

**GARLAND COUNTY  
HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022 and 2021**

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.  
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## **Independent Auditor's Report**

Board of Directors  
Garland County Habitat for Humanity, Inc.  
Hot Springs, Arkansas

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

#### ***Opinion***

We have audited the accompanying financial statements of Garland County Habitat for Humanity, Inc. ("Habitat") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Garland County Habitat for Humanity, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Prior Period Financial Statements***

The financial statements as of June 30, 2021, were audited by Jordan, Woosley, Crone & Keaton, Ltd. who merged with ATA CPA's & Advisors, PLLC, as of January 1, 2022, and whose report dated November 17, 2021, expressed an unmodified opinion on those statements.

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern for a reasonable period of time.

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

*ATA CPAs + Advisors PLLC*

Hot Springs, Arkansas  
May 4, 2023

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 811,385	\$ 1,278,369
Other Receivables	4,581	8,431
Prepaid Expenses	12,754	10,586
Mortgages Receivable	326,416	328,718
<b>Total Current Assets</b>	<b>1,155,136</b>	<b>1,626,104</b>
<b>Restricted Deposits</b>		
Deposits	4,500	4,500
Escrow Deposits	4,662	12,302
<b>Total Restricted Deposits</b>	<b>9,162</b>	<b>16,802</b>
<b>Property and Equipment</b>		
Land	301,908	4,500
Buildings and Improvements	981,729	59,986
Equipment	11,119	11,119
Furniture and Fixtures	70,849	70,849
Vehicles	106,438	106,438
Less Accumulated Depreciation	(152,708)	(118,520)
<b>Net Property and Equipment</b>	<b>1,319,335</b>	<b>134,372</b>
<b>Other Assets</b>		
Arkansas Community Foundation Endowment	10,724	11,840
Utility Deposits	803	-
Other Real Estate Owned	60,166	67,556
Construction in Progress	195,675	75,634
Land for Development	16,267	2,057
Mortgage Receivable(See Note 3)	1,657,317	1,737,430
<b>Total Other Assets</b>	<b>1,940,952</b>	<b>1,894,517</b>
<b>Total Assets</b>	<b>\$ 4,424,585</b>	<b>\$ 3,671,795</b>

See independent auditor's report and accompanying notes to the financial statements.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,500	\$ 1,500
Notes Payable-Current Portion	19,923	7,678
Paycheck Protection Program Loan	-	186,172
Escrow Deposits	4,662	8,223
Unearned Revenue	-	22,728
Accrued Wages	59,590	53,138
<b>Total Current Liabilities</b>	<b>85,675</b>	<b>279,439</b>
<b>Long-Term Liabilities</b>		
Notes Payable (Less Current Portion)	510,162	455
<b>Total Liabilities</b>	<b>595,837</b>	<b>279,894</b>
<b>Net Assets</b>		
With Donor Restrictions	10,724	11,840
Without Donor Restrictions	3,818,024	3,380,061
<b>Total Net Assets</b>	<b>3,828,748</b>	<b>3,391,901</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,424,585</b>	<b>\$ 3,671,795</b>

See independent auditor's report and accompanying notes to the financial statements.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Support and Revenue</b>		
Cash Contributions	\$ 190,250	\$ 83,396
Fund-Raising (Net of Expenses)	-	5,318
Grants	49,718	81,626
Nonfinancial Contributions	37,072	50,081
Mortgage Discount Amortization	200,148	183,064
Interest	-	4,543
ReStore Sales:		
Hot Springs	397,421	548,666
Hot Springs Village	694,825	688,447
Lake Hamilton	676,699	620,242
Transfers to Homeowners	245,500	570,490
Gain/Loss on Sale of Assets	-	(6,190)
Unrealized Loss on Endowment	(1,366)	-
Paycheck Protection Plan Loan Forgiveness	186,172	186,100
Other income	8,932	38,969
<b>Total Support and Revenue</b>	<u><b>2,685,371</b></u>	<u><b>3,054,752</b></u>
 <b>Expenses</b>		
Program Services	513,362	1,025,119
ReStore:		
Hot Springs	463,685	515,178
Hot Springs Village	486,687	493,234
Lake Hamilton	483,882	474,958
Management and General	300,908	319,448
<b>Total Expenses</b>	<u><b>2,248,524</b></u>	<u><b>2,827,937</b></u>
 <b>Change in Net Assets</b>	 <b>436,847</b>	 <b>226,815</b>
<b>Net Assets-Beginning of Year</b>	<u><b>3,391,901</b></u>	<u><b>3,165,086</b></u>
<b>Net Assets-End of Year</b>	<u><u><b>\$ 3,828,748</b></u></u>	<u><u><b>\$ 3,391,901</b></u></u>

