



**LEXINGTON HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**LEXINGTON HABITAT FOR HUMANITY, INC.**

TABLE OF CONTENTS  
JUNE 30, 2019 AND 2018

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	Page
<b>Report of Independent Auditors</b> .....	1
<b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	10

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Lexington Habitat for Humanity, Inc.  
Lexington, Kentucky

We have audited the accompanying financial statements of Lexington Habitat for Humanity, Inc. ("Habitat"), which comprise the statements of financial position as of June 30, 2019 and 2018 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 control 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.

To the Board of Directors  
Lexington Habitat for Humanity, Inc.  
Lexington, Kentucky

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2019 and 2018, 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.

Change in Accounting Principle and Correction of Error

As discussed in Note 2 to the financial statements, effective July 1, 2018, Habitat adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The reported classification of net asset balances was also corrected as a result of this adoption. Our opinion is not modified with respect to this matter.

*Blue & Co., LLC*

Lexington, Kentucky  
December 19, 2019

## LEXINGTON HABITAT FOR HUMANITY, INC.

### STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

ASSETS	2019	2018 As Restated
	2019	2018 As Restated
Cash	\$ 64,888	\$ 112,216
Accounts and grants receivable	19,612	111,148
Pledges receivable, net	-0-	1,000
Inventory	6,585	13,014
Prepaid expenses	100,175	88,510
Non-interest bearing mortgage loans, net	4,939,152	5,166,017
Construction in progress	591,915	557,507
Land and property held for sale or development	376,109	438,969
Building and equipment, net	1,387,511	1,256,021
Investments at fair value	989,638	988,692
	\$ 8,475,585	\$ 8,733,094
Total assets		
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 217,983	\$ 354,891
Accrued liabilities	522,259	443,234
Deferred lease incentive	14,167	70,833
Line of credit	265,000	200,000
Notes payable	892,810	987,323
Total liabilities	1,912,219	2,056,281
Net assets		
Without donor restrictions	5,576,258	5,688,972
With donor restrictions		
Endowment fund	987,108	987,841
Total net assets with donor restrictions	987,108	987,841
Total net assets	6,563,366	6,676,813
Total liabilities and net assets	\$ 8,475,585	\$ 8,733,094

See accompanying notes to financial statements.

**LEXINGTON HABITAT FOR HUMANITY, INC.**

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and other support</b>			
ReStore sales, net	\$ 2,255,332	\$ -0-	\$ 2,255,332
Contributions and fundraising	203,540	1,834	205,374
Program sponsorship revenue	880,315	-0-	880,315
Interest income from mortgage discount amortization	469,213	-0-	469,213
Grants	454,725	-0-	454,725
Transfers to homeowners	681,151	-0-	681,151
Gain from early payoff of mortgages	58,357	-0-	58,357
Gifts in-kind	92,802	-0-	92,802
Special events, net of donor benefits	39,839	17,355	57,194
Investment return, net	-0-	26,578	26,578
Other income	39,494	-0-	39,494
Gain on equipment dispositions	5,053	-0-	5,053
Released from restrictions and used for programs	46,500	(46,500)	-0-
Total revenues and other support	5,226,321	(733)	5,225,588
<b>Expenses</b>			
Program	4,745,175	-0-	4,745,175
Management and general	169,365	-0-	169,365
Fundraising	424,495	-0-	424,495
Total expenses	5,339,035	-0-	5,339,035
Change in net assets	(112,714)	(733)	(113,447)
<b>Net assets, beginning of year, as restated</b>	5,688,972	987,841	6,676,813
<b>Net assets, end of year</b>	\$ 5,576,258	\$ 987,108	\$ 6,563,366

See accompanying notes to financial statements.

**LEXINGTON HABITAT FOR HUMANITY, INC.**

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018 (AS RESTATED)

