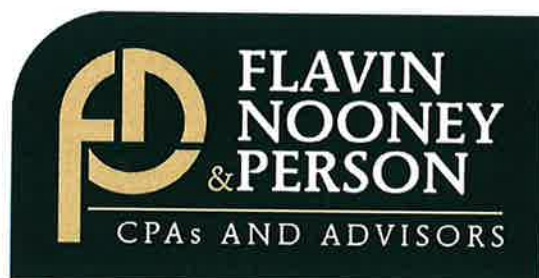




**HABITAT FOR HUMANITY
OF BREVARD COUNTY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**



HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Brevard County, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Brevard County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Brevard County, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Brevard County, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Flavin, Nooney & Person
Melbourne, FL
February 12, 2020

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,519,335	\$ 1,200,232
Mortgages receivable, current portion	348,224	351,831
Agent mortgages receivable, current portion	4,486	4,624
Grants receivable	126,095	-
Inventory	27,000	30,588
Construction in progress	654,518	680,614
ReStore inventory	89,656	73,142
Prepaid expenses	48,113	5,583
Other assets	26,006	4,334
Total Current Assets	<u>2,843,433</u>	<u>2,350,948</u>
Property and Equipment		
(net of accumulated depreciation of \$225,874 and \$216,440, respectively)	<u>1,140,933</u>	<u>1,206,199</u>
Other Assets		
Restricted cash	53,627	55,986
Long-term inventory	390,515	466,247
Mortgages receivable, long-term net of a discount of \$2,975,104 and \$2,914,298, respectively	2,688,968	2,651,688
Agency mortgages receivable, net of current portion	105,516	109,864
Total Other Assets	<u>3,238,626</u>	<u>3,283,785</u>
Total Assets	<u>\$ 7,222,992</u>	<u>\$ 6,840,932</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (restated)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 107,341	\$ 106,514
Homeowner deposits for new homes	28,700	16,300
Homeowner escrow deposits	132,986	119,831
Long-term debt, current portion	41,813	46,629
Agent mortgages payable, current portion	4,486	4,624
Total Current Liabilities	<u>315,326</u>	<u>293,898</u>
Long-Term Liabilities		
Long-term debt, net of current portion	536,227	576,941
Agent mortgages payable, net of current portion	105,516	109,864
Total Long-Term Liabilities	<u>641,743</u>	<u>686,805</u>
Total Liabilities	<u>957,069</u>	<u>980,703</u>
Net Assets		
Without donor restrictions	5,645,407	5,773,392
With donor restrictions	620,516	86,837
Total Net Assets	<u>6,265,923</u>	<u>5,860,229</u>
Total Liabilities and Net Assets	<u>\$ 7,222,992</u>	<u>\$ 6,840,932</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			Summarized 2018 (restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Contributions				
Cash	\$ 106,123	\$ 728,337	\$ 834,460	\$ 371,742
ReStore merchandise	825,028	-	825,028	880,182
In-kind supplies and services	83,111	-	83,111	8,038
Grants and contracts	-	-	-	1,000
Special events	132,424	-	132,424	164,418
Home sales and late fees	834,544	-	834,544	486,293
Mortgage discount amortization	295,979	-	295,979	287,947
ReStore sales	835,911	-	835,911	925,926
Loss on sale of land	(11,532)	-	(11,532)	
Gain on sale of assets	9,002	-	9,002	18,446
Gain on foreclosed homes	81,418	-	81,418	7,468
Miscellaneous revenue	537	-	537	582
Net assets released from restrictions	194,658	(194,658)	-	-
Total Support and Revenues	3,387,203	533,679	3,920,882	3,152,042
Expenses				
Program services				
Mortgage program	715,047	-	715,047	550,449
Construction	1,087,011	-	1,087,011	492,905
ReStore	1,338,840	-	1,338,840	1,510,011
Supporting services				
Fundraising	281,695	-	281,695	231,321
Management and general	92,595	-	92,595	101,738
Total Expenses	3,515,188	-	3,515,188	2,886,424
Changes in Net Assets	(127,985)	533,679	405,694	265,618
Net Assets, Beginning of Year, as restated	5,773,392	86,837	5,860,229	5,594,611
Net Assets, End of Year	\$ 5,645,407	\$ 620,516	\$6,265,923	\$ 5,860,229