See independent auditor's report and accompanying notes to the financial statements.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2022**

<b>Program</b>	<b>Services</b>	<b>Hot Springs</b>	<b>Hot Springs Village</b>	<b>Lake Hamilton</b>	<b>Management and General</b>	<b>Total Support</b>	<b>Total Expenses</b>
Accounting and Legal	\$ 350	\$ 2,780	\$ 4,355	\$ 2,780	\$ 13,473	\$ 23,388	\$ 23,738
Advertising	80	13,177	13,945	10,300	1,430	38,852	38,932
Allocated Expenses	-	-	-	-	(10,000)	(10,000)	(10,000)
Automobile	4,442	7,367	6,868	6,868	-	21,103	25,545
Bank Charges	-	6,828	11,904	11,028	-	29,760	29,760
Books, Dues, Subscriptions	-	1,016	457	786	30,598	32,857	32,857
Contract Labor	2,475	66,398	39,365	41,190	12,063	159,016	161,491
Contribution to HFHI	10,000	-	-	-	-	-	10,000
Cost of Homes Transferred	305,373	-	-	-	-	-	305,373
Discounts on Mortgages	130,828	-	-	-	-	-	130,828
Food and Lodging	-	692	892	819	568	2,971	2,971
Grant Expenses	4,513	-	-	-	-	-	4,513
Interest Expense	-	-	8,659	-	-	8,659	8,659
Maintenance and Repairs	2,263	6,198	3,023	764	2,602	12,587	14,850
Office Supplies	196	7,418	6,246	9,685	2,773	26,122	26,318
Other	10,911	776	421	713	2,041	3,951	14,862
Payroll Taxes	-	14,381	20,893	19,823	17,988	73,085	73,085
Postage and Freight	-	-	-	-	510	510	510
Printing	2,225	-	-	-	917	917	3,142
Purchases for Resale	-	30,533	23,340	26,902	-	80,775	80,775
Rent	-	61,619	27,354	55,250	-	144,223	144,223
Salaries	10,959	188,526	269,035	258,081	201,928	917,570	928,529
Service Fees	18,944	-	-	-	-	-	18,944
Taxes and Insurance	9,319	19,907	14,147	12,146	15,489	61,689	71,008
Travel	-	-	-	-	-	-	-
Utilities	-	24,053	23,187	19,043	7,139	73,422	73,422
Depreciation	484	12,016	12,596	7,704	1,389	33,705	34,189
<b>Total Expenses</b>	<b>\$ 513,362</b>	<b>\$ 463,685</b>	<b>\$ 486,687</b>	<b>\$ 483,882</b>	<b>\$ 300,908</b>	<b>\$ 1,735,162</b>	<b>\$ 2,248,524</b>

See independent auditor's report and accompanying notes to the financial statements.