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and other support</b>			
ReStore sales, net	\$ 2,113,561	\$ -0-	\$ 2,113,561
Contributions and fundraising	199,354	2,485	201,839
Program sponsorship revenue	757,528	-0-	757,528
Interest income from mortgage discount amortization	456,010	-0-	456,010
Grants	444,778	-0-	444,778
Transfers to homeowners	377,445	-0-	377,445
Gain from early payoff of mortgages	185,206	-0-	185,206
Gifts in-kind	153,404	-0-	153,404
Special events, net of donor benefits	67,038	27,006	94,044
Investment return, net	-0-	78,692	78,692
Other income	29,451	-0-	29,451
Gain on equipment dispositions	6,500	-0-	6,500
Released from restrictions and used for programs	47,300	(47,300)	-0-
Total revenues and other support	4,837,575	60,883	4,898,458
<b>Expenses</b>			
Program	4,161,411	-0-	4,161,411
Management and general	148,675	-0-	148,675
Fundraising	452,370	-0-	452,370
Total expenses	4,762,456	-0-	4,762,456
Change in net assets	75,119	60,883	136,002
<b>Net assets, beginning of year</b>	5,613,853	926,958	6,540,811
<b>Net assets, end of year</b>	\$ 5,688,972	\$ 987,841	\$ 6,676,813

See accompanying notes to financial statements.

## LEXINGTON HABITAT FOR HUMANITY, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,647,901	\$ 39,155	\$ 283,691	\$ 1,970,747
Building materials and supplies	1,625,522	-0-	-0-	1,625,522
Employee fringe benefits and payroll taxes	378,208	5,482	58,875	442,565
Rent expense	332,988	-0-	-0-	332,988
Professional fees	40,266	8,663	8,580	57,509
Office	112,367	12,190	35,679	160,236
Depreciation expense	77,194	58,073	-0-	135,267
Utilities	110,270	4,821	4,470	119,561
Repairs and maintenance	122,089	3,023	10,301	135,413
ReStore cost of goods sold	85,472	-0-	-0-	85,472
Insurance	57,906	1,095	1,487	60,488
Advertising	25,429	500	4,991	30,920
Bank and merchant account charges	40,687	82	2,784	43,553
Interest expense	24,441	25,229	-0-	49,670
Vehicle expense	49,493	-0-	63	49,556
Habitat for Humanity International, Inc. fees and tithes	42,000	-0-	-0-	42,000
Telephone	18,263	2,233	3,328	23,824
Seminars and conferences	6,729	3,386	2,942	13,057
Special events, donor benefits	-0-	-0-	53,562	53,562
Partner family expenses	17,509	-0-	-0-	17,509
Travel and meals	9,394	3,736	4,504	17,634
Unfulfilled pledges	-0-	-0-	1,161	1,161
Post sale home repairs	615	-0-	-0-	615
Postage	2,136	223	1,639	3,998
Equipment rental	3,768	1,474	-0-	5,242
Total expenses	4,830,647	169,365	478,057	5,478,069
Less expenses included with revenues in the statement of activities	(85,472)	-0-	(53,562)	(139,034)
Total expenses included in the expense section of the statement of activities	\$ 4,745,175	\$ 169,365	\$ 424,495	\$ 5,339,035

See accompanying notes to financial statements.



## LEXINGTON HABITAT FOR HUMANITY, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,487,840	\$ 34,230	\$ 270,095	\$ 1,792,165
Building materials and supplies	1,325,978	-0-		1,325,978
Employee fringe benefits and payroll taxes	339,699	7,247	51,498	398,444
Rent expense	291,630	-0-	-0-	291,630
Professional fees	84,267	3,898	53,194	141,359
Office	95,616	9,817	39,916	145,349
Depreciation expense	66,881	38,271	-0-	105,152
Utilities	92,751	3,705	4,477	100,933
Repairs and maintenance	80,490	12,635	4,119	97,244
ReStore cost of goods sold	69,577	-0-	-0-	69,577
Insurance	58,035	1,030	1,396	60,461
Advertising	53,648	158	3,014	56,820
Bank and merchant account charges	38,501	80	3,063	41,644
Interest expense	16,027	24,948	-0-	40,975
Vehicle expense	38,688	-0-	21	38,709
Habitat for Humanity International, Inc. fees and tithes	37,500	-0-	-0-	37,500
Telephone	15,640	2,549	2,930	21,119
Seminars and conferences	10,016	5,425	3,656	19,097
Special events, donor benefits	-0-	-0-	50,596	50,596
Partner family expenses	10,437	-0-	-0-	10,437
Travel and meals	6,965	2,896	5,910	15,771
Unfulfilled pledges	-0-	-0-	7,587	7,587
Post sale home repairs	6,014	-0-	-0-	6,014
Postage	2,828	312	1,494	4,634
Equipment rental	1,960	1,474	-0-	3,434
Total expenses	<u>4,230,988</u>	<u>148,675</u>	<u>502,966</u>	<u>4,882,629</u>
Less expenses included with revenues in the statement of activities	<u>(69,577)</u>	<u>-0-</u>	<u>(50,596)</u>	<u>(120,173)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 4,161,411</u>	<u>\$ 148,675</u>	<u>\$ 452,370</u>	<u>\$ 4,762,456</u>

See accompanying notes to financial statements.

