



**Habitat for Humanity of Central Arkansas, Inc.**

**Consolidated Financial Statements  
and  
Supplementary Information  
June 30, 2022 and 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

### ***Opinion***

We have audited the consolidated financial statements of **Habitat for Humanity of Central Arkansas, Inc., and subsidiary (the Organization)** which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

***Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (Continued)***

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 consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization’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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’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 audits.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary 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 the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Little Rock, Arkansas  
November 28, 2022

## **Financial Statements**

# Habitat for Humanity of Central Arkansas, Inc.

## Consolidated Statements of Financial Position June 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 747,426	\$ 801,758
Restricted cash and cash equivalents	1,124,863	898,962
Accounts receivable	43,565	-
Grants receivable	49,264	16,300
Mortgages receivable, net	1,411,181	1,673,020
Homes under construction	217,168	121,135
Lease purchase agreements	88,595	141,914
Prepaid expenses and other assets	67,517	78,037
Property and equipment, net	1,342,424	1,377,365
Land held for development	151,040	151,040
Endowment assets	843,082	134,108
<b>TOTAL ASSETS</b>	<b>\$ 6,086,125</b>	<b>\$ 5,393,639</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 32,653	\$ 24,086
Accrued expenses and other liabilities	76,915	70,183
Refundable advances	38,076	73,431
<b>Total Liabilities</b>	<b>147,644</b>	<b>167,700</b>
 <b>Net Assets</b>		
Without donor restrictions	5,938,481	5,225,939
<b>Total Net Assets</b>	<b>5,938,481</b>	<b>5,225,939</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,086,125</b>	<b>\$ 5,393,639</b>

See accompanying notes to consolidated financial statements.

# Habitat for Humanity of Central Arkansas, Inc.

## Consolidated Statements of Activities Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenues, Support and Reclassifications</b>		
Home sales	\$ 414,530	\$ 1,294,500
ReStore sales	1,268,963	1,106,289
Federal awards	47,916	629,537
Grant income	125,100	204,421
Contributions of cash and other financial assets	382,971	177,180
Contributions of nonfinancial assets	35,247	175,718
Mortgage discount amortization	357,480	321,121
Fundraisers	177,111	70,718
Loss on disposal of fixed assets	(7,601)	(81,056)
Investment (loss) income	(70,022)	16,492
Forgiveness of paycheck protection program loan	-	223,000
Miscellaneous income	158,866	14,402
<b>Total Revenues, Support and Reclassifications</b>	<u>2,890,561</u>	<u>4,152,322</u>
<b>Expenses</b>		
Program services	1,717,233	3,507,129
Management and general	317,137	321,208
Fundraising	143,649	145,526
<b>Total Expenses</b>	<u>2,178,019</u>	<u>3,973,863</u>
<b>Increase in Net Assets Without Donor Restrictions</b>	<u>712,542</u>	<u>178,459</u>
<b>INCREASE IN TOTAL NET ASSETS</b>	712,542	178,459
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,225,939</u>	<u>5,047,480</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,938,481</u>	<u>\$ 5,225,939</u>

See accompanying notes to consolidated financial statements.

# Habitat for Humanity of Central Arkansas, Inc.

## Consolidated Statement of Functional Expenses Year Ended June 30, 2022

	Program Services		Supporting Services		Total
	Program Services	ReStore Operations	Management and General	Fundraising	
Salaries and benefits	\$ 135,067	\$ 408,946	\$ 230,048	\$ 106,316	\$ 880,377
Payroll taxes	15,184	27,198	16,234	7,682	66,298
Cost of homes sold	484,025	-	-	-	484,025
Resale merchandise	-	93,117	-	-	93,117
Taxes and licenses	1,092	14,466	121	-	15,679
Depreciation	3,307	59,540	3,308	-	66,155
Insurance	7,473	19,352	7,473	-	34,298
Mortgage discounts	235,559	-	-	-	235,559
Supplies	1,646	13,585	4,940	-	20,171
Professional fees	2,460	-	20,276	-	22,736
Utilities	-	48,898	-	-	48,898
Computer and internet	4,684	9,411	14,054	-	28,149
Advertising	-	93	-	11,565	11,658
Automobile and fuel	708	42,782	-	-	43,490
Repairs and maintenance	13,528	24,214	-	-	37,742
Dues and subscriptions	15,000	-	2,391	-	17,391
Conferences	8,000	-	3,584	-	11,584
Tithes	10,000	-	-	-	10,000
Other	2,381	15,517	14,708	18,086	50,692
	<u>\$ 940,114</u>	<u>\$ 777,119</u>	<u>\$ 317,137</u>	<u>\$ 143,649</u>	<u>\$ 2,178,019</u>