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Expenses	2019										Summarized
	Program Services					Support Services					2018
	Mortgage Program	Construction	ReStore	Total Program Services	Fundraising	Management And General	Total Support Services	Total	Total	Total	
\$	7,000	\$ -	2,750	\$ 9,750	\$ -	\$ 2,750	\$ 2,750	\$ 12,500	\$ 12,500	\$ 12,250	
Accounting	3,906	-	1,776	5,682	15,771	-	15,771	21,453	21,453	28,034	
Advertising	391,634	-	-	391,634	-	-	-	391,634	391,634	234,552	
Mortgage discount expense	-	18,355	-	18,355	-	-	-	18,355	18,355	9,074	
Closing costs	-	596,200	-	596,200	-	-	-	596,200	596,200	129,318	
Construction	-	-	808,382	808,382	-	-	-	808,382	808,382	900,580	
Costs of goods sold	2,681	861	349	3,891	7,716	1,382	9,098	12,989	12,989	21,654	
Food	24	2,235	12,336	14,595	-	-	-	14,595	14,595	15,244	
Fuel	-	-	-	-	36,466	-	36,466	36,466	36,466	13,989	
Fundraising supplies	14,789	-	3,800	18,589	7,665	10	7,675	26,264	26,264	23,819	
Information technology	5,261	18,135	13,030	36,426	1,619	1,295	2,914	39,340	39,340	39,565	
Insurance	-	-	26,341	26,341	-	-	-	26,341	26,341	27,058	
Interest	-	109,000	-	109,000	-	-	-	109,000	109,000	15,000	
Land sold	6,658	-	-	6,658	-	-	-	6,658	6,658	1,396	
Legal	5,007	369	511	5,887	-	-	-	5,887	5,887	7,485	
Licenses and taxes	31,999	18,041	16,711	66,751	13,673	1,136	14,809	81,560	81,560	61,777	
Miscellaneous	11,836	-	3,622	15,458	2,504	170	2,674	18,132	18,132	17,598	
Office supplies and postage	7,906	-	32,581	40,487	407	215	622	41,109	41,109	37,129	
Rental equipment	1,840	3,044	8,949	13,833	-	-	-	13,833	13,833	14,685	
Repairs and maintenance	171,477	313,458	335,123	820,058	177,161	80,028	257,189	1,077,247	1,077,247	1,096,981	
Salaries and benefits	1,917	859	26,952	29,728	-	-	-	29,728	29,728	29,106	
Telephone	31,674	-	-	31,674	16,457	-	16,457	48,131	48,131	62,858	
Tithe	4,419	1,958	1,399	7,776	729	1,113	1,842	9,618	9,618	11,635	
Training and travel	3,053	1,527	8,142	12,722	1,527	1,527	3,054	15,776	15,776	18,918	
Utilities											
Total Expenses Before Depreciation and Bad Debt Expense	703,081	1,084,042	1,302,754	3,089,877	281,695	89,626	371,321	3,461,198	3,461,198	2,829,705	
Depreciation	11,966	2,969	36,086	51,021	-	2,969	2,969	53,990	53,990	56,315	
Bad debt expense	-	-	-	-	-	-	-	-	-	404	
Total Functional Expenses	\$ 715,047	\$ 1,087,011	\$ 1,338,840	\$ 3,140,898	\$ 281,695	\$ 92,595	\$ 374,290	\$ 3,515,188	\$ 3,515,188	\$ 2,886,424	

