

**BLOUNT COUNTY HABITAT
FOR HUMANITY, INC.**
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2020 and 2019

**BLOUNT COUNTY HABITAT
FOR HUMANITY, INC.**
Maryville, Tennessee
June 30, 2020 and 2019

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Whitlock & Company, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Blount County Habitat for Humanity, Inc.
Maryville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Blount County Habitat for Humanity (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 Blount County Habitat for Humanity as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whitlock & Company, PC

Alcoa, Tennessee

March 25, 2021

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Statements of Financial Position
For the Years Ended June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 947,513	\$ 296,051
Mortgages receivable, current portion	134,003	146,315
Other receivables	16,560	124,954
Prepaid expenses	15,813	9,653
Inventory	5,365	15,544
Construction in progress	<u>178,508</u>	<u>448,884</u>
Total Current Assets	<u>1,297,762</u>	<u>1,041,401</u>
Property and Equipment		
Land	216,665	216,665
Buildings	2,026,914	2,052,758
Building Improvements	166,943	71,083
Office equipment and furniture	66,075	64,342
Vehicles	<u>82,789</u>	<u>45,913</u>
	2,559,386	2,450,761
Less: Accumulated depreciation	<u>(519,393)</u>	<u>(429,760)</u>
Net Property and Equipment	<u>2,039,993</u>	<u>2,021,001</u>
Non-Current Assets		
Mortgages receivable, net of discount and current portion	748,578	845,202
Loan costs, net of amortization of \$941 for 2020 and \$72 for 2019	12,094	12,963
Land held for development	723,762	207,767
Utility and security deposits	<u>2,700</u>	<u>2,700</u>
Total Non-Current Assets	<u>1,487,134</u>	<u>1,068,632</u>
Total Assets	<u>\$ 4,824,889</u>	<u>\$ 4,131,034</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 98,212	\$ 194,317
Construction line of credit	393,636	202,859
Notes payable, current portion	<u>172,086</u>	<u>106,333</u>
Total Current Liabilities	<u>663,934</u>	<u>503,509</u>
Non-Current Liabilities		
Notes payable, net of current portion	<u>1,950,917</u>	<u>1,481,167</u>
Total Net Assets – Without Donor Restrictions	<u>2,210,038</u>	<u>2,146,358</u>
Total Liabilities and Net Assets	<u>\$ 4,824,889</u>	<u>\$ 4,131,034</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.
 Statements of Activities
 For the Years Ended June 30, 2020 and 2019

	<u>2020</u> <u>Without Donor</u> <u>Restrictions</u>
REVENUES AND SUPPORT	
Cash contributions	\$ 530,489
Grants and awards	13,400
Sales to homeowners	468,293
Silent second sale	32,328
Non-program home sales	141,284
Housing repair	155,422
Mortgage discount amortization	135,490
In-kind donations	103,178
ReStore revenue	681,022
Rental income	24,536
Other income	<u>21,161</u>
Total Revenue and Support	<u>2,306,603</u>
FUNCTIONAL EXPENSES	
Program services	1,834,034
Management and general	218,087
Fundraising	<u>190,802</u>
Total Expenses	<u>2,242,923</u>
CHANGE IN NET ASSETS	63,680
BEGINNING NET ASSETS	<u>2,146,358</u>
Ending Net Assets	<u>\$ 2,210,038</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.
 Statements of Activities
 For the Years Ended June 30, 2020 and 2019

	2019
	Without Donor Restrictions
REVENUES AND SUPPORT	
Cash contributions	\$ 376,475
Awards.....	12,000
Sales to homeowners	349,860
Silent second sale.....	31,093
Non-program home sales	139,082
Housing repair	114,002
Mortgage discount amortization.....	128,284
In-kind donations	38,772
ReStore revenue.....	810,985
Rental income.....	29,629
Other income	<u>7,547</u>
Total Revenue and Support.....	<u>2,037,729</u>
FUNCTIONAL EXPENSES	
Program services.....	1,795,976
Management and general.....	235,339
Fundraising	<u>124,414</u>
Total Expenses	<u>2,155,729</u>
CHANGE IN NET ASSETS	(118,000)
BEGINNING NET ASSETS.....	<u>2,264,358</u>
Ending Net Assets	<u>\$ 2,146,358</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019

