



Habitat for Humanity of Central Arkansas, Inc.

**Consolidated Financial Statements
and
Supplementary Information
June 30, 2021
(With Independent Auditor's Report Thereon)**

Habitat for Humanity of Central Arkansas, Inc.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Habitat for Humanity of Central Arkansas, Inc., and subsidiary (the Organization)** which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization and its subsidiary as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the consolidated financial statements, mortgages receivable were improperly reported in the consolidated financial statements for the year ended June 30, 2020 causing net assets to be overstated. Accordingly, beginning net assets as of July 1, 2020 were restated to reflect the correction of this error. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as whole. The supplemental consolidating information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
December 10, 2021

Financial Statements

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statement of Financial Position June 30, 2021

ASSETS

Cash and cash equivalents	\$ 801,758
Restricted cash and cash equivalents	898,962
Grants receivable	16,300
Mortgages receivable, net	1,673,020
Homes under construction	121,135
Lease purchase agreements	141,914
Prepaid expenses and other assets	78,037
Property and equipment, net	1,377,365
Land held for development	151,040
Endowment assets	134,108
TOTAL ASSETS	<u><u>\$ 5,393,639</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 24,086
Accrued expenses and other liabilities	70,183
Refundable advances	73,431
Total Liabilities	<u>167,700</u>

Net Assets

Without donor restrictions	<u>5,225,939</u>
Total Net Assets	<u>5,225,939</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,393,639</u></u>
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See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statement of Activities Year Ended June 30, 2021

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues, Support and Reclassifications

Home sales	\$ 1,294,500
ReStore sales	1,106,289
Federal awards	629,537
Grant income	204,421
Contributions	352,898
Mortgage discount amortization	321,121
Fundraisers	70,718
Loss on disposal of fixed assets	(81,056)
Investment income	16,492
Forgiveness of paycheck protection program loan	223,000
Miscellaneous income	14,402
Total Revenues, Support and Reclassifications	4,152,322

Expenses

Program services	3,507,129
Management and general	321,208
Fundraising	145,526
Total Expenses	3,973,863

Increase in Net Assets Without Donor Restrictions

178,459

INCREASE IN TOTAL NET ASSETS

178,459

NET ASSETS, BEGINNING OF YEAR (AS RESTATED)

5,047,480

NET ASSETS, END OF YEAR

\$ 5,225,939

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statement of Functional Expenses Year Ended June 30, 2021

	Program Services		Supporting Services		Total
	Program Services	ReStore Operations	Management and General	Fundraising	
Salaries and benefits	\$ 134,592	\$ 389,387	\$ 236,585	\$ 120,845	\$ 881,409
Payroll taxes	15,614	26,814	16,403	9,291	68,122
Cost of homes sold	1,781,278	-	-	-	1,781,278
Resale merchandise	-	77,743	-	-	77,743
Taxes and licenses	736	15,041	87	-	15,864
Depreciation	3,446	62,040	3,447	-	68,933
Insurance	6,451	24,975	6,451	-	37,877
Mortgage discounts	759,287	-	-	-	759,287
Supplies	4,186	11,349	4,689	-	20,224
Professional fees	4,100	-	25,802	-	29,902
Rent	-	26,250	-	-	26,250
Utilities	-	45,299	-	-	45,299
Telephone	2,269	-	6,809	-	9,078
Computer and internet	3,544	12,103	10,634	-	26,281
Advertising	-	-	-	13,941	13,941
Automobile and fuel	-	40,968	229	-	41,197
Repairs and maintenance	1,594	29,495	4,784	-	35,873
Dues and subscriptions	15,000	-	3,533	-	18,533
Meals and entertainment	141	1,635	142	-	1,918
Conferences	207	-	622	-	829
Tithes	4,500	-	-	-	4,500
Other	(5,327)	12,412	991	1,449	9,525
	<u>\$ 2,731,618</u>	<u>\$ 775,511</u>	<u>\$ 321,208</u>	<u>\$ 145,526</u>	<u>\$ 3,973,863</u>

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statement of Cash Flows Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Total Net Assets	\$ 178,459
Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities	
Depreciation	68,933
Mortgage loan discount amortization	(321,121)
Mortgage discounts	759,287
New mortgage loans issued	(1,263,529)
Principal payments received on mortgage loans	313,095
Principal payments received on lease purchase agreements	(1,681)
Loss on sale of property	81,056
Forgiveness of paycheck protection program loan	(223,000)
Changes in operating assets and liabilities:	
Homes under construction	1,175,579
Prepays and other assets	(22,238)
Grants receivable	11,281
Change in value of endowment fund	(121,100)
Accounts payable	(132,180)
Accrued expenses and other liabilities	53,659
Refundable advances	73,431
Net Cash Provided by Operating Activities	<u>629,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Contributed land held for development	(151,040)
Proceeds from sale of property	235,623
Net Cash Used by Investing Activities	<u>84,583</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	714,514
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>986,206</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,700,720</u></u>
SUPPLEMENTAL DISCLOSURES	
Cash and cash equivalents	\$ 801,758
Restricted cash and cash equivalents	898,962
	<u><u>\$ 1,700,720</u></u>

