

**LAKE CITY/COLUMBIA COUNTY  
HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**LAKE CITY/COLUMBIA COUNTY HABITAT FOR HUMANITY, INC.**  
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**YEAR ENDED JUNE 30, 2018**

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**Powell & Jones**  
Certified Public Accountants

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## **INDEPENDENT AUDITORS' REPORT**

**Board of Directors**  
Lake City/Columbia County Habitat for Humanity, Inc.  
Lake City, Florida

We have audited the accompanying financial statements of Lake City/Columbia County Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the fiscal 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**

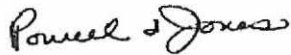
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Lake City/Columbia County Habitat for Humanity, Inc. as of June 30, 2018 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.

A handwritten signature in cursive script, appearing to read "Powell & Jones".

**POWELL & JONES**  
**Certified Public Accountants**  
**July 1, 2019**

**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2018

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 18,094
Investments	140,932
Assets Held in Escrow	2,180
Current Portion of Mortgages Receivable, Net	15,591
Total current assets	<u>176,797</u>

**NON-CURRENT ASSETS**

Mortgages Receivable, Net	236,390
Inventory	170,229
Property	168,426
Equipment	5,823
Less: Accumulated Depreciation	(6,316)
Total Noncurrent Assets	<u>574,552</u>

Total assets	<u><u>\$ 751,349</u></u>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	\$ 526
Escrow Liabilities	3,659
Total Liabilities	<u>4,185</u>

**NET ASSETS**

Without donor restrictions	529,778
With donor restrictions	217,386
Total Net Assets	<u>747,164</u>

Total liabilities and net assets	<u><u>\$ 751,349</u></u>
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**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND SUPPORT</b>			
Support			
Donations	\$ 9,792	\$ 80,000	\$ 89,792
Total Support	<u>9,792</u>	<u>80,000</u>	<u>89,792</u>
Revenue			
Interest income	2,828	-	2,828
Rental income	8,195	-	8,195
Other income	1,336	-	1,336
Total Revenue	<u>12,359</u>	<u>-</u>	<u>12,359</u>
Total Revenues, Gains, and Support	<u>22,151</u>	<u>80,000</u>	<u>102,151</u>
 <b>EXPENSES AND LOSSES</b>			
Program services	12,039	-	12,039
Supporting Services			
General and administrative	3,508	-	3,508
Fundraising	1,225	-	1,225
Total Expenses	<u>16,772</u>	<u>-</u>	<u>16,772</u>
 Increase in net assets	5,379	80,000	85,379
 Net assets, beginning of year	524,399	137,386	661,785
Net assets, end of year	<u>\$ 529,778</u>	<u>\$ 217,386</u>	<u>\$ 747,164</u>

**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2018

	Program Services	Supporting Service		Totals
		General and Administrative	Fundraising	
Operating expenses				
Dues and subscriptions	\$ 677	\$ 1,695	\$ -	\$ 2,372
Insurance	2,883	-	-	2,883
Advertising	-	-	1,000	1,000
Office expense	-	172	-	172
Maintenance and repair	146	-	-	146
Property taxes	691	-	-	691
Professional fees	-	-	225	225
Telephone	-	1,097	-	1,097
Travel	89	-	-	89
Training	1,605	-	-	1,605
Rental expense	2,389	-	-	2,389
Supplies	1,466	-	-	1,466
Utilities	-	544	-	544
Total operating expenses	<u>9,946</u>	<u>3,508</u>	<u>1,225</u>	<u>14,679</u>
Total expenses before depreciation	9,946	3,508	1,225	14,679
Depreciation	2,093	-	-	2,093
Total expenses	<u>\$ 12,039</u>	<u>\$ 3,508</u>	<u>\$ 1,225</u>	<u>\$ 16,772</u>

**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 85,379
Adjustments to Reconcile Change in Net Assets to Net	
Cash Provided (Used in) Operating Activities:	
Depreciation expense	2,093
Decrease in Mortgage Notes Receivables	17,340
Increase in Inventory	(62,202)
Increase in Accounts Payable	526
Increase in Escrow Liabilities	913
Net cash provided by operating activities	<u>44,049</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Fixed Assets	<u>(3,190)</u>
Net cash used in investing activities	<u>(3,190)</u>

Net Change in Cash 40,859

Cash and cash equivalents, beginning of year	<u>120,347</u>
Cash and cash equivalents, end of year	<u><u>\$ 161,206</u></u>



**LAKE CITY/COLUMBIA COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Habitat for Humanity of Lake City/Columbia County, Inc. (Habitat or the Organization) is a non-profit organization providing affordable housing for low income families in North Florida. The Organization is an affiliate of Habitat for Humanity International (HFHI). As provided in its Articles of Incorporation dated July 26, 2001, the primary purpose of this organization is to witness and implement the gospel of Jesus Christ in Florida and throughout the United States by working with economically disadvantaged people to help them create a better human habitat in which to live and work.