See accompanying notes to consolidated financial statements.



# Habitat for Humanity of Central Arkansas, Inc.

## Consolidated Statement of Functional Expenses Year Ended June 30, 2021

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Program Services</u>	<u>ReStore Operations</u>	<u>Management and General</u>	<u>Fundraising</u>	
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 Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Increase in Total Net Assets</b>	\$ 712,542	\$ 178,459
<b>Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities</b>		
Depreciation	66,155	68,933
Mortgage loan discount amortization	(357,480)	(321,121)
Mortgage discounts	235,559	759,287
New mortgage loans issued	(235,066)	(1,263,529)
Principal payments received on mortgage loans	618,826	313,095
Principal payments received on lease purchase agreements	53,319	(1,681)
Loss on sale of property	7,601	81,056
Forgiveness of paycheck protection program loan	-	(223,000)
Contributed land held for development	-	(151,040)
Changes in operating assets and liabilities:		
Homes under construction	(96,033)	1,175,579
Prepays and other assets	10,520	(22,238)
Grants receivable	(32,964)	11,281
Accounts receivable	(43,565)	-
Change in value of endowment fund	(708,974)	(121,100)
Accounts payable	8,567	(132,180)
Accrued expenses and other liabilities	6,732	53,659
Refundable advances	(35,355)	73,431
<b>Net Cash Provided by Operating Activities</b>	210,384	478,891
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(38,815)	-
Proceeds from sale of property and equipment	-	235,623
<b>Net Cash (Used) Provided by Investing Activities</b>	(38,815)	235,623
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	171,569	714,514
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,700,720	986,206
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,872,289	\$ 1,700,720
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash and cash equivalents	\$ 747,426	\$ 801,758
Restricted cash and cash equivalents	1,124,863	898,962
	\$ 1,872,289	\$ 1,700,720

See accompanying notes to consolidated financial statements.

# Habitat for Humanity of Central Arkansas, Inc.

## Notes to Consolidated Financial Statements June 30, 2022 and 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, 2022 and 2021

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Cash and Cash Equivalents (Continued)**

At times during the years ended June 30, 2022 and 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 years ended June 30, 2022 and 2021, the Organization's balances maintained at multiple financial institutions totaled \$1,976,006 and \$1,826,826, respectively. Of these balances, \$1,106,734 and \$685,531 were not insured or collateralized at June 30, 2022 and 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 statements 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 statements 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 statements 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, 2022 and 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 years ended June 30, 2022 and 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 consolidated statements 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, 2022 and 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. There were 3 and 10 homes sold with non-interest-bearing mortgages during the years ended June 30, 2022 and 2021, respectively.

#### **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 years ended June 30, 2022 and 2021, advertising expenses were approximately \$12,000 and \$14,000, respectively.

#### **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, 2022 and 2021, there were no uncertain positions

# Habitat for Humanity of Central Arkansas, Inc.

## Notes to Consolidated Financial Statements June 30, 2022 and 2021

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Taxes (Continued)

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.

#### 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.

#### Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to presentation in the 2022 financial statements.

#### Recently Adopted Accounting Standards

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, (Topic 958)*, requiring a not-for-profit entity to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets and additional disclosures regarding the contributed nonfinancial assets. Management adopted ASU 2020-07 during the fiscal year ended June 30, 2022.