	2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 285,198	\$ 43,170	\$ 78,431	\$ 406,799
Taxes.....	19,316	2,723	5,165	27,204
Professional fees.....	710	23,172	-	23,882
Office supplies.....	-	4,507	1,688	6,195
Direct mail/postage.....	-	-	4,095	4,095
Benefits	-	67,838	-	67,838
Events	-	-	98,062	98,062
Occupancy (Rent, Taxes & Utilities)..	32,425	2,978	1,828	37,231
Telephone	4,626	3,581	-	8,207
Insurance.....	24,324	3,257	-	27,581
Interest	10,110	1,394	-	11,504
Repairs and maintenance	42,915	11,678	-	54,593
Computer software and supplies.....	-	17,950	-	17,950
Tools and minor equipment.....	5,255	-	-	5,255
Travel	4,394	3,251	-	7,645
Professional development.....	-	-	247	247
Other expenses.....	23,986	10,719	-	34,705
Construction and land development.....	550,979	-	-	550,979
Donation to affiliates.....	-	-	-	-
Family selection services.....	4,077	-	-	4,077
Depreciation	89,633	869	-	90,502
ReStore expenses.....	574,874	-	-	574,874
Housing repair	146,657	-	-	146,657
Mortgage servicing	14,555	-	-	14,555
Public relations/Advertising	-	21,000	1,286	22,286
Total Expenses.....	<u>\$1,834,034</u>	<u>\$ 218,087</u>	<u>\$ 190,802</u>	<u>\$2,242,923</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Statements of Functional Expenses

For the Years Ended June 30, 2020 and 2019

	2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 251,604	\$ 75,508	\$ 56,253	\$ 383,365
Taxes.....	18,337	3,171	3,723	25,231
Professional fees.....	5,232	26,754	-	31,986
Office supplies.....	-	2,957	589	3,546
Direct mail/postage.....	-	-	3,843	3,843
Benefits	-	58,745	-	58,745
Events	-	-	53,692	53,692
Occupancy (Rent, Taxes & Utilities)..	35,277	2,575	2,007	39,859
Telephone	3,978	4,796	-	8,774
Insurance.....	20,749	3,121	-	23,870
Interest	35,478	2,324	-	37,802
Repairs and maintenance	36,768	13,084	-	49,852
Computer software and supplies.....	-	17,196	-	17,196
Tools and minor equipment.....	4,949	-	-	4,949
Travel	5,329	4,572	-	9,901
Professional development.....	-	-	2,247	2,247
Other expenses.....	23,308	11,744	-	35,052
Construction and land development.....	564,557	-	-	564,557
Donation to affiliates.....	9,284	-	-	9,284
Family selection services.....	8,870	-	-	8,870
Depreciation	78,553	72	-	78,625
ReStore expenses.....	563,720	-	-	563,720
Housing repair	113,919	-	-	113,919
Mortgage servicing	16,064	-	-	16,064
Public relations/Advertising	-	8,720	2,060	10,780
Total Expenses.....	<u>\$1,795,976</u>	<u>\$ 235,339</u>	<u>\$ 124,414</u>	<u>\$2,155,729</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors	\$ 1,213,753	\$ 911,302
Cash received from grantors	10,000	-
Cash received from other exchange transactions	1,055,754	840,614
Cash paid to suppliers and employees	(2,478,622)	(2,171,378)
Cash paid for interest	(11,504)	(37,802)
Net cash used by operating activities	<u>(210,619)</u>	<u>(457,264)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from note/loan collections	244,426	246,456
Purchase of property and equipment	(108,625)	(166,264)
Net cash provided by investing activities	<u>135,801</u>	<u>80,192</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt borrowings	1,061,812	1,802,859
Repayments of debt borrowings	(335,532)	(1,642,698)
Net cash (used) provided by financing activities	<u>726,280</u>	<u>160,161</u>
Net increase (decrease) in cash and cash equivalents	651,462	(216,911)
Cash and cash equivalents, beginning of year	<u>296,051</u>	<u>512,962</u>
Cash and cash equivalents, end of year	<u>\$ 947,513</u>	<u>\$ 296,051</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 63,680	\$ (118,000)
Adjustments to reconcile change in net assets to net Cash provided by operating activities:		
Depreciation and amortization	(44,988)	(49,662)
Changes in assets and liabilities:		
Accounts receivable	108,394	(88,221)
Inventories	10,179	(15,544)
Prepaid expenses	(6,160)	(1,288)
Land held for development & CIP	(245,619)	(239,926)
Earnest money	-	5,089
Accounts payable	(96,105)	50,288
Net cash used by operating activities	<u>\$ (210,619)</u>	<u>\$ (457,264)</u>