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018 (restated)
Reconciliation of Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Change in net assets	\$ 405,694	\$ 265,618
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	53,990	56,315
Mortgage loan discount amortization	(295,979)	(287,947)
Gain on foreclosed homes	(81,418)	(7,468)
Gain on sale of assets	(9,002)	-
Loss on sale of land	11,532	-
Realized gain on investments	-	(73)
(Increase) decrease in assets		
Grants receivable	(126,095)	-
Agent mortgages receivable	4,486	3,401
Inventory	149,206	111,590
Construction in progress	26,096	(313,033)
Restore inventory	(16,514)	20,398
Prepaid expenses	(42,530)	(5,583)
Other assets	(21,672)	(2,767)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	827	8,504
Homeowner deposits for new homes	12,400	2,250
Homeowner escrow deposits	13,155	(11,020)
Agent mortgages payable	(4,486)	(3,401)
Cash Provided (Used) by Operating Activities	79,690	(163,216)
 Cash Flows from Investing Activities		
Mortgages issued, net of unamortized discounts	(264,902)	(189,015)
Mortgage payments received	527,208	425,680
Proceeds from maturity of certificate of deposit	-	25,000
Proceeds from sale of investments	-	4,472
Purchase of property and equipment	(6,322)	(51,032)
Proceeds from sale of property, plant and equipment	26,600	750
Cash Provided by Investing Activities	282,584	215,855
 Cash Flows from Financing Activities		
Payments on long-term borrowings	(45,530)	(41,756)
Cash Provided (Used) by Financing Activities	(45,530)	(41,756)
 Net Increase in Cash	316,744	10,883
Cash and Cash Equivalents, Beginning of Year	1,256,218	1,245,335
Cash and Cash Equivalents, End of Year	\$ 1,572,962	\$ 1,256,218
 Cash and Cash Equivalents	\$ 1,519,335	\$ 1,200,232
Restricted Cash	53,627	55,986
Cash and Cash Equivalents, End of Year	\$ 1,572,962	\$ 1,256,218
 Supplemental Disclosures of Noncash Investing and Financing Activities:		
Net book value of properties acquired through foreclosure from loans	\$ 61,040	\$ 42,176

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Brevard County, Inc. (the “Organization”) is a nonprofit, Christian affordable housing developer dedicated to the elimination of substandard housing in Brevard County, Florida. It is affiliated with Habitat for Humanity International, Inc. (“HFHI”) based in Americus, Georgia.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with the Organization. The partnership consists, in part, of each family completing 200 hours of “sweat equity” and meeting monthly mortgage payments. Houses are sold at no profit and with no interest on the mortgage.

The Organization also operates a ReStore. The ReStore program provides access to quality used building materials and household items to economically disadvantage people to help them create a better human habitat in which to live and work. The ReStore receives donated materials and sells them.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The Organization is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is classified as other than a private foundation. Contributions to the Organization qualify as deductions for charitable contributions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, and all liquid debt instruments with original maturities of three months or less.

Restricted Cash

Restricted cash consists of amounts held imposed by donor restrictions. The Organization has \$27,929 and \$30,297 with donor restricted cash balances for the Critical Home Repair Program at June 30, 2019 and 2018, respectively. The Organization also has \$25,698 and \$25,689 of with donor restricted cash balances for the Helping Hands Program at June 30, 2019 and 2018, respectively.

Property and Equipment

The Organization capitalizes the cost of all expenditures for property and equipment with a useful life greater than one year. Donation of property and equipment are recorded as support at their estimated fair value. Property and equipment are depreciated using the straight-line method over the assets' expected useful lives.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Homeowner Escrow Deposits

The Organization services the mortgages on homes the Organizations sells. Included in cash are amounts received from homeowners for insurance and property taxes (escrow funds). These funds are disbursed when these expenditures are due.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Home Sales and Mortgages Receivable

Home sales represent the sale to qualified families of houses built in Brevard County by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate, and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. There are \$1,885,802 and \$759,009 of mortgages receivable at June 30, 2019 and 2018, respectively, that are over 90 days old.

