,991	207,080
Promotional and public relations	103,497	40	46,595	150,132
Utilities	141,170	3,608	3,063	147,841
Other expenses	114,017	15,135	2,475	131,627
Interest	102,200	21,777	7,023	131,000
ReStore cost of purchased goods sold	126,593	-	-	126,593
Other building and equipment expense	119,974	3,114	2,664	125,752
Building rent	114,480	-	-	114,480
Insurance	105,558	2,907	-	108,465
Habitat International	75,000	2,500	-	77,500
Vehicle rental and operation expense	71,253	1,124	1,081	73,458
Other construction	61,389	564	-	61,953
Communications	43,559	8,928	8,038	60,525
Supplies	42,334	4,842	11,173	58,349
Bank charges	25,563	353	4,412	30,328
Bad debt expense (recoveries)	3,896	-	16,458	20,354
	4,215,988	623,515	591,428	5,430,931
Subtotal before cost of homes sold				
Cost of homes sold	2,651,953	-	-	2,651,953
Total	\$ 6,867,941	\$ 623,515	\$ 591,428	\$ 8,082,884

Notes:

1. During the years ended June 30, 2021 and 2020, Habitat sold 15 homes.
2. Net income from Habitat's ReStore operations currently covers the majority of Habitat's management and general and fundraising expenses.

2020

Program Services	Management and General	Fundraising	Total
\$ 2,731,060	\$ 551,124	\$ 575,957	\$ 3,858,141
230,009	21,664	14,322	265,995
141,992	68,966	17,741	228,699
161,142	38,673	41,937	241,752
109,409	535	11,954	121,898
121,974	3,931	3,372	129,277
129,814	22,418	8,634	160,866
76,758	25,702	25,855	128,315
166,754	-	-	166,754
293,755	5,095	3,931	302,781
114,480	-	-	114,480
86,208	6,337	-	92,545
50,000	2,500	-	52,500
77,179	2,139	4,771	84,089
68,628	-	-	68,628
46,379	9,153	7,499	63,031
68,840	4,729	11,928	85,497
12,114	695	2,559	15,368
(109,189)	-	12,500	(96,689)
4,577,306	763,661	742,960	6,083,927
2,581,720	-	-	2,581,720
<u>\$ 7,159,026</u>	<u>\$ 763,661</u>	<u>\$ 742,960</u>	<u>\$ 8,665,647</u>

See notes to the financial statements.

HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 720,306	\$ (565,710)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness	(689,106)	-
Amortization of loan discount	(510,568)	(488,869)
Depreciation	328,817	265,995
Decrease in allowance for uncollectible mortgages	-	144,760
Change in construction in progress valuation allowance	7,171	(19,632)
Change in discount on long-term contributions receivable	(1,920)	(11,683)
Changes in assets and liabilities:		
Contributions receivable	312,751	214,389
Mortgages receivable	420,408	471,539
Grants receivable	28,895	(32,464)
Prepaid expenses and other	48,944	62,720
Construction-in-progress	(326,901)	(297,934)
Other assets	355,614	(145,344)
Accounts payable and accrued liabilities	(171,741)	325,262
Refundable advances and other	304,583	301,456
Net Cash Provided By Operating Activities	827,253	224,485
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(100,475)	(13,789)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments on) proceeds from line of credit	(1,000,000)	1,000,000
Proceeds from Paycheck Protection Program	614,496	-
Proceeds from notes payable	12,353	776,154
Principal payments on notes payable	(383,483)	(359,834)
Net Cash (Used In) Provided By Financing Activities	(756,634)	1,416,320
Net (Decrease) Increase In Cash And Cash Equivalents	(29,856)	1,627,016
CASH AND CASH EQUIVALENTS		
Beginning of year	3,193,718	1,566,702
End of year	\$ 3,163,862	\$ 3,193,718
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION		
Cash paid for interest	\$ 129,000	\$ 127,001
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment through notes payable	-	\$ 495,699

See notes to financial statements.

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - ORGANIZATION

Habitat for Humanity - MidOhio (Habitat), a nonprofit organization, was incorporated in 1986. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Habitat International assists with information resources, training, publications, prayer support, and in other ways.

Since inception, Habitat has served one thousand and sixty-eight (1,068) families by building three hundred and eighty-one (381) new homes, rehabilitating forty-six (46) homes and impacting six hundred and forty-one (641) families through providing critical repairs and other services. During the year ended June 30, 2021, Habitat served seventy-five (75) families by building and rehabilitating fifteen (15) new homes and providing sixty (60) home repair services. Habitat was unable to provide other services, including the “Rock the Block” events, due to COVID-19. In addition, through the Habitat International Tithe program, Habitat has impacted three hundred and twenty-one (321) families in Zambia and Cote’d Ivoire, including ten (10) for the year ended June 30, 2021.