See accompanying independent auditors' report and notes.

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Blount County Habitat for Humanity, Inc. (“Habitat”) is a nonprofit organization chartered by the State of Tennessee. Habitat is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a non-denominational Christian nonprofit organization whose purpose is to create safe, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. The purpose of the organization is to build and repair simple, safe, affordable homes for low-income families living within Blount County. To facilitate this purpose, the organization constructs houses using a significant amount of volunteer labor and some donated materials. The houses are then sold at no profit and financed by an approved third party lender that provides an affordable loan to qualified buyers.

In addition to constructing homes, Habitat operates the Habitat ReStore. The ReStore sells items donated by individuals and businesses, as well as items purchased directly, all for resale to the public at affordable prices. All proceeds from the ReStore help fund the building of Habitat homes.

Basis of accounting – The financial statements of Habitat have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned, and expenses are recorded when the resulting liability is incurred.

Financial Statement Presentation

The financial statements of Habitat have been prepared on the accrual basis in conformity with generally accepted accounting principles. The statements are presented in accordance with the provisions of Statement of the Financial Accounting Standards Board (FASB) ASU 2016-14, *Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, Habitat is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, with the goal of improving not-for-profit entity (NFP) financial statements to provide more useful information to donors, grantors, and other financial statement users. The ASU requires additional disclosures for expenses by nature and function and for the liquidity and availability of resources.

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. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – For purposes of the statements of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with original maturities of three (3) months or less at the time of acquisition. At June 30, 2020 and 2019, there were no cash equivalents.

(Continued)

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment – Habitat capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost, or if donated, at their estimated fair value at date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless the donor has stipulated how long donated assets must be maintained, Habitat reports the expiration of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are transferred from restricted net assets to unrestricted net assets. Property and equipment are depreciated over the estimated useful lives of the assets (3 to 39 years) using the straight-line method.

Depreciation for the years ended June 30, 2020 and 2019 was \$90,502 and \$78,625, respectively.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Habitat reports the support as unrestricted.

Unconditional promises to give, including pledges recorded at estimated net realizable value, are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated materials and services – Habitat receives donated materials and supplies and a significant amount of volunteer time from various individuals and organizations. Donated materials and supplies are reflected as contributions at their fair market value at the date of donation. Contributed services meeting the criteria of recognition are reflected in the financial statements at the fair value of the services received.

Transfers to homeowners – The sales price of the houses constructed by Habitat are derived by a fair market value appraisal. The first mortgage is determined by an ability to repay calculation and according to Habitat lending policy.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fund raising, management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Habitat.

Advertising – Advertising costs are expensed as incurred.

(Continued)

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax status - Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Under this section, the Organization is exempt from income taxes on its non-business related income. Business income, such as rental income received by the Organization that is unrelated to program activities, net of related expenses, may be subject to Federal income taxes. The Organization's Forms 990 *Return of Organization Exempt from Income Tax* for the years ended June 30, 2016, 2017, and 2018 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE 2 – COMPARATIVE TOTAL DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Habitat's financial position and operations. Certain comparative data for the prior year was reclassified to be comparable with June 30, 2020 accounts in the financial statements.