The present value discount on mortgages for homes sold is shown as amortization of discount in mortgages receivable within the mortgage program. Mortgages are placed on nonaccrual status when they are foreclosed.

Construction in Progress

Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor and fringe benefits. The Organization also allocates overhead to construction projects. Construction in progress is expensed to construction expense within the Construction program when the home is transferred to the recipient family.

Inventory

Inventory consists of land, purchased or donated, and foreclosed land and homes that have not yet been transferred to a family. The land is valued at fair value, which is the purchase price, or the appraised value at the date of donation.

The Organization records foreclosed land at fair market value at the date of foreclosure. The Organization recognized \$81,418 and \$7,468 of gain on foreclosed homes in the fiscal years ending June 30, 2019 and 2018, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contribution Revenue

Contributions are recognized when donors make a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting service categories. Allocations are based primarily on the actual costs incurred by the activity or square footage of space utilized for the activity.

Advertising

The Organization’s advertising costs are expensed as incurred. Advertising expenses for the year ended June 30, 2019 and 2018 were \$21,453 and \$28,034, respectively, of which \$4,820 and \$500, respectively, were in-kind donations.

In-Kind Donations

In-kind donations include the value of items donated for resale, as well as advertising and other supplies or services that the Organization would have to purchase if not otherwise donated. In-kind donations consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Items donated for resale in ReStore	\$ 825,028	\$ 880,182
Donated advertising, other supplies and services	<u>83,111</u>	<u>8,038</u>
Total In-kind donations	<u>\$ 908,139</u>	<u>\$ 888,220</u>

In addition, donated services with an estimated value of \$467,140 and \$450,246 for the years ended June 30, 2019 and 2018, respectively, were not recognized in the financial statements because they did not meet the criteria for recognition.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances with several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount of credit exposure in excess of federally insured limits at June 30, 2019 and 2018 was \$947,764 and \$714,452, respectively.

NOTE 3 – COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTE 4 – MORTGAGES RECEIVABLE

Mortgages receivable (including agent mortgage receivables) consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mortgages receivable	\$ 6,122,298	\$ 6,032,305
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	<u>(2,975,104)</u>	<u>(2,914,298)</u>
	<u>\$ 3,147,194</u>	<u>\$ 3,118,007</u>

Future maturities of the mortgages receivable for the year ended June 30, 2019, are as follows:

Year ending June 30:	
2020	\$ 352,710
2021	346,913
2022	342,234
2023	337,597
2024	330,633
Thereafter	<u>4,412,211</u>
	<u>\$ 6,122,298</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 – FORGIVABLE MORTGAGES

In addition to the first mortgages, which make up the mortgages receivable, the Organization also has forgivable mortgages. These mortgages are for the difference between the fair market value of the house and the total of all other mortgages. Some homeowners receive forgivable mortgages from municipalities that reduce the forgivable mortgage they receive from the Organization.

The Organization’s forgivable mortgages originated prior to June 30, 2014 are forgiven in equal installments on the anniversary of the mortgage over ten to thirty years. Forgivable mortgages originated subsequent to June 30, 2014 are forgiven when the first mortgage is paid off. These mortgages are non-interest bearing.

Forgivable mortgages as of June 30:

	<u>2019</u>	<u>2018</u>
Forgivable mortgages receivable	\$ 1,099,200	\$ 939,487
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	<u>(402,678)</u>	<u>(371,714)</u>
Net forgivable mortgages	696,522	567,773
Less allowance for doubtful accounts	<u>(696,522)</u>	<u>(567,773)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs to the valuation methodology is based on observable quoted prices for similar assets and liabilities in active markets.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are based on inputs that are unobservable and by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 or 2018.

