

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

FINANCIAL STATEMENTS

JUNE 30, 2022

**LAKE CITY/COLUMBIA COUNTY HABITAT FOR HUMANITY, INC.
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YEARS ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Lake City/Columbia County Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



POWELL & JONES
Certified Public Accountants
September 13, 2022

HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC
STATEMENTS OF FINANCIAL POSITION
June 30, 2022
(With Comparative Financial Information for 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 153,503	\$ 54,315
Investments	202,657	262,298
Assets held in escrow	4,776	3,815
Inventory - general	1,127	1,127
Mortgages receivables - current	25,000	22,528
	387,063	344,083
PROPERTY AND EQUIPMENT		
Land and building improvements	141,427	52,458
Equipment	13,502	13,502
	154,929	65,960
Less: Accumulated depreciation	(9,996)	(15,951)
	144,933	50,009
OTHER ASSETS		
Mortgages receivable, net of current portion	259,129	282,610
Land for development	30,082	32,187
Construction in progress	210,338	202,768
Deposits	250	250
	499,799	517,815
Total Assets	\$ 1,031,795	911,907
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,276	\$ 5,148
Escrow liabilities	4,777	3,815
Total Liabilities	6,053	8,963
NET ASSETS		
Without donor restrictions	901,933	779,135
With donor restrictions	123,809	123,809
Total Net Assets	1,025,742	902,944
Total liabilities and net assets	\$ 1,031,795	\$ 911,907

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

HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022
(With Summarized Comparative Financial Information for 2021)

	Years Ended June 30,			2021
	2022		Total	
	Without Donor Restrictions	With Donor Restrictions		
REVENUES, GAINS, AND SUPPORT				
Contributions	\$ 85,043	\$ -	\$ 85,043	\$ 188,384
Special events income	39	-	39	17
Gain on sale of homes	116,535	-	116,535	-
Interest income	12,108	-	12,108	2,362
Mortgage loan discount amortization	-	-	-	8,928
Rental income	11,800	-	11,800	5,250
Other income	644	-	644	144
Total Revenues, Gains, and Support	226,169	-	226,169	205,085
FUNCTIONAL EXPENSES				
Program services				
Housing assistance	90,913	-	90,913	25,827
Supporting services				
General and administrative	11,730	-	11,730	5,991
Fundraising	729	-	729	750
Total Expenses	103,372	-	103,372	32,568
Increase in net assets	122,798	-	122,798	172,517
Net assets, beginning of year	779,135	123,809	902,944	730,427
Net assets, end of year	\$ 901,933	\$ 123,809	\$ 1,025,742	\$ 902,944

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

HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022
(With Summarized Comparative Financial Information for 2021)

	Program Services	Supporting Service		Totals	
		General and Administrative	Fundraising	2022	2021
Operating expenses					
Cost of lot sold	\$ -	\$ -	\$ -	\$ -	\$ 7,489
Dues and subscriptions	-	5,233	-	5,233	1,500
Foreclosure costs	13,919	-	-	13,919	-
Insurance	3,596	3,995	-	7,591	4,679
IT maintenance	730	-	729	1,459	1,500
Maintenance and repair	1,106	-	-	1,106	2,967
Miscellaneous	350	26	-	376	-
Mortgage discounts	25,269	-	-	25,269	-
Office expense	-	483	-	483	739
Payments to affiliates	28,720	-	-	28,720	1,030
Professional services	6,824	-	-	6,824	1,137
Property taxes and tags	2,446	-	-	2,446	2,542
Supplies	1,559	-	-	1,559	2,857
Telephone	-	1,094	-	1,094	1,012
Utilities	167	899	-	1,066	823
Total operating expenses	84,686	11,730	729	97,145	28,275
Total expenses before depreciation					
depreciation	84,686	11,730	729	97,145	28,275
Depreciation	6,227	-	-	6,227	4,293
Total expenses	\$ 90,913	\$ 11,730	\$ 729	\$ 103,372	\$ 32,568

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

HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2022
(With Comparative Financial Information for 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 85,043	\$ 188,384
Interest received	12,108	2,362
Mortgage discount amortization	-	8,928
Gain on sale of homes	116,535	-
Rental and other income	12,483	5,411
Mortgage discount expense	(25,269)	-
Cash payments to suppliers	(74,785)	(27,520)
Net cash provided by operating activities	126,115	177,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from mortgages receivable	21,009	13,610
Purchases of property and equipment	(106,616)	(40,272)
Net cash used for financing activities	(85,607)	(26,662)
Cash and cash equivalents, beginning of year	320,428	169,525
Cash and cash equivalents, end of year	\$ 360,936	\$ 320,428
Cash and cash equivalents, classified as		
Cash and investments	\$ 356,160	\$ 316,613
Assets held in escrow	4,776	3,815
Total cash and cash equivalents	\$ 360,936	\$ 320,428
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities		
Total Change in net assets	\$ 122,798	\$ 172,517
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	6,227	4,293
Change in assets and liabilities		
Decrease in accounts payables	(3,872)	(1,239)
Increase in escrow liabilities	962	1,994
	3,317	5,048
Net cash provided by operating activities	\$ 126,115	\$ 177,565

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

LAKE CITY/COLUMBIA COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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). Although Habitat International assists with information resources, publications and training, Habitat operates independent of Habitat International and a local board of directors is directly responsible for its operation. 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.