**Basis of Accounting**

The financial statements of Habitat have been prepared on the accrual basis of accounting and accordingly, reflect all material receivables, payables and other liabilities.

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August, 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA), "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's Board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the non-profit organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor as stipulated the funds be maintained in perpetuity.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, Habitat considers cash and cash equivalents to be cash on hand, cash in banks and all highly liquid investments with maturity dates of three months or less.

**Fair Value Measurements**

Habitat measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entities own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Habitat may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

*Level 1* - Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stock, corporate and government bonds. Habitat has the ability to access as of the measurement date.

*Level 2* - Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* - Inputs that are unobservable. Unobservable inputs reflect Habitat's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Habitat has the option to elect to measure financial instruments at fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. Habitat has not elected to measure any existing financial instruments at fair value at June 30, 2018. However, Habitat may elect to measure newly acquired financial instruments at fair value in the future.

#### **Property and Equipment**

Habitat capitalizes all expenditures for property and equipment in excess of \$500. Donated property and equipment are recorded at the estimated fair value when donated. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years.

#### **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

#### **Sale of Constructed Homes**

The transfer of a home and the accompanying mortgage receivable is recorded when the new homeowner moves in and begins making payments to Habitat even if the closing documents for the sale have not been completed. Noninterest-bearing mortgages have been discounted based upon the prime lending rate effective on the day the mortgage is issued. Utilizing the effective interest method, this discount will be recognized as income over the term of the mortgage.

#### **Revenue Recognition**

Contributions are recognized as revenue when the gifts' underlying promises are received by Habitat. Habitat reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or a specific purpose. When a donor restriction expires, temporarily restricted net assets are

reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

“Sale of homes” represents homes built by Habitat. When homes are sold to qualified buyers who finance the purchase, the resulting mortgage notes are zero-interest bearing and discounted based upon prevailing market rates at the inception of the mortgages. The gross sale amount is included as the sale of home in the statement of activities and the applicable discount from this note is presented as the mortgage discount amortization in the statement of activities. When homes or land are sold to buyers in the form of a cash sale, the gross sale amount is included in the sale of homes and land in the statement of activities. In the year ended June 30, 2018, there were no homes or land sold to buyers in the form of a cash sale. Habitat recognizes the income from the sale of homes on the completed contract method when home closings occur.

Habitat accounts for grants and contracts as exchange transactions. Revenue is recognized as an increase in the statement of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent contract revenue exceeds payment received advances in excess of costs incurred are deferred and recognized as revenue when the related expense is incurred.

Support arising from donated, or in-kind, goods, property, and services is recognized in the financial statements at its fair value. GAAP requires recognition of in-kind services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee. For the year ended June 30, 2018 there were greater amounts recorded in the accompanying financial statements for in-kind goods and services, respectively. Habitat utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under GAAP.

#### **Donated Services**

Donated services are recognized at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. One of the following criteria must be satisfied in order to record donated services:

- The donated services must create or enhance a nonfinancial asset. Nonfinancial assets include the homes that Habitat constructs.
- The donated services must require specialized skills that Habitat would otherwise need to purchase and are performed by individuals possessing those skills.

In accordance with the above criteria, donated services satisfying one of the above criteria rendered for the construction of Habitat homes are recorded at their estimated fair value.

#### **Donated Land and Material**

Donated land and materials are recorded at estimated fair value at the time of the contribution.

#### **Tax Status**

The Internal Revenue Service has determined Habitat to be exempt from income taxes under provisions of Internal Revenue Code Section 501(c)(3) and the organization is classified as other than a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for income taxes has been made in these financial statements. Habitat follows the

income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The implementation of this standard had no impact on Habitat's financial statements.

#### **Assets Held in Escrow**

Habitat currently services the mortgage notes on the homes it sells. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset, which is offset by a related liability.

#### **Gifts and Contributions**

Gifts and contributions are recorded at their fair market value on the date of receipt. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

#### **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.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated to the programs and supporting services based on estimates of the benefit that the program or supporting service received.

#### **Reclassifications**

Certain amounts in the prior year financial statements were reclassified to conform to the presentation in the current year. These reclassifications had no change on prior year reported changes in net assets, or net assets, end of year.

#### **Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through July 1, 2019, the date the financial statements were available to be issued.

