

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

FINANCIAL STATEMENTS

JUNE 30, 2019

**LAKE CITY/COLUMBIA COUNTY HABITAT FOR HUMANITY, INC.
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YEAR ENDED JUNE 30, 2019**

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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, 2019, 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, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES
Certified Public Accountants
August 13, 2020

HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 68,352
Investments	111,498
Assets held in escrow	1,324
Mortgages receivables - current	13,319
	194,493

PROPERTY AND EQUIPMENT

Land and building improvements	49,617
Equipment	5,823
	55,440
Less: Accumulated depreciation	(8,941)
	46,499

OTHER ASSETS

Mortgages receivable, net of current portion	319,047
Land for development	56,138
Construction in progress	118,809
	493,994

Total Assets	\$ 734,986
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Escrow liabilities	\$ 1,325
Total Liabilities	1,325

NET ASSETS

Without donor restrictions	607,151
With donor restrictions	126,510
Total Net Assets	733,661

Total liabilities and net assets	\$ 734,986
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HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND SUPPORT			
Contributions	\$ 30,792	\$ 8,510	\$ 39,302
Gain on sale of homes	62,043	-	62,043
Interest income	2,885	-	2,885
Mortgage loan discount amortization	4,640	-	4,640
Rental income	6,550	-	6,550
Other income	9,139	-	9,139
Satisfaction of program restrictions	99,386	(99,386)	-
Total Revenues, Gains, and Support	<u>215,435</u>	<u>(90,876)</u>	<u>124,559</u>
FUNCTIONAL EXPENSES			
Program services			
Housing assistance	88,801	-	88,801
Supporting services			
General and administrative	9,856	-	9,856
Fundraising	1,810	-	1,810
Total Expenses	<u>100,467</u>	<u>-</u>	<u>100,467</u>
Increase in net assets	114,968	(90,876)	24,092
Net assets, beginning of year	529,778	217,386	747,164
Prior-period adjustment	(37,595)	-	(37,595)
Net assets, end of year	<u>\$ 607,151</u>	<u>\$ 126,510</u>	<u>\$ 733,661</u>

See notes to the financial statements

HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services	Supporting Service		Totals
		General and Administrative	Fundraising	
Operating expenses				
Accounting	\$ -	\$ 3,500	\$ -	\$ 3,500
Advertising	-	-	791	791
Cost of lot sold	-	-	1,019	1,019
Dues and subscriptions		320	-	320
Insurance	5,017	-	-	5,017
Meeting expense	-	1,012	-	1,012
Mortgage discounts	73,350	-	-	73,350
Office expense	-	287	-	287
Payments to affiliates	3,769	3,115	-	6,884
Property taxes and tags	2,302	-	-	2,302
Supplies	1,736	-	-	1,736
Telephone	-	928	-	928
Utilities	-	694	-	694
Total operating expenses	<u>86,174</u>	<u>9,856</u>	<u>1,810</u>	<u>97,840</u>
Total expenses before depreciation	86,174	9,856	1,810	97,840
Depreciation	2,627	-	-	2,627
Total expenses	<u>\$ 88,801</u>	<u>\$ 9,856</u>	<u>\$ 1,810</u>	<u>\$ 100,467</u>

HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contributors	\$ 39,302
Proceeds from sale of donated land	62,043
Interest received	2,885
Mortgage discount amortization	4,640
Rental and other income	15,689
Mortgage discount expense	(73,350)
Cash payments to suppliers	(27,350)
Net cash provided by operating activities	23,859

CASH FLOWS FROM INVESTING ACTIVITIES

Issuance of mortgage receivable	(117,980)
Proceeds from sale of land, buildings, and equipment	114,089
Net cash used financing activities	(3,891)

Cash and cash equivalents, beginning of year	161,206
Cash and cash equivalents, end of year	\$ 181,174

Cash and cash equivalents, classified as	
Cash and investments	\$ 179,850
Assets held in escrow	1,324
Total cash and cash equivalents	\$ 181,174

**Reconciliation of Change in Net Assets to Net Cash Provided By
(Used In) Operating Activities**

Total Change in net assets	\$ 24,092
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**Adjustments to Reconcile Total Change in Net Assets to Net Cash
Provided (Used) by Operating Activities**

Depreciation	2,627
Change in assets and liabilities	
Decrease in accounts payables	(526)
Decrease in escrow liabilities	(2,334)
	(233)

Net cash provided by operating activities	\$ 23,859
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See notes to the financial statements

LAKE CITY/COLUMBIA COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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. Total net assets with donor restrictions for the year ended June 30, 2019 was \$126,510.

All assets and all liabilities associated with the operation of the Organization are included on the Statement of Financial Position. The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities.

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, 2019. 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. 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, 2019 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 at the date of the donation. During the year end June 30, 2014, the Organization recognized in-kind donations of \$11,844.

Donated Land and Materials

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, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through August 13, 2020, 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 \$1,324 at June 30, 2019. The corresponding liability of \$1,324 is shown in the current liabilities section of the statement of financial position.