NOTE 3 – LIQUIDITY

Habitat has \$1,281,949 of financial assets, available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of Cash of \$947,513, Receivables of \$150,563, Inventory of \$5,365 and Construction in Progress of \$178,508. 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 balance sheet date. The receivables are expected to be collected within one year. The Construction in Progress are current homes under construction expected to be sold within one year. Habitat structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 – MORTGAGE RECEIVABLES

Habitat historically constructed homes and originated repayable, non-interest bearing first mortgages for qualifying families. Such mortgages are secured by the underlying real estate and are serviced by a third party servicer. These non-interest bearing notes have been discounted using a rate that is established by Habitat International each June 30. Discounts are amortized using the straight-line method over the life of the loan. In 2015, Habitat discontinued originating first mortgages. First mortgages are now originated by an approved lender and include interest.

Additional funding to cover the construction costs invested by Habitat may also include grants (e.g. HOME) and are structured as forgivable mortgages; each grant has its own terms, typically 5-15 years.

The final mortgage is a "silent" mortgage which represents the equity remaining after subtracting the first mortgage and any other notes or grant funding from the appraised value of the home. The Habitat subordinate mortgages begin to forgive on the 6th anniversary and reduce at a minimum of \$1,000 annually thereafter. This yields a typical term of 10-15 years. These silent, forgivable subordinates will be required to be repaid if the title transfers before they are forgiven or if the terms of the trust deed are broken. The first mortgage includes a monthly payment amount, the silent mortgage does not.

(Continued)

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2020 and 2019

NOTE 4 – MORTGAGE RECEIVABLES (Continued)

Management believes that all mortgage receivables are fully collectible and adequately collateralized; accordingly, no allowance for doubtful accounts has been established. The value of collateral has historically been more than adequate to cover any losses.

The carrying value of the non-interest-bearing mortgage loan receivables are shown net of the total unamortized discount as follows:

	<u>2020</u>	<u>2019</u>
Mortgage Loan Receivable	\$ 2,093,976	\$ 2,338,402
Unamortized Discount	<u>(1,211,395)</u>	<u>(1,346,885)</u>
	882,581	991,517
Less Current Portion	<u>(134,003)</u>	<u>(146,315)</u>
Long-Term Receivable	<u>\$ 748,578</u>	<u>\$ 845,202</u>

NOTE 5 – CONCENTRATION OF REVENUES AND ACCOUNTS RECEIVABLE

Habitat's housing program serves families residing in Blount County, Tennessee. Revenues for these mortgage receivables are from this area. Contributions are primarily from individuals, churches, businesses, and clubs within Blount County, Tennessee. Also, some support is received through grants.

NOTE 6 – CONSTRUCTION ACTIVITY

Habitat constructs houses for low-income families in Blount County, Tennessee. Land is sometimes acquired that needs further development before construction can commence. All land and housing costs are presented in three classifications:

- Land Held for Development is land that needs to be further subdivided or improved before construction can begin on it.
- Improved Lots are lots that are ready for construction to begin.
- Construction in Progress are lots with houses that have begun construction and will likely be sold within one year.

Balances for construction accounts are as follows:

	<u>2020</u>	<u>2019</u>
Improved Lots	\$ -	\$ -
Land Held for Development	723,762	207,767
Construction in Progress	<u>178,508</u>	<u>448,884</u>
Total Construction in Progress	<u>\$ 902,270</u>	<u>\$ 656,651</u>

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE 7 – LINE OF CREDIT

Habitat has a \$600,000 revolving line of credit from a bank with an interest rate of prime less 4%. The line of credit matures in May 2021. At June 30, 2020, there was a \$393,636 outstanding balance. At June 30, 2019, there was no outstanding balance. When being utilized, the note is collateralized by mortgage notes receivable.

In 2019, Habitat entered into two lines of credit with a bank, collateralized by land, for the construction of two homes. The lines of credit have an interest rate of 5%. At June 30, 2020, the balances on the lines are both \$0. At June 30, 2019, the balances on the lines are \$75,963 and \$126,896.

NOTE 8 – LONG-TERM DEBT

In April 2020, Habitat entered into a loan agreement through the Small Business Administration (SBA) for an Economic Injury Disaster Loan (EIDL) related to the COVID-19 pandemic in the amount of \$458,600 to provide working capital funds. The loan is secured by all tangible and intangible personal property of Habitat. Loan terms include 348 monthly payments of \$1,959, based on a 2.75% interest rate and maturing in 2050.