**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2021**

Program Services	Hot Springs	Hot Springs Village	Lake Hamilton	Management and General	Total Support	Total Expenses
Accounting and Legal	\$ -	\$ 3,275	\$ 3,275	\$ 3,275	\$ 17,124	\$ 26,949
Advertising	28	9,159	15,642	9,131	1,927	35,859
Allocated Expenses	-	-	-	-	(23,000)	(23,000)
Automobile	2,075	9,575	10,237	9,257	-	29,069
Bank Charges	646	8,675	10,781	8,951	-	28,407
Books, Dues, Subscriptions	-	1,004	475	774	30,066	32,319
Contract Labor	-	54,682	74,808	49,078	10,738	189,306
Contribution to HFHI	25,000	-	-	-	-	25,000
Cost of Homes Transferred	662,393	-	-	-	-	662,393
Discounts on Mortgages	280,382	-	-	-	-	280,382
Food and Lodging	-	666	544	614	122	1,946
Fringe Benefits	-	700	700	700	-	2,100
Grant Expenses	2,387	-	-	-	-	2,387
Maintenance and Repairs	2,051	2,744	2,668	2,557	3,773	11,742
Office Supplies	50	9,039	5,379	7,484	1,533	23,435
Other	3,895	7,250	2,831	4,500	6,432	21,013
Payroll Taxes	-	18,777	18,358	19,168	17,205	73,508
Postage and Freight	-	22	-	-	330	352
Printing	638	12	12	-	669	693
Purchases for Resale	-	55,518	19,072	18,994	-	93,584
Rent	-	60,348	54,708	54,000	-	169,056
Salaries	14,954	235,335	243,030	251,888	230,221	960,474
Service Fees	18,049	-	-	-	-	18,049
Software	-	-	-	-	59	59
Taxes and Insurance	12,087	14,528	9,108	9,925	14,510	48,071
Travel	-	-	-	71	-	71
Utilities	-	21,736	17,767	16,061	6,032	61,596
Depreciation	484	2,133	3,839	8,530	1,707	16,209
<b>Total Expenses</b>	<b>\$ 1,025,119</b>	<b>\$ 515,178</b>	<b>\$ 493,234</b>	<b>\$ 474,958</b>	<b>\$ 319,448</b>	<b>\$ 1,802,818</b>
					<b>\$</b>	<b>2,827,937</b>

See independent auditor's report and accompanying notes to the financial statements.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Contributions and Grants	\$ 237,771	\$ 132,348
Cash Received from Collections on Mortgages	400,702	436,404
Cash from ReStore Sales	1,768,945	1,857,355
Other Income	8,932	66,670
Interest Income	-	4,543
Cash paid to Employees and Suppliers	<u>(2,186,135)</u>	<u>(2,317,964)</u>
<b>Cash Provided by Operating Activities</b>	<u><b>230,215</b></u>	<u><b>179,356</b></u>
 <b>Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(1,219,151)	(62,324)
Investment in Endowment	-	<u>(11,840)</u>
<b>Cash (Used in) Investing Activities</b>	<u><b>(1,219,151)</b></u>	<u><b>(74,164)</b></u>
 <b>Cash Flows from Financing Activities</b>		
Proceeds From Issuance of Long Term Debt	539,320	186,172
Principal Payments on Long Term Debt	<u>(17,368)</u>	<u>(8,025)</u>
<b>Cash Provided By Financing Activities</b>	<u><b>521,952</b></u>	<u><b>178,147</b></u>
<b>Net (Decrease) Increase In Cash</b>	<u><b>(466,984)</b></u>	<u><b>283,339</b></u>
<b>Cash at Beginning of Year</b>	<u><b>1,278,369</b></u>	<u><b>995,030</b></u>
<b>Cash at End of Year</b>	<u><u><b>\$ 811,385</b></u></u>	<u><u><b>\$ 1,278,369</b></u></u>

See independent auditor's report and accompanying notes to the financial statements.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 436,847	\$ 226,815
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	34,189	16,693
(Gain) Loss on Sale of Assets	-	6,190
Unrealized (Gain) Loss on Endowment	1,366	-
Forgiveness of Debt Income - Paycheck Protection Program	(186,172)	(186,100)
(Increase) Decrease in:		
Mortgages Receivable	82,414	(21,612)
Other Receivables	3,850	(2,460)
Prepaid Expenses	(2,168)	(3,434)
Restricted Deposits	7,640	(7,194)
Construction in Progress	(126,861)	183,908
Utility Deposits	(803)	-
Increase (Decrease) in:		
Accounts Payable	-	(48,759)
Escrow Deposits	(3,561)	(3,248)
Unearned Revenue	(22,728)	(4,973)
Accrued Wages	6,452	24,408
Accrued Payroll Taxes	-	(878)
Contributions restricted for investment in endowment	(250)	-
<b>Cash Provided by Operating Activities</b>	<u>230,215</u>	<u>179,356</u>

See independent auditor's report and accompanying notes to the financial statements.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Operations**

Garland County Habitat for Humanity, Inc. ("Habitat") is a corporation organized under the laws of the State of Arkansas on September 18, 1995, for the purpose of providing aid and assistance to low-income families in need of adequate housing through Christian housing ministry programs. These programs are designed to stimulate new home construction and rehabilitation of existing housing and to develop a spiritual community of cooperation among the volunteers, supporters, beneficiaries and outside observers of Garland County Habitat for Humanity, Inc.