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 1: NATURE OF ACTIVITIES

Habitat for Humanity of Central Arkansas, Inc. (“HHCA”) was incorporated on July 11, 1989. HHCA is an affiliate of Habitat for Humanity International, Inc. (HFHI), a nondenominational Christian non-profit 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. Although HFHI assists with information resources, training, publication, prayer support and in other ways, HHCA is primarily and directly responsible for its own operations.

HHCA also operates a Restore with the purpose of providing funding for the Organization’s mission. Individuals donate household items and other goods for resale. The proceeds from the resale benefit HHCA.

Additionally, in an effort to increase the supply of affordable housing units in Pulaski County, HHCA established Pulaski County Neighborhood Alliance for Habitat (“PCNAFH”), which is considered a community housing development organization exempt from income tax under IRS Section 501(c)(3). The primary purpose of the PCNAFH is to assist with obtaining additional funding that is specifically reserved for community housing development organizations.

These consolidated financial statements include the balances and transactions of HHCA and PCNAFH (collectively, “the Organization”). All intercompany balances and transactions have been eliminated in consolidation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand, demand deposit accounts held at financial institutions, money market funds held with investment banking firms and liquid investments with original maturities of three months or less. Restricted cash consists of cash deposited specifically for the construction of future homes.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

At times during the year ended June 30, 2021, cash, cash equivalents and certificates of deposit balances exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) and were not collateralized. In the event of an institutional failure, the excess of cash balances over FDIC or SIPC insurance limits may not be recoverable. For the year ended June 30, 2021, the Organization's balances maintained at multiple financial institutions totaled \$1,826,826. Of these balances, \$685,531 was not insured or collateralized at June 30, 2021.

ReStore Inventory

The Organization accepts non-cash donations for resale through the operation of the ReStore facility. Management has been unable to determine a reasonable estimate for the values of these donations and, as such, the ReStore inventory is not carried on the consolidated statement of financial position. Revenue is recognized at the time of sale. Management believes the effect is immaterial to the consolidated financial statements as a whole.

Contributions and Grants Receivable

Contributions and grants receivable are recorded at the amounts to be received by the grantor, as agreed upon in each grant agreement, where applicable. Once a grant has been received, the receivable is reduced by the amount collected.

Mortgages Receivable

Mortgages receivable consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept the deed in lieu of foreclosure where the homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure may be sold directly on the open market.

Mortgage receivables entered into at rates substantially below market rates are discounted to net present value using rates provided by HFHI. The discounts are charged directly to the operations at the inception of the mortgage and amortized over the life of the contract. Discount amortization is reported as amortization of note receivable discount in the period amortized.

The Organization has not established an allowance for doubtful accounts as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible, and management believes any reclaimed house can be resold at or above the amount of unpaid, discounted loan principal plus costs to sell the home.

Homes Under Construction

Costs incurred in conjunction with home construction are recorded as homes under construction on the consolidated statement of financial position. When a home is sold, the associated cost is removed from homes under construction and classified to cost of homes sold in the consolidated statement of functional expenses. The specific identification method is used in determining the cost of a home sold.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Purchase Agreements

Lease purchase agreements are recorded at the stated lease value on the date of inception.

Property and Equipment

Property and equipment are reported at historical cost or, if donated, at the approximate fair value at the date of donation. It is the policy of the Organization to capitalize property and equipment with an economic life greater than one year with cost in excess of \$5,000.

Major renewals and betterments are capitalized, while normal maintenance and repairs are expensed in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to forty years.

The Organization records impairment to its property and equipment if it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values, determined by the Organization based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions and other information. No impairments were required during the year ended June 30, 2021.

Land Held for Development

Land held for development includes the cost of land and improvements to land or, if donated, the approximate fair value of the land at the date of the donation, held for future construction of homes.

Refundable Advances

Refundable advances relate to cash received directly from government agencies to assist with the construction of homes. These amounts will be recognized as grant revenue when the home is sold.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized as support in the period received or when the Organization becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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".