Habitat is primarily and directly responsible for the legal, organizational, fundraising, family selection and nurture, financial and construction aspects of the development of affordable housing for the community of Central Ohio. Habitat, through its many volunteers, constructs affordable housing and sells the homes to qualified families at fair market (appraised) value. Habitat then provides and carries non-interest-bearing mortgage loans, providing a hand up to its partner families while also sustaining the mission.

Habitat also operates three retail stores (ReStores) that sell new and previously used items donated by retail businesses, contractors, other organizations and the general public. The proceeds from the ReStores also fund Habitat’s mission to combat the affordable housing challenge in central Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets - As required by the Financial Accounting Standard Board’s (FASB) accounting standards for nonprofit organizations, resources are classified into two net asset categories according to donor-imposed restrictions. A description of these categories follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are not restricted by donor-imposed restrictions and are available for use in Habitat’s ongoing operations.

The Board has approved designating 20% of all mortgages sold to third parties to cover the potential buy back of nonperforming loans. The amount that the board designated at June 30, 2021 and 2020 was approximately \$449,000 and \$419,000, respectively, and is included in net assets without restrictions.

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions - Net assets whose use by Habitat is limited by donor-imposed restrictions that expire by passage of time, that can be fulfilled or removed by actions of Habitat or must be retained in perpetuity. Donor-imposed restrictions that will be met in the same year in which the revenue is received are immediately classified in net assets without donor restrictions in the statement of activities and change in net assets. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

Cash and Cash Equivalents - Habitat maintains cash in various financial institutions that may exceed federally insured amounts at times. For purposes of the statement of cash flows, Habitat considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents. Certain grants require that cash proceeds received from the grants be segregated in separate bank accounts from cash received from other sources.

Mortgages Receivable - Sales to homeowners are recorded on the date title transfers. All mortgages are non-interest-bearing, and, as a result, receivables are recorded at the gross amount less a discount based on the mortgage discount rate set by Habitat International. The discount rate is the annual simple average, calculated by taking the average rate for the previous 12 months, published by the Internal Revenue Service under the Index of Applicable Federal Rates Ruling for Low-Income Housing Tax Credits at the inception of the mortgages. Amortization income is recognized as the discounted amount decreases along with the passage of time.

Habitat monitors its credit risk by establishing credit policies for its loans and reviewing compliance with these policies. Mortgages receivable are considered past due when a homeowner fails to make scheduled payments. Provisions are made for estimated uncollectible mortgages receivable. Habitat's estimate of the allowance is based on historical collection experience, a review of current status of receivables and judgment. Decisions to foreclose on a mortgage are based on policies and procedures approved by the board of directors and on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. Given its mission, Habitat tries to work with homeowners, and foreclosures are kept to a minimum. Receivables are written off at the conclusion of any foreclosure proceedings. The balance in the allowance for doubtful accounts for mortgages receivable as of June 30, 2021 and 2020 is approximately \$188,000.

Contributions and Grants - Unconditional contributions and grants are recognized as revenue in the period the commitment or payment is first received. Proceeds from conditional contributions and grants are recorded as refundable advances until all conditions are met. At June 30, 2021 Habitat has approximately \$1,106,000 of conditional contributions and grants outstanding. Proceeds of approximately \$719,000 are recorded as refundable advances and the remaining approximately \$387,000 relates to agreements in place at June 30, 2021, which will be recognized as revenue when all conditions are met. These conditions require Habitat to complete construction of homes or home repairs and have partner families contracted for purchase. All contributions and grants are considered available for general operations unless specifically restricted by the donor. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction is met or expires, net assets are reclassified to net assets without donor restrictions and reported as a release from restriction in the statement of activities and change in net assets.

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions are made for estimated uncollectible contributions and grants receivable. Habitat's estimate of the allowance is based on historical collection experience, a review of current status of receivables and judgment. Decisions to charge off receivables are based on policies and procedures approved by the board of directors and management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. There was no allowance for doubtful accounts as of June 30, 2021 and 2020 deemed necessary for contributions or grants receivable.

Construction-in-Progress - Construction-in-progress is presented net of an allowance representing the estimated loss on the ultimate sale of the underlying houses. The estimated loss is determined by comparing the actual or anticipated sales prices of the various houses included in construction-in-progress to their estimated total cost at completion. The amount in the allowance for losses on construction-in-progress as of June 30, 2021 and 2020 is approximately \$25,000 and \$18,000, respectively.