## LEXINGTON HABITAT FOR HUMANITY, INC.

### STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<b>Operating Activities</b>		
Change in net assets	\$ (113,447)	\$ 136,002
Adjustments to reconcile change in net assets to net change from operating activities:		
Depreciation	135,267	105,152
Transfers to homeowners - financed by Habitat	(169,351)	(377,445)
Imputed interest income from non-interest bearing mortgage loans	(469,213)	(456,010)
Realized and unrealized gains on investments	(19,514)	(67,517)
Gain on disposal of equipment	(5,053)	(6,500)
Loss on sale or write off of mortgage loan	-0-	50,248
Unfulfilled pledges	1,161	7,587
Special event revenue restricted for long-term investment	(17,355)	(27,006)
Donated equipment	(10,069)	(34,190)
Changes in operating assets and liabilities:		
Accounts and grants receivable	91,536	11,380
Pledges receivable, net	(161)	(137)
Inventory	6,429	1,597
Prepaid expenses	(11,665)	(20,767)
Construction in progress	(34,408)	(137,730)
Land and property held for sale or development	62,860	(18,901)
Accounts payable	(136,908)	157,833
Accrued liabilities	79,025	25,154
Deferred lease incentive	(56,666)	(16,667)
Net cash flows from operating activities	(667,532)	(667,917)

See accompanying notes to financial statements.

**LEXINGTON HABITAT FOR HUMANITY, INC.**

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<b>Investing Activities</b>		
Proceeds from sales of property and equipment	5,053	6,500
Purchases of property and equipment	(256,688)	(274,531)
Non-interest bearing mortgage loan payments received	865,429	843,684
Proceeds from sales of investments	1,258,249	386,522
Purchases of investments	(1,239,681)	(379,776)
Net cash flows from investing activities	632,362	582,399
<b>Financing Activities</b>		
Special events revenue restricted for endowment	17,355	27,006
Net proceeds from line of credit	65,000	(10,000)
Proceeds from note payable	-0-	60,000
Payments on notes payable	(94,513)	(109,566)
Net cash flows from financing activities	(12,158)	(32,560)
Net change in cash	(47,328)	(118,078)
<b>Cash, beginning of year</b>	112,216	230,294
<b>Cash, end of year</b>	\$ 64,888	\$ 112,216
<b>Supplemental disclosures</b>		
In-kind contributions of equipment	\$ 10,069	\$ 34,190
Cash paid for interest during the year	\$ 49,670	\$ 40,975
Discount on current year non-interest bearing mortgage loans	\$ 220,949	\$ 474,679

See accompanying notes to financial statements.

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Lexington Habitat for Humanity, Inc. (Habitat), a nonprofit corporation, was incorporated on November 26, 1986. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit 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 Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Habitat operates a discount home improvement outlet called ReStore. ReStore sells donated new and gently used furniture, home accessories, building supplies, and appliances. All ReStore proceeds benefit Habitat. ReStore gross revenues were approximately 43% of total revenues for the years ended June 30, 2019 and 2018.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Accordingly, revenues are recognized when they are earned and expenses are recognized when they are incurred. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of Habitat are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

#### Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### Cash

Habitat maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash.

### Investments

Investments in equity and debt securities that have a readily determinable fair value are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

### Accounts and Pledges Receivable

Accounts receivable primarily consists of grants earned, but not yet received. Grants are recorded at the amount Habitat expects to collect on outstanding balances. Habitat has not recorded an allowance for uncollectible grant receivables, as historically, they have not experienced materially uncollectible amounts.

Pledges receivable consists of unconditional pledges received from individual donors. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using a discount rate reflective of current interest rates. Amortization of the discounts is included in contributions income.

Receivables are considered past due based on contractual terms and Habitat does not accrue finance charges on its past due receivables. Receivables deemed to be uncollectible are written off in the period in which the determination is made. Management believes there is no significant risk of loss associated with the receivables recorded at June 30, 2019 and 2018, and accordingly no provision for bad debts has been provided in the accompanying financial statements. Unfulfilled pledges written off for the years ended June 30, 2019 and 2018, related to receivables were approximately \$1,000 and \$8,000, respectively.