Habitat builds market-quality homes using volunteer labor and sells each home, with no down payment and a 20 to 25 year non-interest-bearing mortgage, to qualified low-income families. The home is also subject to a silent, second mortgage representing the difference between the market value of the home and the first mortgage charged to the buyer. The second mortgage is due only on the homeowner's sale of the home if the home is sold within 10 years of closing.

Habitat also operates three ReStores where merchandise is donated and sold to the public. Garland County Habitat for Humanity, Inc. is an affiliate of Habitat for Humanity International, Inc. Proceeds from the ReStores fund Habitat's mission of providing quality, affordable housing to low-income families.

**B. Estimates**

The preparation of financial statements in conformity with United States generally accepted accounting principles (U.S. GAAP), 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.

**C. Basis of Accounting**

Habitat uses the accrual basis of accounting. Under this basis, gross revenue is recorded as due and expenses are recognized as incurred. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Habitat and changes therein are classified as follows:

Net Assets Without Donor Restrictions- These net assets are not subject to donor-imposed stipulations. The assets are available for general obligations to Habitat. This also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions- Assets subject to usage limitation based on donor-imposed restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by the actions by Habitat. Certain restrictions may need to be maintained in perpetuity.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**D. Construction in Progress**

All direct material, labor and equipment costs and indirect costs related to home construction, such as indirect labor, supplies and tool costs, are recorded as construction in progress as they are incurred. Land costs included in construction in progress are stated at fair value on the date of contribution.

**E. Depreciation**

Property and equipment are recorded at acquisition cost or fair market value of donated property and equipment. Depreciation is provided primarily by the straight-line method based on the estimated useful lives of the respective assets, as follows:

Buildings and improvements	-	25-40 years
Furniture and equipment	-	5-7 years
Vehicles	-	5 years

Depreciation expense for the years ended June 30, 2022 and 2021 was \$34,189 and \$16,693 respectively.

The Organization uses a capitalization policy of \$2,500.

**F. Grants and Contracts**

Habitat receives funding from several governmental and private financial assistance programs that supplement its traditional funding sources. Revenues are recognized as qualifying expenses are incurred as defined in the underlying agreements.

**G. Contributions**

Contributions received are recorded as either contributions with restrictions or without restrictions depending on the existence or nature of donor restrictions.

**H. Donated Goods and Services**

Donated building materials used in the construction of homes and specialized services for the fiscal years ended June 30, 2022 and 2021, included in the financial statements, were as follows:

	June 30, 2022	June 30, 2021
Building Materials	\$ 37,072	\$ 45,242
Specialized Services	-	4,839
	37,072	50,081
Restores Contributed Items	1,768,945	1,857,355
Total Nonfinancial Contributions	\$ 1,806,017	\$ 1,907,436

Many volunteers make significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donation, are recognized as revenue and expense.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**I. Revenue Recognition**

Habitat recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Habitat also recognizes revenues in accordance with FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made (Topic 958)*, which applies to non-exchange transactions. Following is a description on the basis of the criteria Habitat recognizes revenue on.

1. Documented transactions – Habitat has documented arrangements with clients upon the transfer of home ownership.
2. Delivery of goods and services provided – Revenue is recognized at the point of sale at the Restores or completion of the service provision. The client's signature authenticates the acceptance of the terms of home ownership.
3. Transfers to Fee (charge) to customer at ReStores – Habitat accepts payment at the time of purchase.
4. Collectability – Habitat determines that account collectability is reasonable prior to recognizing revenue. Habitat does not enter into contract arrangements unless collectability is reasonably assured at the time of the initial contract period. All client accounts are reviewed regularly to determine late or non-payment. Accounts determined to be uncollectable are charged off directly against earnings.