#### **NOTE 2. RESTRICTED CASH AND CASH EQUIVALENTS**

Habitat collects escrow payments from its mortgagees to pay real estate taxes and property insurance. Escrow payments are deposited into a bank account restricted to escrow transactions. Homeowner escrow cash totaled \$3,659 at June 30, 2018. The corresponding liability of \$3,659 is shown in the current liabilities section of the statement of financial position.

**NOTE 3. MORTGAGES RECEIVABLE**

Habitat holds six mortgages receivable for properties it has sold to qualified buyers. These mortgages have maturity dates ranging from 16 to 20 years. The notes on these mortgages are non-interest bearing, payable in equal monthly installments and are secured by deeds of trust on the properties. The payments collected on these mortgages are used to help fund future home construction. The notes have been discounted at the prevailing market rate at the inception of the mortgage using the effective interest method over the lives of the mortgages. As mortgage payments are made, Habitat recognizes the amortization of the discount as revenue.

Mortgages receivable as of June 30, 2018, are as follows:

Mortgage notes receivable at face value	\$ 309,784
Less: Unamortized Discounts	(57,803)
Total	<u>251,981</u>
Less: Amount Due in One Year	(15,591)
Mortgages Receivable - Long Term	<u><u>\$ 236,390</u></u>

Annual collection of the mortgages receivable at June 30, 2018 are due as follows:

<u>Year ending June 30,</u>	
2019	\$ 15,591
2020	15,686
2021	15,783
2022	15,884
2023	15,989
Thereafter	173,048
	<u><u>\$ 251,981</u></u>

**NOTE 4. INVENTORY**

Inventories are stated at the lower of cost (determined on a specific identification basis) or market. Inventories consist of construction in progress, completed homes for sale, land for development, and land for resale. Construction in progress consists of lots and construction costs of houses not completed as of June 30, 2018. Costs incurred in conjunction with home construction are capitalized and expensed when the home is sold.

Land held for development	\$ 39,303
Construction in progress	130,926
Total inventory	<u><u>\$ 170,229</u></u>



**NOTE 5. FIXED ASSETS**

Fixed assets are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

The balances at June 30, 2018, were as follows:

	Cost	Accumulated Depreciation	Life
Inventory of lots	\$ 170,229	\$ -	-
Property	168,426	4,732	30 years
Equipment	5,823	1,584	5-15 years
	<u>\$ 344,478</u>	<u>\$ 6,316</u>	

Depreciation expense for 2018 was \$2,093.

**NOTE 6. INVESTMENTS**

The Organization follows FASB Accounting Standards Codification (ASC) 958-320, *Investments, Debt and Equity Securities*. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

A summary of investments, which were held by the Organization at June 30, 2018, follows:

	Cost Basis	Fair Market Value
First Federal Certificate of Deposit	<u>\$ 140,932</u>	<u>\$ 140,932</u>

**NOTE 7. INCOME TAXES**

The corporation qualifies as a charity in accordance with Sections 501(c)(3) of the Internal Revenue Code and Florida Statutes §220.13(2). This makes the Organization exempt from paying any state or federal income tax. The Organization is required to file an annual information report with the Internal Revenue Service (IRS) on Form 990. These required filings are current and are subject to examination by the IRS, generally for three years after they are filed.

**NOTE 8. CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances at several federally insured banks. Interest bearing deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor at each banking institution. The Organization had insured balances of approximately \$161,921 at June 30, 2018.

**NOTE 9. ADVERTISING COSTS**

Advertising costs are charged to operations when incurred. During the year ended June 30, 2018, Habitat recorded \$832, of advertising costs.

**NOTE 10. NET ASSETS**

Habitat's net assets for the year ended June 30, 2018 are classified into two categories: (1) unrestricted net assets, which include no donor-imposed restrictions and (2) temporarily restricted net assets, which include donor-imposed restrictions that will expire in the future.

The unrestricted net assets consist of operating funds available for any purpose authorized by the Board of Directors (the "Board").

Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent. At June 30, 2018, Habitat had \$217,886 of temporarily restricted net assets.

**NOTE 11. RELATED-PARTY TRANSACTIONS**

Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Habitat International provides guidance in administration and program support for Habitat affiliates. Habitat International also recommends that its affiliates contribute a tithe equal to 10% of unrestricted contributions to an affiliate organization outside the United States. Habitat tithed \$677 for 2018.

**NOTE 12. INVENTORIES**

It has consistently been the policy of the Organization to record acquisition of goods and supplies as expenditures at the time of purchase. The amount of such inventory on hand at any one time would be a nominal amount and considered to be immaterial.