Habitat builds and repairs houses using primarily volunteer labor and purchased and donated materials. The houses are sold to qualified homebuyers. Financing is provided by Habitat with non-interest bearing mortgages. Prospective homeowners must have a need for housing, the ability to pay Habitat's mortgage and are required to participate in the construction of the homes.

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, 2022 was \$123,809.

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.

Inventory -General

Inventory is valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventory consists of construction materials. Donated inventory is recorded at its estimated fair value on the date of receipt.

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, 2022 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, 2022, the Organization recognized in-kind donations of \$750.

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

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.

Expense	Method of Allocation
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 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. The aggregate balance of this restricted cash was \$4,776, for the years ended June 30, 2022.

NOTE 3. 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, 2022:

Mortgage notes receivable at face value	\$ 374,118
Less: Unamortized discounts	(89,989)
Total	<u>284,129</u>
Less: Amount due in One Year	(25,000)
Mortgages receivable - Long Term	<u><u>\$ 259,129</u></u>

Annual collection of the mortgages receivable including imputed interest at June 30, 2022 are due as follows:

<u>Year ending June 30,</u>	
2023	\$ 25,000
2024	25,000
2025	25,000
2026	25,000
2027	25,000
Thereafter	<u>249,118</u>
	<u>\$ 374,118</u>

NOTE 4. 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, 2022. Costs incurred in conjunction with home construction are capitalized and expensed when the home is sold.

Land held for development	\$ 30,082
Construction in progress	<u>210,338</u>
Total inventory	<u>\$ 240,420</u>

NOTE 5. 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.

Property and equipment consisted of the following at June 30, 2022:

Land and Building	\$ 141,427
Equipment	<u>13,502</u>
	154,929
Less accumulated depreciation	<u>9,996</u>
	<u>\$ 144,933</u>

Depreciation expense for the years ended June 30, 2022 was \$6,227.

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, 2022:

	<u>Cost Basis</u>	<u>Fair Market Value</u>
First Federal Certificate of Deposit	<u>\$ 202,657</u>	<u>\$ 202,657</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 balances of approximately \$360,936 at June 30, 2022.

NOTE 9. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. During the year ended June 30, 2022, Habitat did not incur advertising expense.

NOTE 10. 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, 2022, Habitat contributed \$28,720 for 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, 2022. The fee is \$5,233 and invoiced at the beginning of the fiscal year, and is due by July 31.

NOTE 11. 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. During the year ended June 30, 2022, the amount of inventory on hand was \$1,127.

NOTE 12. SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through September 13, 2022, the date the financial statements were available to be issued.

NOTE 13. 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, 2022. When necessary, to the extent not covered by insurance, Habitat will establish a reserve for loss contingencies that are considered probable and reasonably estimable.

Covid-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. The public health emergency is still ongoing as of the date of the financial statements. There have been mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. Significant uncertainty remains regarding the wide-ranging effects of the pandemic subsequent to year-end. Habitat is closely monitoring its operations, liquidity, capital, and financial resources, and is actively working to minimize the current and future effects of this unprecedented situation. As of the date of issuance of these financial statements, the full impact of the pandemic to Habitat's financial position or operations is not known.

NOTE 14. LIQUIDITY AND AVAILABILITY

The following represents Habitat for Humanity of Lake City/Columbia County, Inc.'s financial assets as of June 30, 2022:

Financial assets at year end:	
Cash	\$ 360,936
Mortgages receivable - current	<u>25,000</u>
Total financial assets	<u>385,936</u>
Less amounts not available to be used for general expenditures:	
Restricted cash for escrow deposits held	4,776
Net assets with donor restrictions	<u>123,809</u>
	<u>128,585</u>
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 257,351</u>

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.

Habitat International suggests its affiliated organizations maintain financial assets to meet 60 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including savings or money market accounts at various financial institutions.

NOTE 15. Net Assets with Donor Restrictions

As of June 30, 2022, net assets with donor restrictions consisted of:

Chapel Hill property	\$ 118,809
Clay Electric donation	<u>5,000</u>
	<u>\$ 123,809</u>

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