ReStore sales are recognized as revenue at the time merchandise is transferred to the customer.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

The Organization receives funds for special events with the intent to increase awareness of the Organization and its programs. A portion of fundraising event revenue is intended to cover the cost of the meal and entertainment provided, although the majority of the revenue consists of donor sponsorships and contributions. Special event revenue is recognized as income as events are held.

Homes are sold to qualified buyers at approximately the cost to build the home. Mortgages are accepted as payment for the homes sold. Any grant funds received to further subsidize the homeowners' purchase price is reflected as grants and awards at the time of sale. During the year ended June 30, 2021, there were ten homes sold with non-interest-bearing mortgages.

Donated Services

Donated services are recognized as contributions only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Although a substantial number of uncompensated volunteers have donated significant amounts of their time to the Organization's program services and fundraising activities, the value of these donated services has not been recognized in the consolidated financial statements as the recognition criteria has not been met.

Advertising Expenses

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. For the year ended June 30, 2021, advertising expenses were approximately \$14,000.

Program Services

Program services include construction, ReStore operations, discount on mortgage originations, support of families and education of the general public. Program services also includes the cost of homes sold to homeowners.

Functional Expenses

Expenses are allocated on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly to the related program or supporting service according to their natural expenditure classification. The Organization allocates these expenses accordingly using time charged to employees and other various methods.

Income Taxes

HHCA and PCNAFH are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not private foundations.

Accounting standards require the Organization to evaluate tax positions and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken and has concluded that as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the consolidated statement of financial position to fund expenses without limitations:

Assets:	
Cash and cash equivalents	\$ 1,700,720
Grants receivable	16,300
Mortgages receivable, net	1,673,020
Endowment assets	<u>134,108</u>
Total financial assets	3,524,148
Less:	
Cash restricted for future home construction	(898,962)
Mortgages receivable due in more than one year	(1,354,628)
Restricted portion of endowment assets	<u>(67,344)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,203,214</u></u>

NOTE 4: ENDOWMENTS

During the year ended June 30, 2010, the Organization entered into an agreement with the Arkansas Community Foundation (ACF) to create an endowment fund to aid and assist the Organization in carrying out its charitable purpose. The Organization irrevocably invested \$10,000 from an internal designation by the Board of Directors (the Board). Contributions and income of the endowment fund are reported as increases to net assets without donor restrictions. The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for current and future needs of the Organization. The income earned thereon is to be utilized for operating expenses incurred by the Organization. As permitted by the spending rate policy adopted by the Board and ACF, generally 4% of the average balance of the endowment fund in excess of \$10,000 is available for distribution on an annual basis. There were no distributions made during the year ended June 30, 2021.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 4: ENDOWMENTS (Continued)

During the year ended June 30, 2021, the Organization entered into an agreement with ACF to create a quasi-endowment fund to aid and assist the Organization in carrying out its charitable purpose. The Organization irrevocably invested \$100,000 from an internal designation by the Board. Contributions and income of the quasi-endowment fund are reported as increases to net assets without donor restrictions. The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for current and future needs of the Organization. The income earned thereon is to be utilized for operating expenses incurred by the Organization. As permitted by the spending rate policy adopted by the Board and ACF, any funds in excess of \$50,000 are available for distribution within the first three years of the formation of the quasi-endowment. After year three, all remaining funds in the quasi-endowment fund become available for distribution. There were no distributions made during the year ended June 30, 2021.

The Organization invests the assets of the endowment fund and the quasi-endowment fund in a pooled fund managed by ACF. The Organization's interest in the pooled fund is evidenced by a unit. The value of a unit is calculated based on the fair value of the underlying assets, adjusted for the effects of such transactions as administrative fees and investment income that has not been reinvested in the underlying assets.

Changes in board designated endowment net assets as of June 30, 2021, are as follows:

Endowment funds held at the Arkansas Community Foundation, beginning of year	\$ 13,695
Contribution of assets	100
Investment return, net	<u>3,416</u>
Endowment funds held at the Arkansas Community Foundation, end of year	<u>\$ 17,211</u>

Changes in board designated quasi-endowment net assets as of June 30, 2021, are as follows:

Quasi-Endowment funds held at the Arkansas Community Foundation, beginning of year	\$ -
Contribution of assets	111,642
Investment return, net	<u>5,255</u>
Quasi-Endowment funds held at the Arkansas Community Foundation, end of year	<u>\$ 116,897</u>

NOTE 5: MORTGAGES RECEIVABLE

Mortgages receivable consists of non-interest-bearing notes from individuals who occupy houses constructed by the Organization. These notes are payable in monthly installments and are collateralized by a mortgage on the real estate. The mortgages receivable have original maturities between 10 and 30 years.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 5: MORTGAGES RECEIVABLE (Continued)

For some borrowers, the Organization secures a second mortgage at the time of sale. These second mortgages reflect the approximate difference between the fair market values of the properties and the sales prices. These mortgages are forgiven ratably over five-to-thirty-year periods so long as the purchaser remains with the property. If the property is sold by the original purchaser or foreclosed, the remaining balance on the second mortgages must be repaid to the mortgage holder along with the balance due on the first mortgage. No contingent receivable or offsetting deferred revenue are recorded in these consolidated financial statements, but the practice is being disclosed for informational purposes. The amount that may be collected is undetermined.