Property and Equipment - Property and equipment are recorded at cost if purchased, or fair value if received as a donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (ranging from three to 30 years). Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Gain or loss resulting from the retirement or other disposition of assets is included in income. Property and equipment are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. No impairment was recognized for the years ended June 30, 2021 and 2020.

In-Kind Contributions - In-kind contributions are accounted for as follows:

Donated Services - Donated services are recognized as contributions at their estimated fair value only if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat. Donated services of approximately \$108,000 and \$118,000 were recorded for the years ended June 30, 2021 and 2020, respectively.

Donated Goods - Donated goods are recognized as contributions at estimated fair values at time of donation. Donated goods of approximately \$156,000 and \$179,000 were recorded for the years ended June 30, 2021 and 2020, respectively.

Donated items sold at Habitat's ReStore are not recorded as contribution revenue or inventory due to the uncertainty that exists regarding the net realizable values of these items. These are included in revenue when sold to customers.

Income Taxes - Habitat is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Habitat has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statements of activities for the periods ended June 30, 2021 and 2020 related to uncertain tax positions. Habitat is no longer subject to U.S. federal or state tax examinations for years prior to 2017.

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements - In May 2014, the FASB issued new accounting guidance related to revenue recognition (Topic 606). This new standard will replace all current GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In June 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-05, which gave entities the option to defer the adoption of Topic 606 for one year.

Topic 606 was effective for Habitat beginning on July 1, 2020. In consideration of the adoption of this accounting pronouncement, Habitat determined that there was no impact on previously reported net assets of Habitat, and no reclassifications of assets or liabilities in the accompanying statements of financial position were required.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and right-of-use asset at the commencement date for all leases, with the exception of short-term leases. In June 2020, the FASB issued ASU No. 2020-05, which gave entities the option to defer the adoption of Topic 842 for one year. The guidance will be effective for Habitat beginning July 1, 2022. Habitat is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The guidance for contributions received was effective for Habitat beginning July 1, 2020, and the adoption of this guidance did not have a material impact on the accompanying financial statements. The guidance for contributions made will be effective for Habitat July 1, 2021, and Habitat is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The pronouncement seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. It is effective for fiscal years beginning July 1, 2023. Habitat is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

Subsequent Events - Management has evaluated subsequent events through October 6, 2021, which is the date that the financial statements were available to be issued. Subsequent events are defined as events or transactions that occur after the statement of financial position date but before the financial statements are issued or available to be issued.

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 - REVENUE RECOGNITION - EXCHANGE TRANSACTIONS

Program revenues are recognized when control of the promised services is transferred to Habitat's customers, in an amount that reflects the consideration that Habitat expects to be entitled to in exchange for those services. To do this, Habitat performs the following five steps as outlined in Topic 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) Habitat satisfies a performance obligation.

Revenue Types

Sale of Homes - Habitat builds and sells houses to low-income individuals. Such revenues are recognized at the date of closing for the house, as this is the point in time Habitat has determined to satisfy their performance obligation.

ReStore - Habitat sells various donated and purchased goods to individuals through its ReStore location. Such revenues are recognized at the date of sale, as this is the point in time that Habitat has determined to satisfy their performance obligation.

Significant Judgments

Determining whether variable consideration (if applicable) should be reflected in the contract's transaction price may require judgment as to the probability that a significant reversal of such consideration will not occur when the variable consideration is resolved.

Practical Expedients

Habitat has applied certain practical expedients in its adoption and application of ASC 606, as follows:

- Habitat does not evaluate a contract for a significant financing component if payment is expected to be received within one year or less from the transfer of the promised services to the client.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - LIQUIDITY

The following reflects Habitat's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restriction within one year of the statement of financial position date:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,163,862	\$ 3,193,718
Receivables current, net	<u>1,689,085</u>	<u>1,904,313</u>
Total Financial Assets	4,852,947	5,098,031
Less: Net assets unavailable for general expenditures due to donor restriction	(179,177)	(405,600)
Less: Net assets board designated for mortgage buy back (20% of sold mortgages)	<u>(449,140)</u>	<u>(419,386)</u>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	\$ <u>4,224,630</u>	\$ <u>4,273,045</u>

In addition to these available assets, a significant portion of Habitat's annual expenditures will be funded with operating revenues from the affiliate's three ReStores as well as the grant funding pledged for the following year build cycle.