### Non-Interest Bearing Mortgage Loans, Net

Habitat records and accounts for non-interest bearing loans using the discounted cash flow method based on Habitat's current incremental borrowing rates for similar types of borrowing arrangements. These rates vary from 6.0% to 9.0% based upon the prevailing market rate at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. The discounted carrying amount of these loans approximates their

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# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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fair value. An expense is recorded upon the sale of the houses for the difference between the face value of the mortgage loans receivable and the present value of the loans. The mortgages are secured by the real estate and due in monthly installments over the life of the mortgages, which range from 15 to 40 years. Some homeowners are able to borrow the full appraised value of the home via one Habitat non-interest bearing loan. For other homeowners, two notes are issued: one being the amount the board has set (the first note), the other being the difference between the amount of the first note and the appraised value of the home. After a period of time designated in the mortgage, the second note, which is not recorded by Habitat, is forgiven, annually, at a prorated amount designated in the mortgage such that before or at the maturity date of the first note, the second note would be forgiven in full. Habitat's policy is to work closely with homeowners to avoid defaulted mortgages.

Habitat has not recorded an allowance for uncollectible mortgages because it can reclaim houses through foreclosure. Though some of these mortgages may be foreclosed, Habitat believes that losses on foreclosure, if any, are immaterial in relation to these financial statements.

### Inventory

Inventory consists of construction materials that were donated or purchased by Habitat. Inventory is valued at the market value of the donation or cost of the asset on the first in, first out method.

### Construction in Progress

Construction in progress include the direct and indirect costs of construction, land, and the estimated fair market value of donated materials and professional services used in construction of homes. Transfer to homeowners is recorded when the home is occupied and title is transferred.

### Land and Property Held for Sale or Development

Land or property held for sale or 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 sale or future development and properties previously transferred by Habitat which have been reclaimed in foreclosure, which are recorded at the outstanding first note balance at the date of foreclosure.

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### ReStore Inventory

Most of the store's merchandise has been donated by building supply stores and by individuals in the community. Because many of the donations are the result of overstocked items or are used items, the value of the donations is not readily determinable until such merchandise is sold. Therefore, retail inventory of the store has not been recorded in these financial statements. Retail sales are recorded at the point of sale.

### Sales Taxes

Habitat operates two ReStore locations in the state of Kentucky, which imposes a sales tax on Habitat's sales. Habitat collects sales tax from customers and remits the entire amount to the State. Habitat's accounting policy is to deduct the tax collected and remitted to the State from revenues.

### Building and Equipment

Building and equipment consist of land, construction in progress, leasehold improvements, and furniture and equipment which are stated at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 40 years. Acquisitions of property and equipment in excess of \$500 are capitalized. The cost of repairs and maintenance is expensed as incurred.

### Revenue Recognition

Contributions are recorded when received as increases to net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as released from restrictions used for programs. Restricted contributions whose restrictions are satisfied in the period the contributions are received are reported as unrestricted contributions.

Homebuyer sponsorships that are received in advance of completion of the sponsored home builds are recorded as deferred revenue. After a sponsored home is fully constructed and transferred to the homebuyer, the amounts previously recorded as deferred revenue are recognized as revenue in the statement of activities.

### Gifts In-kind

Property, equipment, land, materials, and supplies, which are donated as support, are recorded at estimated fair values on the date of donation. Such donations are reported as net assets without donor restrictions support unless the donor has restricted the contributions to a specific purpose. Assets donated with explicit restrictions as to their use are reported as net assets with donor restrictions. Habitat reports expirations of donor restrictions when the

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# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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donated assets are placed in service as instructed by the donor. Habitat reclassifies net assets with donor restrictions to net assets without donor restrictions when the donor's restriction is satisfied. During the years ended June 30, 2019 and 2018, Habitat received approximately \$79,800 and \$102,000 of donated property, equipment, land, materials, and supplies.

The values of professional services are recorded at estimated fair values when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Habitat received approximately \$13,000 and \$51,400 of donated professional services for the years ended June 30, 2019 and 2018, respectively.

A substantial number of volunteers have made significant contributions of time to assist Habitat's program and supporting services. No amounts have been recognized in the accompanying statements of activities for these volunteer services because accounting standards criteria for recognition have not been satisfied.