### 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 statements of financial position to fund expenses without limitations:

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 1,872,289	\$ 1,700,720
Grants receivable	49,264	16,300
Accounts receivable	43,565	-
Endowment assets	<u>843,082</u>	<u>134,108</u>
Total financial assets	2,808,200	1,851,128
Less:		
Cash restricted for future home construction	(1,124,863)	(898,962)
Restricted portion of endowment assets	<u>(65,370)</u>	<u>(67,344)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,617,967</u>	<u>\$ 884,822</u>

# Habitat for Humanity of Central Arkansas, Inc.

## Notes to Consolidated Financial Statements June 30, 2022 and 2021

### 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 years ended June 30, 2022 and 2021.

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 years ended June 30, 2022 and 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, are as follows:

	<u>2022</u>	<u>2021</u>
Endowment funds held at the Arkansas Community Foundation, beginning of year	\$ 17,211	\$ 13,695
Contribution of assets	-	100
Investment return, net	<u>(1,841)</u>	<u>3,416</u>
Endowment funds held at the Arkansas Community Foundation, end of year	<u>\$ 15,370</u>	<u>\$ 17,211</u>



# Habitat for Humanity of Central Arkansas, Inc.

## Notes to Consolidated Financial Statements June 30, 2022 and 2021

### **NOTE 4: ENDOWMENTS (Continued)**

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

	<u>2022</u>	<u>2021</u>
Quasi-endowment funds held at the Arkansas Community Foundation, beginning of year	\$ 116,897	\$ -
Contribution of assets	790,827	111,642
Investment return, net	<u>(80,012)</u>	<u>5,255</u>
Quasi-endowment funds held at the Arkansas Community Foundation, end of year	<u>\$ 827,712</u>	<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.

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, 2022 and 2021, amounts due to ADFA totaled approximately \$3,700 and \$2,700, respectively, and are included in accrued expenses and other liabilities on the consolidated statements of financial position.

# Habitat for Humanity of Central Arkansas, Inc.

## Notes to Consolidated Financial Statements June 30, 2022 and 2021

### **NOTE 5: MORTGAGES RECEIVABLE (Continued)**

Mortgages receivable consists of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Non-interest bearing loans at face value	\$ 5,169,524	\$ 5,573,689
Less: Unamortized discount based on imputed interest at rates ranging from 7.16% to 9.00%	<u>(3,758,343)</u>	<u>(3,900,669)</u>
Mortgages receivable, net of discounts	<u>\$ 1,411,181</u>	<u>\$ 1,673,020</u>

Contractual maturities of mortgages receivable on June 30, 2022 are as follows:

2023	\$ 275,947
2024	271,496
2025	269,983
2026	263,992
2027	258,031
Thereafter	<u>3,830,075</u>
Total	<u>\$ 5,169,524</u>

During the year ended June 30, 2013, the Organization sold mortgages receivable with recourse to ADF. 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, 2022 and 2021, the uncollected balances remaining on the mortgages totaled approximately \$135,000 and \$146,000, respectively.

### **NOTE 6: CARES ACT FUNDING**

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law in March 2020, to preserve jobs and provide fast and direct economic assistance to workers, families and small businesses. The Paycheck Protection Program (PPP) is one of the several forms of assistance authorized by the CARES Act and provides small businesses with resources to maintain payroll, rehire employees who have been laid off and cover certain overhead costs. During the year ended June 30, 2020, the Organization was approved and received a loan totaling \$223,000. 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 statements of activities.

# Habitat for Humanity of Central Arkansas, Inc.

## Notes to Consolidated Financial Statements June 30, 2022 and 2021

### **NOTE 6: CARES ACT FUNDING (Continued)**

The Employee Retention Credit (ERC) is another form of assistance authorized by the CARES Act. The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees during a specific time period. During the year ended June 30, 2022, the Organization recognized ERC in the amount of approximately \$159,000 and is included in miscellaneous income on the consolidated statements of activities. The ERC is provided to eligible employers by reducing employment tax deposits they are otherwise required to make. If the employer's employment tax deposits are not sufficient to cover the credit, the employer may get an advance payment from the Internal Revenue Service. Management anticipates full recovery of these amounts (as identified under the credit and related implementation guidance), therefore, the transactions are accounted for as CARES Act funding revenue. Amounts not yet received are included in accounts receivable on the consolidated statements of financial position.