Habitat has two separate variable lines of credit with Premier Bank, one with maximum borrowings of \$1,000,000 and the other with maximum borrowings of \$600,000. The purpose for both lines of credit is to give Habitat access to liquidity to support operations when there are fluctuations in working capital. There were no amounts outstanding on these lines of credit at June 30, 2021.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of commitments made by various individuals and organizations under pledge agreements. Certain contributions have been made as part of the Habitat Housing Initiative (HHI) Capital Campaign, a five-year plan to transform lives and communities through homebuilding, rehabs and repairs. Due to restrictions on the use of HHI funds outlined in the pledge agreements, certain contributions are restricted. Contributions receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 257,632	\$ 457,483
Receivable in one to five years	<u>-</u>	<u>112,900</u>
	257,632	570,383
Less: Discount to present value	<u>(2,790)</u>	<u>(4,710)</u>
Contributions Receivable, Net	\$ <u>254,842</u>	\$ <u>565,673</u>

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - CONTRIBUTIONS RECEIVABLE (Continued)

At June 30, 2021 and 2020, the present value of contributions receivable has been determined using a discount rate of 3.00%.

NOTE 6 - MORTGAGES RECEIVABLE

Mortgages receivable, net at June 30, consisted of the following:

	<u>2021</u>	<u>2020</u>
Face value	\$ 14,010,330	\$ 13,424,113
Other mortgage-related receivables	136,449	146,510
Less: Unamortized discount based on imputed interest at rates ranging from 3.19% to 8.75%	(4,108,888)	(3,622,892)
Less: Allowance for uncollectible mortgages	(188,303)	(188,303)
Mortgages receivable, net	<u>9,849,588</u>	<u>9,759,428</u>
Less: Current portion	<u>(1,180,287)</u>	<u>(1,163,979)</u>
Mortgages Receivable Long-Term, Net	<u>\$ 8,669,301</u>	<u>\$ 8,595,449</u>

The following is a reconciliation of the face value of mortgages receivable and other mortgage-related receivables as of June 30:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 13,424,113	\$ 13,950,119
Plus:		
Mortgages issued	2,010,061	1,389,620
Change in other mortgages receivable	(4,279)	(199,191)
	<u>15,429,895</u>	<u>15,140,548</u>
Less:		
Foreclosures and deeds in lieu and loan modifications	(63,732)	(609,534)
Payments received during the year	(1,355,833)	(1,106,901)
Ending Balance	<u>\$ 14,010,330</u>	<u>\$ 13,424,113</u>

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - MORTGAGES RECEIVABLE (Continued)

Habitat considers the performance of the loan portfolio when determining the allowance for uncollectible mortgages. It is reasonably possible that management's estimate of uncollectible mortgages will change. The following table presents activity in the allowance for uncollectible mortgages for the years ended June 30:

	2021	2020
Beginning balance	\$ 188,303	\$ 333,063
Additions for loans not previously allowed	-	69,348
Write-offs of the allowance due to foreclosures	-	(156,774)
Recoveries	-	(57,334)
Change in the estimate of the allowance	-	-
Ending balance	\$ 188,303	\$ 188,303

As a result of serving exclusively low-income families and making extraordinary efforts to help them maintain homeownership, Habitat's loan portfolio's delinquency rate can generally be expected to be higher than that of a conventional lender. The following table summarizes the delinquency status of mortgages receivable as of June 30, 2021:

1 Month Past Due	2 - 6 Months Past Due	7 - 12 Months Past Due	13 - 24 Months Past Due	Greater than 24 Months Past Due	Loans Not Past Due	Total
\$ 1,274,652	\$ 1,408,761	\$ 100,030	\$ 130,972	\$ 165,894	\$ 10,930,021	\$ 14,010,330

Habitat works with homeowners and, generally, if a delinquent homeowner shows promise and makes six straight months of full payments, Habitat will work with the homeowner on a payment plan so the mortgage will be current within a 12-month period. During the year ended June 30, 2021, Habitat engaged in one modification for approximately \$8,233.

The following is a schedule of anticipated reductions of mortgages and other mortgage-related receivables as of June 30, 2021:

Year Ending June 30	Payments from Homeowners	Amortization of Discount	Net Reduction
2022	\$ 1,049,427	\$ 307,771	\$ 741,656
2023	1,025,636	300,794	724,842
2024	1,003,798	294,389	709,409
2025	979,046	287,130	691,916
2026	945,118	277,180	667,938
Thereafter	9,007,305	2,641,624	6,365,681
	\$ 14,010,330	\$ 4,108,888	\$ 9,901,442

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - MORTGAGES RECEIVABLE (Continued)

Mortgages receivable are secured by a first mortgage on the related property. Mortgages receivable, net, included in current assets on the statements of financial position include approximately \$73,000 and \$66,000 due for escrow and other mortgage-related receivables from homeowners as of June 30, 2021 and 2020, respectively.