### Transfers to Homeowners

In prior years, all Habitat homebuyers obtained financing from Habitat via non-interest bearing mortgage loans. Beginning in July 2018, most Habitat homebuyers finance their homes through interest-bearing first mortgage loans from an external lending institution, and a forgivable second mortgage loan from Habitat for the difference between the amount of the first mortgage and the appraised value of the home. The proceeds from the first mortgage loan are paid to Habitat upon closing of the loan. The remaining homebuyers continue to obtain financing from Habitat via non-interest bearing mortgage loans. In both situations, transfers to homeowners are recorded at the first mortgage amount. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages, as provided by Habitat International. Utilizing the effective interest method, this discount will be recognized as interest income over the term of the mortgage.

### Advertising Costs

Advertising costs are expensed when incurred.

### Functional Allocation of Expenses

The costs of providing the programs and services of Habitat have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the various programs and supporting activities benefited.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Habitat. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Certain expenses not directly benefiting a certain program are allocated including certain salaries and benefits, occupancy, insurance, and

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# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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general office administration which are allocated to each respective function based on the headcount of full-time employees in each functional area to total full-time employees. While the methods of allocation are considered appropriate, other methods could produce different results.

### Income Taxes

Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, Habitat has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Habitat and recognize a tax liability if Habitat has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Habitat, and has concluded that as of June 30, 2019 and 2018 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Habitat has filed its federal information returns for periods through June 30, 2018. These information returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

### Going Concern

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

### Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. Specifically, Habitat reclassified approximately \$40,000 of special events expenses to offset the related special events revenue on the statement of activities. Total net assets and change in net assets are unchanged due to these reclassifications.

### Subsequent Events

Habitat has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through, December 19, 2019, the date which the financial statements were available to be issued.

## LEXINGTON HABITAT FOR HUMANITY, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

#### 2. CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF AN ERROR

Effective July 1, 2018, Habitat adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. Habitat has adjusted the presentation of its 2019 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 12), and disclosures related to the functional allocation of expenses were expanded (Note 1).

During the adoption of this standard, Habitat reevaluated their presentation of net assets and identified a correction needed to reflect proper net asset classifications as of July 1, 2017. The correction resulted in a decrease in net assets with donor restrictions and a corresponding increase in net assets without donor restrictions by \$67,300.

The impact of the error corrections and the adoption of ASU No. 2016-14 on Habitat's net assets as of June 30, 2018 and change in net assets for the year ended June 30, 2018 is as follows:

	As previously stated, June 30, 2018	Reclassifications		As restated, June 30, 2018
		Correction of an error	Adjustments	
<b>Statement of Financial Position</b>				
at June 30, 2018:				
Unrestricted net assets	\$ 5,705,821	\$ (16,849)	\$(5,688,972)	\$ -0-
Temporarily restricted net assets	1,000	16,849	(17,849)	-0-
Permanently restricted net assets	969,992		(969,992)	-0-
Net assets without donor restrictions	-0-		5,688,972	5,688,972
Net assets with donor restrictions	-0-		987,841	987,841
Total net assets	\$ 6,676,813	\$ -0-	\$ -0-	\$ 6,676,813
	As previously stated, June 30, 2018	Reclassifications		As restated, June 30, 2018
		Correction of an error	Adjustments	
<b>Statement of Activities for the year</b>				
ended June 30, 2018:				
Change in unrestricted net assets	\$ 159,298	\$ (84,179)	\$ (75,119)	\$ -0-
Change in temporarily restricted net assets	(52,787)	84,179	(31,392)	-0-
Change in permanently restricted net assets	29,491		(29,491)	-0-
Change in net assets without donor restrictions	-0-		75,119	75,119
Change in net assets with donor restrictions	-0-		60,883	60,883
Change in net assets	\$ 136,002	\$ -0-	\$ -0-	\$ 136,002

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 3. NON-INTEREST BEARING MORTGAGE LOANS, NET

Maturities of non-interest bearing mortgage loans receivable as of June 30, 2019 are as follows:

<u>Year ended June 30:</u>	
2020	\$ 731,824
2021	653,022
2022	629,152
2023	595,147
2024	571,683
2025 and thereafter	5,675,177
	<hr/>
	8,856,005
Less discount	(3,916,853)
	<hr/>
	\$ 4,939,152
	<hr/>

As of June 30, 2018, non-interest bearing mortgage loans receivable, net of unamortized discounts, totaled \$5,166,017.