Mortgages receivable: Valued at amortized cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,037,192	\$ 3,037,192
Agent mortgages receivable	-	-	110,002	110,002
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,147,194</u>	<u>\$ 3,147,194</u>

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as June 30, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,003,519	\$ 3,003,519
Agent mortgages receivable	-	-	114,488	114,488
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,118,007</u>	<u>\$ 3,118,007</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and losses

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2019.

	Mortgages Receivable	Agent Mortgages Receivable
Beginning balance	\$ 3,003,519	\$ 114,488
Issuances, net	264,902	-
Foreclosures	(61,040)	-
Payments	(466,168)	(4,486)
Amortization of interest	295,979	-
Ending balance	<u>\$ 3,037,192</u>	<u>\$ 110,002</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2018.

	Mortgages Receivable	Agent Mortgages Receivable
Beginning balance	\$ 3,029,505	\$ 117,889
Issuances, net	238,660	-
Foreclosures	(42,176)	-
Payments	(510,417)	(3,401)
Amortization of interest	287,947	-
Ending balance	<u>\$ 3,003,519</u>	<u>\$ 114,488</u>

NOTE 7 – LINE OF CREDIT

The Organization has a \$525,000 line of credit from Brevard County Housing Finance Authority. At June 30, 2019 and 2018, the outstanding amount under the line of credit was \$0. There is no interest on the line of credit. The money must be used for purchases of land or property. The line expires July 31, 2020.

NOTE 8 – RELATED PARTY AND AFFILIATES

The Organization tithes to Habitat for Humanity International, Inc. The amounts of the tithes remitted were \$48,131 and \$62,858 during the years ended June 30, 2019 and 2018, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 59,176	\$ 31,990	\$ 27,186	5 years
Furniture and fixtures	18,940	16,772	2,168	5 years
Office equipment	25,162	16,180	8,982	5 years
Building	641,580	101,796	539,784	30 years
Building improvements	461,949	59,136	402,813	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,366,807</u>	<u>\$ 225,874</u>	<u>\$ 1,140,933</u>	

Property and equipment consists of the following at June 30, 2018:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 121,331	\$ 57,195	\$ 64,136	5 years
Furniture and fixtures	18,940	14,056	4,884	5 years
Office equipment	18,840	13,614	5,226	5 years
Building	641,580	85,681	555,899	30 years
Building improvements	461,948	45,894	416,054	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,422,639</u>	<u>\$ 216,440</u>	<u>\$ 1,206,199</u>	

Depreciation expense for 2019 and 2018 was \$53,990 and \$56,315, respectively.

NOTE 10 – AGENT ACCOUNTS

The Organization administers certain mortgages for the City of Titusville. The mortgages are separately stated on the statement of financial position as agent mortgages receivable, and are offset by agent mortgages payable. The mortgages payable to Titusville are repaid when the money is received from the mortgagor.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – OPERATING LEASE OBLIGATION

The Organization leases a mail meter, copy machine, telephone system, a moving truck and donor software under operating leases with lease terms of 12 to 63 months with monthly payments ranging from \$56 to \$2,010.

Minimum future rental payments under non-cancelable operating lease as of June 30, 2019, are for the years ending June 30:

	2020	\$	32,250
	2021		13,088
	2022		12,532
	2023		<u>5,175</u>
	Total	\$	<u>63,045</u>

The total rent expense for the years ended June 30, 2019 and 2018 was \$41,109 and \$37,129, respectively.