NOTE 7 - GRANTS RECEIVABLE

Grants receivable consist primarily of commitments made by various organizations, including Habitat International, Community Housing Development Organizations under development agreements, and governmental agencies. These entities have committed to providing a certain amount of funding with the stipulation that specific homes are constructed and sold. Due to stipulations outlined in the grants, revenue and receivables are recorded as certain barriers are met. Grants receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
City of Columbus - Department of Development	\$ 135,114	\$ 185,602
Healthy Neighborhood Healthy Families	73,961	13,574
HFHI - Veteran Repair	20,000	-
HFHI - Ohio	8,000	-
City of Columbus - ADDI	5,000	-
HFHI - Capacity Building	4,798	-
United Way of Licking County	4,378	4,720
United Way Central Ohio	-	76,250
	<u>\$ 251,251</u>	<u>\$ 280,146</u>

NOTE 8 - CONSTRUCTION-IN-PROGRESS

Construction-in-progress at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Construction-in-progress, cost	\$ 1,210,818	\$ 883,917
Allowance for estimated loss on sale	<u>(25,228)</u>	<u>(18,057)</u>
Construction-In-Progress, Net	<u>\$ 1,185,590</u>	<u>\$ 865,860</u>

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - CONSTRUCTION-IN-PROGRESS (Continued)

House construction activity for the years ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Houses in progress at beginning of year	10	8
Houses started during the year	13	17
Houses completed during the year	<u>(15)</u>	<u>(15)</u>
Houses In Progress At End Of Year	<u>8</u>	<u>10</u>

NOTE 9 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Building	\$ 3,200,411	\$ 3,200,411
Transportation	425,499	349,464
Office and warehouse equipment	280,788	264,349
Building improvements	883,954	875,954
Furniture and fixtures	<u>260,338</u>	<u>260,337</u>
	5,050,990	4,950,515
Less: Accumulated depreciation	<u>(1,394,810)</u>	<u>(1,065,993)</u>
	3,656,180	3,884,522
Land	<u>1,076,074</u>	<u>1,076,074</u>
Property And Equipment, Net	<u>\$ 4,732,254</u>	<u>\$ 4,960,596</u>

NOTE 10 - OTHER ASSETS

Other assets, net at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Foreclosed properties	\$ 80,596	\$ 367,142
Rental homes, net	51,607	56,105
Land held for future development	12,248	76,818
Residential housing lots	<u>300</u>	<u>300</u>
Other Assets, Total	<u>\$ 144,751</u>	<u>\$ 500,365</u>

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 - LINES OF CREDIT

Habitat maintains two revolving line-of-credit agreements with a financial institution with maximum borrowings of \$1,600,000. One line of credit has a maximum borrowing amount of \$1,000,000 and is collateralized by specific mortgages with an approximate value of \$1,000,000. The carrying value of the 29 mortgages used as collateral was approximately \$1,729,000 at June 30, 2021. The second line of credit has a maximum borrowing amount of \$600,000 and is collateralized with the land and building at the ReStore location at 3140 Westerville Road. The \$1,000,000 line has an interest rate of Prime - 0.5%, and the \$600,000 line has an interest rate of Prime -0.5% on any outstanding balance. There was no outstanding balance on the line-of-credit agreements at June 30, 2021. At June 30, 2020, the outstanding balance was \$1,000,000. The \$1,000,000 line of credit expires in August 2021. The \$600,000 line of credit expires in November 2021. Habitat is currently in the process of renewing both line-of-credit agreements with similar terms.

NOTE 12 - NOTES PAYABLE

The following summarizes Habitat's notes payable at June 30:

	2021	2020
Funding agreements with Habitat International identified as SHOP notes. (See table on Page 23.)	\$ 96,362	\$ 130,382
Note payable to GM Financial. In December 2018, Habitat received financing for a vehicle in the amount of \$29,153. The note is secured by the vehicle. The note provides for interest at a rate of 6.24%. The note is payable in 60 monthly installments of \$568 and is scheduled to mature in December 2023.	15,566	21,223
Note payable to Ally Bank. In October 2018, Habitat received financing for a vehicle in the amount of \$17,250. The note is secured by the vehicle. The note provides for interest at a rate of 5.69%. The note is payable in 36 monthly installments of \$524 and is scheduled to mature in October 2021.	2,040	8,046
Note payable to United Midwest Savings Bank (the Bank). This note is secured by 19 one-to-four-bedroom family home mortgages receivable as agreed to with the Bank. The carrying value of the assets held as collateral is \$753,735 at June 30, 2021, which is included in the mortgages receivable on the statement of financial position. The note provides for interest at the prime rate (1.75% at June 30, 2021) minus 1.50%. The note is payable in monthly installments based on collections of the mortgages held as collateral and is scheduled to mature in May 2027.	694,497	761,273
Notes payable to United Midwest Savings Bank. This note is non-interest-bearing and is secured by a second position as the same mortgages listed above. The note is payable in monthly installments based on collections of the mortgages held as collateral and is scheduled to mature in May 2029.	297,535	326,152
Subtotal To Be Carried Forward	1,106,000	1,247,076