### **NOTE 7: RELATED PARTY TRANSACTIONS**

For the years ended June 30, 2022 and 2021, donations from the Board of Directors and the Organization's employees totaled approximately \$29,500 and \$15,000, respectively.

### **NOTE 8: PROPERTY AND EQUIPMENT, NET**

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

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 2,305,208	\$ 2,276,307
Furniture, fixtures and equipment	12,439	12,439
Vehicles	22,500	22,500
	<u>2,340,147</u>	<u>2,311,246</u>
Less accumulated depreciation	<u>(997,723)</u>	<u>(933,881)</u>
Property and equipment, net	<u>\$ 1,342,424</u>	<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 years ended June 30, 2022 and 2021, the total expense related to the matching was approximately \$14,000 and \$8,200, respectively.

# Habitat for Humanity of Central Arkansas, Inc.

## Notes to Consolidated Financial Statements June 30, 2022 and 2021

### **NOTE 10: CONTRIBUTED NONFINANCIAL ASSETS**

Contributed nonfinancial assets recognized within the statements of activities at June 30 include the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 13,000	\$ 150,000
Property and equipment	14,867	16,902
Supplies	4,854	
Professional services	<u>2,526</u>	<u>8,816</u>
	<u>\$ 35,247</u>	<u>\$ 175,718</u>

During the years ended June 30, 2022 and 2021, the Organization received contributions of land, property and equipment, supplies and professional services from several vendors for the construction of affordable housing for those in need. The Organization estimates the fair value of the contributed land based on the appraised value at the time of donation. The fair values of contributed property and equipment and supplies is based on current values for similar items. The fair value of professional services provided is based on current rates for similar services.

### **NOTE 11: 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 years ended June 30, 2022 and 2021, the Organization was receiving lease payments on three homes, of which one was sold during the year ended June 30, 2022.

### **NOTE 12: 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 13: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 28, 2022 the date the financial statements were available to be issued.

## **Supplementary Information**

# Habitat for Humanity of Central Arkansas, Inc.

## Consolidating Statement of Financial Position Year Ended June 30, 2022

	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and cash equivalents	\$ 722,770	\$ 24,656	\$ -	\$ 747,426
Restricted cash and cash equivalents	1,124,863	-	-	1,124,863
Accounts receivable	43,565	-	-	43,565
Grants receivable	49,264	-	-	49,264
Mortgages receivable, net	1,190,631	220,550	-	1,411,181
Homes under construction	168,351	48,817	-	217,168
Lease purchase agreements	88,595	-	-	88,595
Prepaid expenses	67,517	-	-	67,517
Intercompany receivable	-	3,330	(3,330)	-
Property and equipment, net	1,342,424	-	-	1,342,424
Land held for development	151,040	-	-	151,040
Endowment funds	843,082	-	-	843,082
<b>TOTAL ASSETS</b>	<b>\$ 5,792,102</b>	<b>\$ 297,353</b>	<b>\$ (3,330)</b>	<b>\$ 6,086,125</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ 32,653	\$ -	\$ -	\$ 32,653
Accrued liabilities	76,915	-	-	76,915
Refundable advances	38,076	-	-	38,076
Intercompany payable	3,330	-	(3,330)	-
<b>Total Liabilities</b>	<b>150,974</b>	<b>-</b>	<b>(3,330)</b>	<b>147,644</b>
<b>Net Assets</b>				
Without donor restrictions	5,641,128	297,353	-	5,938,481
<b>Total Net Assets</b>	<b>5,641,128</b>	<b>297,353</b>	<b>-</b>	<b>5,938,481</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,792,102</b>	<b>\$ 297,353</b>	<b>\$ (3,330)</b>	<b>\$ 6,086,125</b>

See Independent Auditor's Report.