Certain homes sold by the Organization were constructed using federal funds passed through the Arkansas Development Finance Authority (ADFA). Once the home is sold, a portion of the mortgage is assigned by the Organization to ADFA; however, the Organization services the mortgage through a third-party service provider. Principal payments collected on behalf of ADFA are remitted quarterly. At June 30, 2021, amounts due to ADFA totaled approximately \$2,700 and are included in "accrued expenses and other liabilities" on the statement of financial position.

Mortgages receivable consists of the following as of June 30, 2021:

Non-interest bearing loans at face value	\$	5,573,689
Less: Unamortized discount based on imputed interest at rates ranging from 7.17% to 9.00%		<u>(3,900,669)</u>
Mortgages receivable, net of discounts	\$	<u><u>1,673,020</u></u>

Contractual maturities of mortgages receivable on June 30, 2021 are as follows:

2022	\$	290,184
2023		288,191
2024		282,288
2025		278,227
2026		271,539
Thereafter		<u>4,163,260</u>
Total	\$	<u><u>5,573,689</u></u>

During the year ended June 30, 2013, the Organization sold mortgages receivable with recourse to ADFA. The Organization has guaranteed payment of the mortgage loans and in the event of any loan default, the Organization will replace the non-performing loan with a performing loan or will buy back the non-performing loan. As of June 30, 2021, the uncollected balances remaining on the mortgages totaled approximately \$146,000.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 6: PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2020, the Organization was approved and received a loan totaling \$223,000 as part of the Paycheck Protection Program (PPP) authorized as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress and signed into law on March 27, 2020. On April 22, 2021, the Organization was granted forgiveness for the full loan amount and the related revenue is reported as forgiveness of paycheck protection program loan on the consolidated statement of activities.

NOTE 7: RELATED PARTY TRANSACTIONS

For the year ended June 30, 2021, donations from the Board of Directors and the Organization's employees totaled \$15,030.

NOTE 8: PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, 2021, is as follows:

Buildings and improvements	\$ 2,276,307
Furniture, fixtures and equipment	12,439
Vehicles	22,500
	<u>2,311,246</u>
Less accumulated depreciation	<u>(933,881)</u>
Property and equipment, net	<u>\$ 1,377,365</u>

NOTE 9: SIMPLE IRA PLAN

During the year ended June 30, 2014, the Organization established a Simple IRA plan (the Plan). Full-time employees are eligible to participate in the Plan after one year of employment. The Organization matches up to 3% of eligible employees' elective deferrals. For the year ended June 30, 2021, the total expense related to the matching was approximately \$8,200.

NOTE 10: LEASE AGREEMENTS

The Organization leases some its properties from time-to-time. Although the Organization is a for-sale housing program, certain situations may arise where a property may be temporarily leased before it is sold. Most situations involve a lease-to-own or option-to-purchase agreement, but others may be only a rental situation for a fixed or renewable term.

During the year ended June 30, 2021, the Organization was receiving lease payments on three homes, of which none were sold.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2021

NOTE 11: RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization and financial results will depend on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 12: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2021, the Organization discovered that mortgages that had been assigned to ADFA were being reported as mortgages receivable on the Organization's financial statements. An adjustment of \$1,445,989 was made to decrease beginning net assets and decrease the balance of mortgages receivable.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2021 the date the financial statements were available to be issued.

Supplementary Information

Habitat for Humanity of Central Arkansas, Inc.