In May 2020, Habitat obtained a Small Business Administration Paycheck Protection Program Loan (PPP Loan) in the amount of \$185,732. The PPP loan can be used to cover payroll expenses, mortgage interest, rent and utilities as part of the SBA's COVID-19 relief effort. The PPP loan will be forgiven as long as certain terms of the program are met. Habitat has applied for forgiveness of this loan and is awaiting a decision from the SBA as of the report date.

Long-term debt consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable, due to Habitat for Humanity International, a related party, unsecured, monthly installments of \$468, non-interest bearing, 48 payments with a final payment of \$504 due January 2021.	\$ 4,248	\$ 8,460
Note payable, due to Habitat for Humanity International, a related party, unsecured, monthly installments of \$120, non-interest bearing, 48 payments with a final payment of \$167 due January 2021.	1,127	2,207
Note payable, due to Pinnacle bank, secured by real property, monthly installments of \$7,369, 0% interest, (Prime less 4.0%), 240 payments with a final payment of \$7,369 due September 2038.	1,473,395	1,550,607
Note payable, due to Housing Assistance Council (HAC), a grantor agency, secured by real property, with single payment of 10% of loan balance due at closing of loan. Full balance is due upon HAC approval.	-	26,226

(Continued)

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE 8 – LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
Note payable, due to Pinnacle Bank, unsecured, monthly installments of \$10,624, 1.00% interest, 17 payments with a final payment due May 2022.	185,732	-
Note payable, due to Small Business Administration (SBA), a grantor agency, secured by personal property, monthly installments of \$1,959, 2.75% interest, 348 payments with a final payment due April 2050.	<u>458,500</u>	<u>-</u>
	2,123,003	1,587,500
Less: current portion	<u>(172,086)</u>	<u>(106,333)</u>
	<u>\$ 1,950,917</u>	<u>\$ 1,481,167</u>

Future maturities of the debt are as follows:

2021	\$ 172,086
2022	246,807
2023	135,443
2024	135,443
2025	135,443
Thereafter	<u>1,297,781</u>
	<u>\$ 2,123,003</u>

NOTE 9 – RENTAL INCOME

During 2007, Habitat began renting space to tenants within the office building under various operating leases. The lease terms vary from one to three years and expire at various dates.

Following is a summary of property held for lease at June 30, 2020:

3,711 square feet of 9,004 square feet of building	\$ 563,767
Less: Accumulated depreciation	<u>(202,378)</u>
	<u>\$ 361,389</u>

Minimum future rentals to be received on the leases as of June 30, 2020 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ <u>24,536</u>

These rentals may result in unrelated trade or business income that is subject to federal income taxes after any directly related expenses are deducted.

(Continued)

BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

NOTE 10 – TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat annually remits a percentage of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. During the years ended June 30, 2020 and 2019, Habitat remitted to Habitat International contributions of \$0 and \$9,284, respectively. Such amounts are included in program services expense in the Statement of Activities and in the Statement of Functional Expenses as “Donations to Affiliates.”

NOTE 11 – CASH IN EXCESS OF FDIC INSURED LIMITS

Habitat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Habitat has not experienced any losses in such accounts.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Through an agreement with THDA, Habitat guarantees first mortgages for some of its homebuyers. At June 30, 2020, 42 homes were covered by this provision. Habitat would be obligated in the event that one or more of the homeowners were unable to meet the principal payments when they become due. At June 30, 2020, the estimated value of the outstanding guarantees was \$2,202,041. In the event of nonpayment by the homebuyer, these loans are collateralized by the homeowner’s property. Habitat has experienced no losses from these liabilities and does not believe that a contingent liability should be presented on the statement of financial position.

NOTE 13 – FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION

During the prior year, the Foothills Community Development Corporation (FCDC) elected the Executive Director of the Blount County Habitat for Humanity as also the Executive Director of FCDC. The FCDC board plans to merge FCDC into a wholly-owned subsidiary of Habitat. During the current year, FCDC contributed \$200,000 to Habitat.

NOTE 14 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2020, the date of the most recent financial statements, have been evaluated for possible adjustments to the financial statements or disclosures is March 25, 2021, which is the date on which the financial statements were issued.