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 - NOTES PAYABLE (Continued)

	2021	2020
Subtotal Brought Forward	\$ 1,106,000	\$ 1,247,076
Notes payable to United Midwest Savings Bank. Habitat received financing for a vehicle in the amount of \$48,660. The note is non-interest-bearing and is secured by the vehicle. The note is payable in monthly installments of \$811 over 60 months and is scheduled to mature in June 2024.	31,629	41,361
Notes payable to United Midwest Savings Bank. Habitat received financing for a vehicle in the amount of \$27,213. The note is non-interest-bearing and is secured by the vehicle. The note is payable in monthly installments of \$454 over 60 months and is scheduled to mature in March 2025.	20,410	25,852
Notes payable to United Midwest Savings Bank. Habitat received financing for equipment in the amount of \$26,672. The note is non-interest-bearing and is payable in monthly installments of \$741 over 36 months and is scheduled to mature in April 2023.	16,300	25,190
Mortgage note payable to Huntington Bank. This note was refinanced in 2021, which extended the term and adjusted the interest rate to 3.63%. The note is secured by the building and land at 6665 Busch Boulevard and potential rents. Effective October 2020, the monthly installment is \$3,009, and the note is scheduled to mature in September 2035.	401,602	427,061
Mortgage note payable to Huntington Bank. This note is secured by the building and land at 2555 Bethel Road (a new ReStore location), capital improvements and potential rents. Interest on the note is a floating rate at LIBOR (.25% at June 30, 2021) plus 210 basis points.	1,985,246	2,014,168
Note payable to Northern Trust. This note is non-interest-bearing and secured by ten mortgages receivable as agreed upon with the bank. The carrying value of the assets held as collateral is \$680,389 as of June 30, 2021. The note is payable in monthly installments based on collections of the mortgages held as collateral and is scheduled to mature in November 2041.	756,214	909,600
Subtotal To Be Carried Forward	4,317,401	4,690,308

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 - NOTES PAYABLE (Continued)

	2021	2020
Subtotal Brought Forward	\$ 4,317,401	\$ 4,690,308
Less: Imputed interest - SHOP notes	(2,920)	(4,697)
Total Notes Payable	4,314,481	4,685,611
Less: Current portion	(310,748)	(405,711)
Notes Payable, Net Of Current Portion	\$ 4,003,733	\$ 4,279,900

Habitat has various funding agreements with Habitat International identified as SHOP notes. Of the funding, 75% is in the form of a grant to Habitat and the other 25% is in the form of a note payable to Habitat International. The promissory note portion is non-interest-bearing and provides for interest at a rate of 10% per annum upon default by Habitat of any of the terms of the note. The notes are payable in monthly installments ranging from \$74 to \$859 and are scheduled to mature at various times between July 2021 and June 2026. The average total monthly payment approximated \$3,402 during the year ended June 30, 2021.

SHOP notes at June 30, 2021 are made up of the following:

SHOP Year	Award	June 30, 2020 Outstanding	Draws	Repayments	June 30, 2021 Outstanding
2010	\$ 65,716	\$ 811	-	\$ (811)	-
2011	53,750	10,109	-	(10,109)	-
2012	35,250	8,826	-	(6,982)	\$ 1,844
2013	17,812	6,491	-	(3,700)	2,791
2014	25,000	10,987	-	(5,190)	5,797
2015	45,774	41,796	-	(4,420)	37,376
2016	31,862	31,862	-	(2,808)	29,054
2017	19,500	19,500	-	-	19,500
Total	\$ 294,664	\$ 130,382	-	\$ (34,020)	\$ 96,362

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 - NOTES PAYABLE (Continued)

Aggregate minimum annual principal payments required on notes payable are as follows:

Year Ended June 30	Amount
2022	\$ 310,748
2023	302,284
2024	293,677
2025	281,236
2026	266,828
Thereafter	<u>2,859,708</u>
	\$ <u>4,314,481</u>

Interest expense on notes payable approximated \$131,000 and \$127,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 - PAYCHECK PROTECTION PROGRAM LOANS