### 4. CONSTRUCTION IN PROGRESS AND LAND AND PROPERTY HELD FOR SALE OR DEVELOPMENT

A summary of activity in construction in progress and land and property held for sale or development for the year ended June 30, 2019:

	<u>Construction in progress</u>	<u>Land and property held for sale or development</u>
Balance at June 30, 2018	\$ 557,507	\$ 438,969
Gifts in-kind and donations	55,013	13,346
Purchases and additional cost incurred	1,325,263	203,448
Transfers of land	279,654	(279,654)
Cost of completed repair projects transferred out	(170,067)	-0-
Cost of completed homes transferred out	(1,455,455)	-0-
Balance at June 30, 2019	<hr/> <u>\$ 591,915</u>	<hr/> <u>\$ 376,109</u>

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**LEXINGTON HABITAT FOR HUMANITY, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

A summary of activity in construction in progress and land and property held for sale or development for the year ended June 30, 2018:

	Construction in progress	Land and property held for sale or development
Balance at June 30, 2017	\$ 419,777	\$ 420,068
Gifts in-kind and donations	88,878	-0-
Property acquired via foreclosure	-0-	50,248
Purchases and additional cost incurred	1,208,144	135,339
Transfers of land	166,686	(166,686)
Cost of completed repair projects transferred out	(162,515)	-0-
Cost of completed homes transferred out	(1,163,463)	-0-
Balance at June 30, 2018	\$ 557,507	\$ 438,969

**5. BUILDING AND EQUIPMENT, NET**

Building and equipment, net consist of the following at June 30:

	2019	2018
Office building and improvements	\$ 1,563,771	\$ 1,360,233
Land	89,250	89,250
Office furniture	136,457	105,656
Warehouse equipment	138,518	130,531
Vehicles	222,844	214,492
	2,150,840	1,900,162
Less accumulated depreciation	763,329	644,141
	\$ 1,387,511	\$ 1,256,021

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 6. INVESTMENTS

Investments consist of the following at June 30:

	2019	2018
Cash	\$ 36,443	\$ -0-
Money market mutual funds	-0-	15,482
U.S. treasury note	94,148	-0-
Equities, common stocks, exchange-traded funds, and closed-end funds:		
Real estate	196,856	36,862
Technology	143,326	216,552
International	95,843	127,663
Large cap	92,951	76,232
Utilities	86,150	57,507
Consumer goods	98,198	61,855
Communications	45,139	16,869
Financial services	22,468	135,211
Healthcare	16,207	80,435
Industrials	13,999	101,710
Small cap	13,267	-0-
Materials	-0-	43,045
Other	34,643	19,269
	<u>\$ 989,638</u>	<u>\$ 988,692</u>

### 7. FAIR VALUE MEASUREMENT

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Habitat has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Habitat's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers between levels during 2019 and 2018.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

- Money market mutual funds: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- U.S. Treasury note: Valued using pricing models maximizing the use of observable inputs for similar securities.
- Common stock: Valued at the closing price reported on the active market on which the securities are traded.
- Mutual funds, exchange-traded, and closed-end funds: Valued at the daily closing price as reported by the respective funds. These funds are registered with the Securities and Exchange Commission, publish their daily NAV, and transact at that price. These funds are deemed to be actively traded.

Fair Value Measurements at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Treasury note	\$ -0-	\$ 94,148	\$ -0-	\$ 94,148
Common stocks	602,192	-0-	-0-	602,192
Exchange-traded and closed-end funds	256,855	-0-	-0-	256,855
Total assets at fair value	<u>\$ 859,047</u>	<u>\$ 94,148</u>	<u>\$ -0-</u>	<u>953,195</u>
Cash				36,443
Total investments				<u>\$ 989,638</u>

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Fair Value Measurements at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market mutual funds	\$ -0-	\$ 15,482	\$ -0-	\$ 15,482
Common stocks	373,596	-0-	-0-	373,596
Exchange-traded and closed-end funds	599,614	-0-	-0-	599,614
Total assets at fair value	\$ 973,210	\$ 15,482	\$ -0-	\$ 988,692

### 8. LINE OF CREDIT

At June 30, 2019 and 2018, Habitat has available a secured line of credit, which provides for borrowing up to \$600,000. Interest is payable monthly and is fixed at the prime rate, which was 5.50% and 4.75%, respectively, at June 30, 2019 and 2018. The current agreement expires in March 2020. The line of credit is secured by the assignment of mortgages of properties located in Lexington, Kentucky with an aggregate carrying value of approximately \$487,000 at June 30, 2019. The outstanding balance on the line of credit as of June 30, 2019 and 2018 was \$265,000 and \$200,000 respectively. Interest expense related to the line of credit during the years ended June 30, 2019 and 2018 was approximately \$17,000 and \$10,000, respectively.