NOTE 12 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is the summary of accounts payable and accrued expenses as of June 30:

	<u>2019</u>		<u>2018</u>
Accounts payable	\$ 14,778	\$	37,059
Accrued payroll	20,055		15,591
Accrued leave	59,515		41,767
Other accrued expenses	<u>12,993</u>		<u>12,097</u>
	<u>\$ 107,341</u>		<u>\$ 106,514</u>

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering all employees. The Organization does not contribute to the plan.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 14 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
During the year ended June 30, 2018, the Organization refinanced a mortgage note payable to a bank for \$562,000. The mortgage note bears interest at 4.30%, is payable in monthly installments of \$4,261, and matures in June 2032. The mortgage note is secured by the land and building of the Organization.	\$ 524,710	\$ 552,306
During the year ending June 30, 2016, the Organization obtained a mortgage note payable to a bank for \$95,000 for repairs to the building. The mortgage note bears interest at 4.618%, is payable in monthly installments of \$1,326, and matures in October 2022. The mortgage note is secured by the land and building of the Organization.	53,330	66,448
During the year ending June 30, 2016, the Organization purchased a vehicle and obtained a note payable from a financing company for \$55,584. The note bears interest at 2.76%, is payable in monthly installments of \$1,611, and matures in October 2018. The mortgage note is secured by vehicle.	<u>-</u>	<u>4,816</u>
	578,040	623,570
Less current portion	<u>41,813</u>	<u>46,629</u>
Total long-term debt	<u>\$ 536,227</u>	<u>\$ 576,941</u>

Future annual maturities of the long-term debt as of June 30, 2019 are as follows:

2020	\$	41,813
2021		43,616
2022		46,738
2023		46,997
2024		35,329
Thereafter		<u>363,547</u>
Total	\$	<u>578,040</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 15 – FUNDRAISING

The Organization received approximately 3% and 5% of its total revenue from fundraising, including in-kind revenue, for the years ending June 30, 2019 and 2018, respectively.

NOTE 16 –INCOME TAXES

The Organization is exempt from federal and state income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Therefore, only income from business unrelated to the Organization’s charitable purpose is subjected to federal or state income tax. The Organization’s tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2019, tax years ending on or after June 30, 2015 remain subject to examination.

NOTE 17 – ENDOWMENT

The Organization’s endowment consist of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as adopted by the State of Florida and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose or time restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Organization has interpreted FUPMIFA, as not requiring the maintenance of purchasing power of the original gifts amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) and accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted FUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 17 – ENDOWMENT (Continued)

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The Organization complies with the endowment's originally established policy. All earnings are retained by the fund. As of June 30, 2019, the endowment fund balance of \$25,698 was held as net assets with donor restriction.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization works closely with and relies on investment advisors to ensure that assets are invested in a manner intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, overtime, to produce an average rate of return of approximately 5% annually. To satisfy its long-term rate-of-return objectives, the Organizations relies on its investment advisors to develop a strategy which will meet the Organization's needs.

NOTE 18 – RESTRICTED NET ASSETS

Net assets with donor restrictions as of June 30, 2019 consist of the following:

Critical home repair program	\$ 27,929
Individual and corporate restricted	566,889
Helping hands endowment	<u>25,698</u>
Total	<u>\$ 620,516</u>

NOTE 19 – RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 20 - LIQUIDITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit which it could draw upon.

The Organizations financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,519,335
Mortgages receivable, net	352,710
Prepaid expense	48,113
ReStore Inventory	89,656
Other Asset	26,006
Grants Receivable	<u>126,095</u>
	<u>\$ 2,161,915</u>

NOTE 21 – PRIOR PERIOD ADJUSTMENTS

On June 30, 2019, Management discovered that long-term inventory was overstated as a result of an error in calculating the fair market value of the land as homes were sold in previous years. As a result, unrestricted net assets were overstated by \$84,737 on June 30, 2017. Accordingly, the Organization restated its financial statements for the year ending June 30, 2018. The effect of the restatement was to decrease long-term inventory and net assets by \$84,737 for the year ended June 30, 2018.

NOTE 22 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 12, 2020, the date that the financial statements were available for issue.

On August 21, 2019, the Company was named as a defendant in a lawsuit arising in the ordinary course of business. In the opinion of management, the lawsuit will not have a material adverse effect upon the Company's business, financial position, results of operations or cash flows.