NOTE 3. PRIOR PERIOD ADJUSTMENT

The net assets of Habitat were restated for a prior period adjustment of (\$37,595). The adjustment relates to the mortgage notes receivable, the mortgages were adjusted to their respected net present values consistent with the mortgage note receivable policy and the discount rates. Unrestricted net assets of Habitat as of June 30, 2018 have been restated from \$747,164 to \$709,569 along with mortgage notes receivable from \$251,981 to \$214,386.

NOTE 4. MORTGAGES RECEIVABLE

Habitat holds seven 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, 2019, are as follows:

Mortgage notes receivable at face value	\$ 438,421
Less: Unamortized Discounts	<u>(106,306)</u>
Total	332,115
Less: Amount Due in One Year	<u>(13,319)</u>
Mortgages Receivable - Long Term	<u>\$ 318,796</u>

Annual collection of the mortgages receivable at June 30, 2019 are due as follows:

<u>Year ending June 30,</u>	
2020	\$ 24,550
2021	24,550
2022	24,550
2023	24,550
2024	24,550
Thereafter	<u>315,921</u>
	<u>\$ 438,671</u>

NOTE 5. INVENTORY – LAND AND HOMES UNDER CONSTRUCTION

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, 2019. Costs incurred in conjunction with home construction are capitalized and expensed when the home is sold.

Land held for development	\$ 56,138
Construction in progress	<u>118,809</u>
Total inventory	<u><u>\$ 174,947</u></u>

NOTE 6. PROPERTY AND EQUIPMENT

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, 2019, were as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Life</u>
Land	5,000	-	30 years
Building	44,617	6,355	25-30 years
Equipment	5,823	2,586	5-15 years
	<u>\$ 55,440</u>	<u>\$ 8,941</u>	

Depreciation expense for 2019 was \$2,627.

NOTE 7. 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, 2019, follows:

	<u>Cost Basis</u>	<u>Fair Market Value</u>
First Federal Certificate of Deposit	<u>\$ 111,498</u>	<u>\$ 111,498</u>

NOTE 8. 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 9. 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 \$181,039 at June 30, 2019.

NOTE 10. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. During the year ended June 30, 2019, Habitat recorded \$791, of advertising costs.

NOTE 11. CHANGE IN ACCOUNTING PRINCIPLES

On August 16, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements for Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements.
- The financial statements include a new disclosure about liquidity and availability of resources.

NOTE 12. RELATED-PARTY TRANSACTIONS

Habitat annually remits a portion of its contributions (excluding noncash contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2019, Habitat contributed \$3,769 to Habitat for Humanity International. Such amounts are included in program service expense on the statements of activities.

In November 2013, Habitat for Humanity International (HFHI) adopted a policy, U.S. Stewardship and Organizational Sustainability Initiative (US-SOSI), affecting its U.S. affiliated organizations of which Habitat is one. The policy requires all affiliates to pay an annual US-SOSI fee which is determined by population within the affiliate's approved Geographic Service Area. The purpose is to generate a revenue stream for HFHI to help offset a portion of the operational costs to assist U.S. affiliates and to use in leveraging the strength of the many for the benefit of all. The amount of the fee is fixed through June 30, 2019. The fee is \$3,115 annually. The fee is invoiced at the beginning of the fiscal year, and is due by July 31.

NOTE 13. INVENTORY – GOODS AND SUPPLIES

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.

NOTE 14. COST ALLOCATION

Habitat records costs that can be directly identified as benefitting a specific funding stream as direct expenses of the related program. Certain costs which are directly shared, have been allocated to programs based upon the relative benefit received. The following is a table of cost allocation methodologies for expenditures which are allocated.

<u>Expense</u>	<u>Method of Allocation</u>
Staff training, dues, subscription, insurance, travel, communications postage, printing and supplies	Charged directly to the benefitting program or allocated by relative total program expense
Facilities costs and occupancy	Allocation based upon relative total usable square footage
Equipment	Charged directly or allocated to benefitting programs

NOTE 15. COMMITMENTS AND CONTINGENCIES

Grant Awards

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against Habitat for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits as Habitat management believes that the use of funds comply with the stipulated restrictions.

Claims and Litigation

Habitat is subject to litigation from time to time. Habitat has determined that there are no material claims outstanding as of June 30, 2019. When necessary, to the extent not covered by insurance, Habitat will establish a reserve for loss contingencies that are considered probable and reasonably estimable.

NOTE 16. LIQUIDITY AND AVAILABILITY

Habitat has \$179,850 of financial assets that are available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$68,352 in cash and \$111,498 in certificates of deposit. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

NOTE 17. Net Assets with Donor Restrictions

As of December 31, 2019, net assets with donor restrictions consisted of:

Chapel Hill property	\$	118,000
Clay Electric donation		8,510
	\$	<u>126,510</u>

The Chapel Hill property has been earmarked by the Board of Directors for the future administrative office of Habitat for Humanity.