In April 2020, Habitat entered into a term note with a principal amount of \$689,106 pursuant to the Paycheck Protection Program (PPP Term Note) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP Term Note was evidenced by a promissory note, which bore interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. The PPP Term Note was unsecured and guaranteed by the Small Business Administration (SBA). In 2021, Habitat applied for and received full forgiveness of the PPP Term Note. The amount eligible for forgiveness is equal to the sum of payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Habitat during the 24-week covered period beginning upon receipt of the PPP Term Note funds, calculated in accordance with the CARES ACT. Habitat recorded the PPP Term Note in accordance with ASC 470, Debt. The debt was recognized as revenue upon forgiveness in the statement of activities for the year ended June 30, 2021.

In February 2021, Habitat entered into a term note with a principal amount of \$614,496 pursuant to the Second Draw Paycheck Protection Program (Second PPP loan) under the Consolidated Appropriations Act. The Second PPP loan is evidenced by a promissory note, which bears interest at a fixed annual rate of 1.00%. Under the terms of the note, beginning June 2022 Habitat will make equal monthly payments of principal and interest with the final payment due in February 2026. The Second PPP loan may be accelerated upon the occurrence of an event of default. The Second PPP loan is unsecured and guaranteed by the SBA. Habitat may apply for forgiveness of the Second PPP loan, with the amount that may be forgiven in accordance with the terms of the Consolidated Appropriations Act.

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 - PAYCHECK PROTECTION PROGRAM LOANS (Continued)

Future minimum payments due are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 5,850
2023	163,788
2024	165,433
2025	167,097
2026	<u>112,328</u>
	<u>\$ 614,496</u>

NOTE 14 - FACILITY LEASE

Habitat leases a facility for a ReStore location under an operating lease agreement that expires in June 2022. Rent expense approximated \$114,000 for the years ended June 30, 2021 and 2020.

Future minimum lease obligations due subsequent to the year ended June 30, 2021 are as follows:

<u>June 30</u>	<u>Amount</u>
2022	\$ <u>114,480</u>
	<u>\$ 114,480</u>

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
HHI capital campaign	\$ 139,750	\$ 356,000
Emergency Response Fund	33,958	39,250
Other	5,469	3,200
Construction of homes	<u>-</u>	<u>7,150</u>
Total	<u>\$ 179,177</u>	<u>\$ 405,600</u>

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

A summary of assets held pertaining to net assets with donor restrictions as of June 30 is as follows:

	2021	2020
Contributions/grants receivable	\$ 139,750	\$ 338,150
Cash	39,427	67,450
Total	\$ 179,177	\$ 405,600

Net assets released from restrictions primarily by the completion of home construction and identifiable HHI capital campaign activities during the years ended June 30, 2021 and 2020 amounted to approximately \$285,000 and \$1,083,000, respectively.

NOTE 16 - TRANSACTIONS WITH AFFILIATES

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat International in an annual tithing. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2021 and 2020, Habitat contributed approximately \$50,000 and \$25,000, respectively, to Habitat International.

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat International for the SOSI fee (U.S. Stewardship and Organizational Sustainability Fee). For the years ended June 30, 2021 and 2020, Habitat contributed \$25,000 to Habitat International for this fee.

Habitat International facilitates a staffing program referred to as AmeriCorps VISTA. VISTA-related staffing expense approximated \$171,000 and \$182,000 for the years ended June 30, 2021 and 2020, respectively. In connection with the AmeriCorps VISTA program, Habitat paid 41% of the staffing expense and Habitat International contributed 59%, or approximately \$101,000 and \$106,000 for the years ended June 30, 2021 and 2020, respectively, which was recorded as in-kind contribution revenue and salary expense.

Habitat International also provides grants and loans as described in Note 12.

NOTE 17 - IN-KIND CONTRIBUTIONS

Habitat receives various in-kind contributions, including the services of construction contractors and other professionals as well as donations of office rent, furniture, residential lots, building materials and tools. The estimated fair value of in-kind contributions included in the statements of activities and change in net assets was approximately \$166,000 and \$191,000 for the years ended June 30, 2021 and 2020, respectively.