Consolidating Statement of Financial Position June 30, 2021

	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 728,964	\$ 72,794	\$ -	\$ 801,758
Restricted cash and cash equivalents	898,962	-	-	898,962
Grants receivable	16,300	-	-	16,300
Mortgages receivable, net	1,444,784	228,236	-	1,673,020
Homes under construction	119,135	2,000	-	121,135
Lease purchase agreements	141,914	-	-	141,914
Prepaid expenses	78,037	-	-	78,037
Intercompany receivable	-	3,049	(3,049)	-
Property and equipment, net	1,377,365	-	-	1,377,365
Land held for development	151,040	-	-	151,040
Endowment funds	134,108	-	-	134,108
	\$ 5,090,609	\$ 306,079	\$ (3,049)	\$ 5,393,639
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 22,086	\$ 2,000	\$ -	\$ 24,086
Accrued liabilities	70,183	-	-	70,183
Refundable advances	73,431	-	-	73,431
Intercompany payable	3,049	-	(3,049)	-
	168,749	2,000	(3,049)	167,700
Net Assets				
Without donor restrictions	4,921,860	304,079	-	5,225,939
Total Net Assets	4,921,860	304,079	-	5,225,939
TOTAL LIABILITIES AND NET ASSETS	\$ 5,090,609	\$ 306,079	\$ (3,049)	\$ 5,393,639

See Independent Auditor's Report.

Habitat for Humanity of Central Arkansas, Inc.

Consolidating Statement of Activities June 30, 2021

	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Eliminations	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues, Support and Reclassifications				
Home sales	\$ 1,164,000	\$ 130,500	\$ -	\$ 1,294,500
ReStore sales	1,106,289	-	-	1,106,289
Federal awards	481,921	147,616	-	629,537
Grant income	204,421	-	-	204,421
Contributions	349,678	3,220	-	352,898
Mortgage discount amortization	301,215	19,906	-	321,121
Fundraisers	70,718	-	-	70,718
Loss on disposal of fixed assets	(81,056)	-	-	(81,056)
Interest income	16,153	339	-	16,492
Forgiveness of paycheck protection program loan	223,000	-	-	223,000
Miscellaneous income	14,402	-	-	14,402
Total Revenues, Support and Reclassifications	3,850,741	301,581	-	4,152,322
Expenses				
Program services	3,270,000	237,129	-	3,507,129
Management and general	313,974	7,234	-	321,208
Fundraising	145,526	-	-	145,526
Total Expenses	3,729,500	244,363	-	3,973,863
INCREASE IN TOTAL NET ASSETS	121,241	57,218	-	178,459
NET ASSETS, BEGINNING OF YEAR AS RESTATED	4,800,619	246,861	-	5,047,480
NET ASSETS, END OF YEAR	\$ 4,921,860	\$ 304,079	\$ -	\$ 5,225,939

See Independent Auditor's Report.

Habitat for Humanity of Central Arkansas, Inc.

Consolidating Statement of Functional Activities June 30, 2021

	Program Services			Management and General			Fundraising		
	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Consolidated	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Consolidated	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Consolidated
Salaries and benefits	\$ 510,775	\$ 13,204	\$ 523,979	\$ 235,118	\$ 1,467	\$ 236,585	\$ 120,845	\$ -	\$ 120,845
Payroll taxes	41,554	874	42,428	16,306	97	16,403	9,291	-	9,291
Cost of homes sold	1,636,265	145,013	1,781,278	-	-	-	-	-	-
Resale merchandise	77,743	-	77,743	-	-	-	-	-	-
Taxes and licenses	14,888	889	15,777	-	87	87	-	-	-
Depreciation	65,486	-	65,486	3,447	-	3,447	-	-	-
Insurance	31,426	-	31,426	6,451	-	6,451	-	-	-
Mortgage discounts	682,138	77,149	759,287	-	-	-	-	-	-
Supplies	15,535	-	15,535	4,544	145	4,689	-	-	-
Professional fees	4,100	-	4,100	20,552	5,250	25,802	-	-	-
Rent	26,250	-	26,250	-	-	-	-	-	-
Utilities	45,299	-	45,299	-	-	-	-	-	-
Telephone	2,269	-	2,269	6,809	-	6,809	-	-	-
Computer and internet	15,647	-	15,647	10,634	-	10,634	-	-	-
Advertising	-	-	-	-	-	-	13,941	-	13,941
Automobile and fuel	40,968	-	40,968	229	-	229	-	-	-
Repairs and maintenance	31,089	-	31,089	4,784	-	4,784	-	-	-
Dues and subscriptions	15,000	-	15,000	3,533	-	3,533	-	-	-
Meals and entertainment	1,776	-	1,776	142	-	142	-	-	-
Conferences	207	-	207	622	-	622	-	-	-
Tithes	4,500	-	4,500	-	-	-	-	-	-
Other	7,085	-	7,085	803	188	991	1,449	-	1,449
	<u>\$ 3,270,000</u>	<u>\$ 237,129</u>	<u>\$ 3,507,129</u>	<u>\$ 313,974</u>	<u>\$ 7,234</u>	<u>\$ 321,208</u>	<u>\$ 145,526</u>	<u>\$ -</u>	<u>\$ 145,526</u>

See Independent Auditor's Report.