# Habitat for Humanity of Central Arkansas, Inc.

## Consolidating Statement of Activities Year Ended June 30, 2022

	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Eliminations	Consolidated
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<b>Revenues, Support and Reclassifications</b>				
Home sales	\$ 414,530	\$ -	\$ -	\$ 414,530
ReStore sales	1,268,963	-	-	1,268,963
Federal awards	47,916	-	-	47,916
Grant income	125,100	-	-	125,100
Contributions of cash and other financial assets	382,971	-	-	382,971
Contributions of nonfinancial assets	35,247	-	-	35,247
Mortgage discount amortization	338,383	19,097	-	357,480
Fundraisers	177,111	-	-	177,111
Loss on disposal of fixed assets	(7,601)	-	-	(7,601)
Interest income	(70,117)	95	-	(70,022)
Miscellaneous income	158,866	-	-	158,866
<b>Total Revenues, Support and Reclassifications</b>	<b>2,871,369</b>	<b>19,192</b>	<b>-</b>	<b>2,890,561</b>
<b>Expenses</b>				
Program services	1,695,113	22,120	-	1,717,233
Management and general	313,339	3,798	-	317,137
Fundraising	143,649	-	-	143,649
<b>Total Expenses</b>	<b>2,152,101</b>	<b>25,918</b>	<b>-</b>	<b>2,178,019</b>
<b>INCREASE (DECREASE) IN TOTAL NET ASSETS</b>	<b>719,268</b>	<b>(6,726)</b>	<b>-</b>	<b>712,542</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,921,860</b>	<b>304,079</b>	<b>-</b>	<b>5,225,939</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 5,641,128</b>	<b>\$ 297,353</b>	<b>\$ -</b>	<b>\$ 5,938,481</b>

See Independent Auditor's Report.

# Habitat for Humanity of Central Arkansas, Inc.

## Consolidating Statement of Functional Activities June 30, 2022

	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	\$ 525,883	\$ 18,130	\$ 544,013	\$ 228,033	\$ 2,015	\$ 230,048	\$ 106,316	\$ -	\$ 106,316
Payroll taxes	41,039	1,343	42,382	16,085	149	16,234	7,682	-	7,682
Cost of homes sold	482,470	1,555	484,025	-	-	-	-	-	-
Resale merchandise	93,117	-	93,117	-	-	-	-	-	-
Taxes and licenses	14,466	1,092	15,558	-	121	121	-	-	-
Depreciation	62,847	-	62,847	3,308	-	3,308	-	-	-
Insurance	26,825	-	26,825	7,473	-	7,473	-	-	-
Mortgage discounts	235,559	-	235,559	-	-	-	-	-	-
Supplies	15,231	-	15,231	4,940	-	4,940	-	-	-
Professional fees	2,460	-	2,460	18,875	1,401	20,276	-	-	-
Rent	-	-	-	-	-	-	-	-	-
Utilities	48,898	-	48,898	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-	-
Computer and internet	14,095	-	14,095	14,054	-	14,054	-	-	-
Advertising	93	-	93	-	-	-	11,565	-	11,565
Automobile and fuel	43,490	-	43,490	-	-	-	-	-	-
Repairs and maintenance	37,742	-	37,742	-	-	-	-	-	-
Dues and subscriptions	15,000	-	15,000	2,391	-	2,391	-	-	-
Meals and entertainment	-	-	-	-	-	-	-	-	-
Conferences	8,000	-	8,000	3,584	-	3,584	-	-	-
Tithes	10,000	-	10,000	-	-	-	-	-	-
Other	17,898	-	17,898	14,596	112	14,708	18,086	-	18,086
	<u>\$ 1,695,113</u>	<u>\$ 22,120</u>	<u>\$ 1,717,233</u>	<u>\$ 313,339</u>	<u>\$ 3,798</u>	<u>\$ 317,137</u>	<u>\$ 143,649</u>	<u>\$ -</u>	<u>\$ 143,649</u>

See Independent Auditor's Report.