*Persuasive Evidence of an Arrangement* – Habitat documents all terms of an arrangement in a written contract signed by the client prior to recognizing revenue for the home sale and mortgage.

*Delivery Has Occurred or Services Have Been Performed* – Habitat performs all services prior to recognizing revenue. Services are rendered at Habitat when the house is completed, and the client has accepted responsibility for the mortgage loan.

*The Fee for the Arrangement Is Fixed or Determinable* - Prior to recognizing revenue, the value of the client's home is either fixed or determinable under the terms of the written contract. Those factors are included in the mortgage contract such that the revenue from the transfer of home ownership is determinable.

*Collectability Is Reasonably Assured* - Habitat determines that collectability is reasonably assured prior to recognizing revenue. Collectability is assessed on a client by client basis based on criteria outlined by management. Habitat does not enter into arrangements unless collectability is reasonably assured at the outset. If it is determined during the arrangement that collectability is not reasonably assured, ownership of the house reverts to Habitat as secured by the mortgage contract with the client.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**J. Advertising Costs**

Advertising expenses are charged to operations when incurred. Advertising expenses for the years ended June 30, 2022 and 2021, were \$38,932 and \$35,887, respectively.

**K. Income Taxes**

Habitat qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Habitat's Forms 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2022, 2021 and 2020, are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**L. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less, are considered cash equivalents.

**M. Credit Risk and Concentrations**

Habitat maintains its cash in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation. Habitat's cash and equivalent balances with banks in excess of FDIC insurance at June 30, 2022 and 2021, were \$31,986 and \$315,590, respectively. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**N. Recent Adopted Accounting Pronouncements**

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restricted, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Habitat has updated disclosures as necessary (See Note 1-H Donated Goods and Services).

**O. Recent Accounting Pronouncements Issued Not Yet Effective**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on all of the Clinic's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. Management is still evaluating how this ASU will impact Habitat's financial statements.

**P. Subsequent Events**

Habitat did not have any events through May 4, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2022.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 2 – Restricted Deposits**

An escrow account is established for each new mortgage, and an additional amount is due with the monthly mortgage payment by the homeowners for property taxes and insurance. These escrowed amounts are maintained in a separate bank account. Habitat pays the required insurance and property taxes, and any excess is returned annually to the homeowner. At June 30, 2022 and 2021, the balances in escrow bank accounts were \$4,662 and \$12,302, respectively. Habitat contracted with a third party for mortgage collection services, that service provider will also collect escrow amounts from the homeowners and pay property taxes and insurance for loans closed in the future.

**Note 3 – Mortgage Receivables**

Mortgage receivables consist of non-interest-bearing mortgages that are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 20 to 25 years. These mortgages have been discounted at rates ranging from 7.63% to 8.34% based on the prevailing market rates at the inception of the mortgage. At June 30, 2022 and 2021, outstanding mortgages consisted of the following:

	June 30, 2022 <u>(111 Mortgages)</u>	June 30, 2021 <u>(116 Mortgages)</u>
Mortgages outstanding	\$ 3,984,182	\$ 4,135,917
Less unamortized discount	<u>2,000,449</u>	<u>2,069,769</u>
Totals	<u>\$ 1,983,733</u>	<u>\$ 2,066,148</u>

Future collection on mortgages will be received as follows:

2022/23	\$ 326,416
2023/24	317,885
2024/25	309,141
2025/26	303,114
2026/27	290,450
2027 and after	<u>2,437,176</u>
Totals	<u>\$3,984,182</u>

**Note 4 – Leases Payable**

Habitat currently leases retail space for one of the ReStores under a renewable lease agreement. During the year ended June 30, 2022, two of the ReStores relocated to buildings purchased by Habitat.

Minimum lease payments are as follows:

6/30/23	\$ 54,000
6/30/24	54,000
6/30/25	54,000
6/30/26	54,000
6/30/27	<u>27,000</u>
Total	<u>\$ 243,000</u>

Rental expense for the years ended June 30, 2022 and 2021 was \$144,223 and \$169,056 respectively.