HABITAT FOR HUMANITY - MIDOHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 18 - RETIREMENT PLAN

Habitat has a defined contribution retirement plan. To participate in the plan, individuals must be employed full-time for six months. The Plan provides for discretionary employer contributions. Habitat has historically matched employee contributions at the rate of 50% for each dollar contributed up to 6% of the employee's eligible compensation. During the fiscal year ended June 30, 2021, Habitat paused the matching of employee contributions. Habitat recognized expense for employer contributions of approximately \$2,000 and \$45,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 19 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and change in net assets. Specific expenses that are readily identifiable to a particular program or supporting service are charged directly to that function. Certain categories of expenses are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include utilities, other building and equipment expenses and supplies. Expenses incurred at 6665 Busch Boulevard are allocated based on full-time equivalents that work in the building. Expenses incurred at 3140 Westerville Road are allocated based on square footage utilized between ReStore and Construction.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Habitat is involved in various claims and legal proceedings arising from the ordinary course of business. While the ultimate liability, if any, incurred as a result of these proceedings is presently indeterminable, in the opinion of management these matters should not have a material adverse effect on the Habitat's financial position and no amounts have been recorded in the financial statements.

Habitat has entered into agreements for financing transactions that involve the sale of mortgages to financial institutions. In the event that a mortgage that was sold becomes nonperforming (those past due more than 90 days), Habitat has agreed to substitute a performing mortgage or may repurchase the nonperforming mortgage. The face value of outstanding sold mortgages as of June 30, 2021 is \$1,911,267, which is collateralized by the properties securing the mortgages.

NOTE 21 - RISKS AND UNCERTAINTY

In the fiscal year ended June 30, 2021, the coronavirus pandemic impacted Habitat with closures of its ReStore operations, construction and offices. While Habitat was able to minimize the impact from the pandemic due to new grants and contributions received in fiscal year 2021, the closures did reduce the number of families served. The most significant new funding came from two grants, one being the City of Columbus Resilience Grant for \$750,000 and the Second Draw of PPP for \$614,496. The Second Draw amount is expected to be fully forgiven. The coronavirus pandemic could materially and adversely affect Habitat and its operations in future years. Government-imposed stay-at-home orders may result in direct operational and administrative disruptions to Habitat's operations. Additionally, Habitat's revenue sources may be adversely affected by these disruptions, which in turn could negatively impact Habitat's operating results. Habitat is unable to accurately predict how restrictions related to the coronavirus pandemic will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 21 - RISKS AND UNCERTAINTY (Continued)

Habitat has considered various potential impacts and has planned for these and will implement the strategies as necessary to minimize the impact of any potential disruptions. However, while it is premature to accurately predict the ultimate impact of these developments, Habitat expects that its results for the year ending June 30, 2022 may be impacted.

SUPPLEMENTARY INFORMATION

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

Board of Directors
Habitat for Humanity - MidOhio
Columbus, Ohio

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 - MidOhio (Habitat), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2021.

Internal Control Over Financial Reporting

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

Schneider Downs & Co., Inc.

Columbus, Ohio
October 6, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Habitat for Humanity - MidOhio
Columbus, Ohio

We have audited Habitat for Humanity - MidOhio's (Habitat) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity - MidOhio's major federal programs for the year ended June 30, 2021. Habitat's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat's compliance.

Opinion on Each Major Federal Program

In our opinion, Habitat complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Habitat is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schneider Downs & Co., Inc.

Columbus, Ohio
October 6, 2021

HABITAT FOR HUMANITY - MIDOHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR/SUB-GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA</u> <u>NUMBER</u>	<u>GRANTOR'S</u> <u>ID NUMBER</u>	<u>FEDERAL</u> <u>EXPENDITURES</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass through City of Columbus:			
Home Investment Partnership Program	14.239	31-6400223	\$ 475,992
Pass through Habitat for Humanity International:			
Capacity Building Grant	14.252	91-1914868	<u>47,631</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			523,623
<u>U.S. Department of Treasury</u>			
Pass through City of Columbus:			
Coronavirus Relief Fund	21.019	31-6400223	750,000
<u>U.S. Department of Health and Human Services</u>			
Pass through Ohio CDC Association:			
Assets for Independence Demonstration Program	93.602	31-1109984	<u>3,500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,273,623</u>

See notes to the schedule of expenditures of federal awards.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Habitat for Humanity - MidOhio (Habitat) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Habitat, it is not intended to and does not present the financial position, change in net assets or cash flows of Habitat.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICY

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Habitat has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

HABITAT FOR HUMANITY - MIDOHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of report the auditor issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements notes

_____ yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditor's report on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Numbers
21.019

Name of Federal Program or Cluster
Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

The independent auditor's report on compliance should be read with this schedule.

HABITAT FOR HUMANITY - MIDOHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, grant agreements and abuse related to the financial statements for which Government Auditing Standards require reporting.

There were no findings noted in the current year that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and material abuse).

There were no findings noted in the current year that are required to be reported in accordance with 2 CFR 200.516(a).