**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
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**June 30, 2022 and 2021**

**Note 5 - Notes Payable**

At June 30, 2022 and 2021, notes payable consisted of the following:

	Monthly Payment	Due Date	June 30, 2022		June 30, 2021	
			Short-term	Long-term	Short-term	Long-term
US Bank interest-free mortgages secured by real estate:						
May 27, 2002	\$ 171	05/10/22	-	-	\$ 1,709	-
May 20, 2002	\$ 179	05/28/22	-	-	2,145	-
June 10, 2002	\$ 167	06/05/22	-	-	1,999	-
September 13, 2003	\$ 152	09/23/22	\$ 455	-	1,825	\$ 455

Relyance Bank – 3.25% mortgage secured by ReStore building:

December 28, 2021	\$ 3,059	12/28/2041	19,468	\$ 510,162	-	-
			<u>\$ 19,923</u>	<u>\$ 510,162</u>	<u>\$ 7,678</u>	<u>\$ 455</u>

Aggregate Debt Obligation Matures as Follows

6/30/23	\$ 19,923
6/30/24	20,440
6/30/25	21,114
6/30/26	21,810
6/30/27	22,530
6/30/28 and after	424,268
Total	<u>\$ 530,085</u>

**Paycheck Protection Program**

On April 13, 2020, Habitat received loan proceeds in the amount of \$186,100 under the Paycheck Protection Program (PPP). The PPP established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES ACT), provides for loans to qualifying entities. On January 11, 2021, Habitat received full forgiveness of the loan. It is recognized as income for the year ended June 30, 2021.

Habitat was approved for and received a second draw PPP loan on March 19, 2021. The loan and accrued interest are forgivable after 24 weeks as long as the proceeds are used for eligible purposes including payroll, benefits, rent and utility and the entity maintains its payroll levels. On February 22, 2022, Habitat received full forgiveness of the second loan. The \$186,172 is recognized as income for the year ended June 30, 2022.

**Note 6 - Related-Party Transactions**

Garland County Habitat for Humanity, Inc. is encouraged by the affiliate covenant with Habitat for Humanity International, Inc. to give a minimum of 10% of its cash contributions for its international work. For the years ended June 30, 2022 and 2021, contributions of \$10,000 and \$25,000, respectively, were paid.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 7 – Liquidity**

At June 30, 2022 and 2021, Habitat had financial assets available within one year to meet cash needs for general expenditures as follows:

	June 30, 2022	June 30, 2021
Unrestricted Cash	\$ 813,285	\$ 1,278,369
Mortgages Receivable	326,416	328,718
Other Current Receivables	4,581	8,431
	\$ 1,144,282	\$ 1,615,518

**Note 8 - Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Advertising	Time and effort
Automobile	Full time equivalent
Maintenance and Repairs	Full time equivalent
Taxes and Insurance	Full time equivalent
Other	Time and effort

**Note 9 - Operational Risk**

Because Habitat's programs are concentrated in Garland County, Arkansas, the amount of contributions, home sales and collection of mortgage receivables may be affected by changes in economic conditions that affect the locale.

**GARLAND COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 10 - Arkansas Community Foundation - Endowment Fund (ARCF)**

On August 3, 2020, Habitat entered into an agreement with the Arkansas Community Foundation, Inc.'s Endowment Fund. The agreement with Arkansas Community Foundation, Inc. irrevocably gives, delivers, transfers and assigns to Arkansas Community Foundation, Inc. all of its rights, title and interest in the Endowment Fund to be held and administered for the charitable purpose of providing support to Habitat. The Financial Accounting Standards Board released Statement of Financial Accounting Standard Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others (FAS 136). FAS 136 establishes accounting standards for reporting of transactions in which a not-for-profit organization (such as a community foundation) accepts contributions from an agency (a nonprofit organization), agrees to transfer those assets, the return on those assets, or both back to that agency. The balance in the endowment is reported as net assets with donor restrictions in the statement of financial position.

For the years ended June 30, 2022 and 2021, the Fund had the following transactions:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Fund Balance-Beginning of Year	\$ 11,840	\$ -
Changes to Fund balance:		
Contributions	250	10,000
Unrealized gain (loss) on market valuations	<u>( 1,366)</u>	<u>1,840</u>
Fund Balance-End of Year	<u>\$ 10,724</u>	<u>\$ 11,840</u>