### 9. NOTES PAYABLE

Notes payable as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Various non-interest bearing notes payable to Habitat International. The notes are payable in 48 monthly installments with maturity dates through December 2021. The notes are unsecured full recourse obligations of Habitat. If the loans default, they become payable on demand plus interest at 10% from the date of the loan's inception.	\$ 27,250	\$ 51,226
1% installment note payable to Kentucky Housing Corporation in 30 annual installments of principal and interest in the amount of \$5,812. The note is unsecured. Final payment due in June 2034.	80,587	85,543
Various 1% installment notes payable, unsecured, to Bluegrass Affordable Housing Association. Interest is due quarterly and principal is due annually. The notes mature through 2030.	171,638	202,618

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

	2019	2018
<p>Construction note payable to bank dated December 20, 2016. Principal and interest payments due monthly at a fixed rate of 4.5% through December 2021, and a variable rate equal to the prime rate through maturity at June 2033. Secured by land and improvements thereon located at 700 Loudon Avenue, Lexington, Kentucky with a net book value of approximately \$899,150 at June 30, 2019.</p>	152,476	160,000
<p>Installment note payable to bank dated March 19, 2015. Original amount of \$541,500. Principal and interest payments due in monthly installments of \$3,436 with a final payment due March 19, 2035. The note bears interest at a rate equal to prime, with a maximum rate of 4.75% through March 2022 (4.75% at June 30, 2019), and is secured by property located at 700 East Loudon Avenue, Lexington, Kentucky with a net book value of approximately \$899,150 at June 30, 2019.</p>	454,427	473,279
<p>Installment note payable to bank dated March 19, 2015. Original amount of \$45,000. Principal and interest payments due in monthly installments of \$729 with a final payment due March 19, 2020. The note bears interest at a rate equal to prime, with a maximum rate of 4.75% (4.75% at June 30, 2019), and is secured by property located at 700 East Loudon Avenue, Lexington, Kentucky with a net book value of approximately \$899,150 at June 30, 2019.</p>	6,432	14,657
Total	\$ 892,810	\$ 987,323

The following is a summary of debt maturities as of June 30, 2019:

<u>Year ended June 30:</u>	
2020	\$ 75,449
2021	68,062
2022	62,225
2023	58,275
2024	56,531
2025 and thereafter	572,268
	\$ 892,810

Interest expense for these notes for the years ended June 30, 2019 and 2018 was approximately \$33,000 and \$31,000 respectively.



# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment fund:		
Restricted in perpetuity	\$ 989,181	\$ 969,992
Accumulated investment gains subject to satisfaction of donor purpose restrictions	<u>(2,073)</u>	<u>17,849</u>
	<u>\$ 987,108</u>	<u>\$ 987,841</u>

### 11. ENDOWMENT FUND

Habitat's endowment funds consist of a donor-restricted endowed fund that supports local and international service projects. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, Habitat retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Habitat in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Habitat considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Habitat and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Habitat
- (7) The investment policies of Habitat

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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Habitat has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Habitat must use for a donor-specified purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. Habitat expects its endowment fund to provide an average rate of return to outperform, over the long term (defined as rolling five-year periods), a blended custom benchmark based on a current asset allocation policy of 70% MSCI All Country World Index and 30% Barclays US Aggregate Bond Index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, Habitat relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

Habitat has a policy of appropriating for distribution each year between 5 and 7 percent of its endowment funds' average fair value over the prior 12 quarters, or a greater percentage as voted upon by the Board of Directors for special circumstances. In establishing this policy, Habitat considered the long-term expected return on its endowment.

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor or the UPMIFA requires Habitat to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there were no such deficiencies of this nature as of June 30, 2019 and 2018.

Changes in endowment net assets for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Endowment fund with donor restrictions:		
Endowment net assets,		
beginning of year	\$ 987,841	\$ 926,958
Contributions	1,834	2,485
Special events revenues	32,944	37,662
Special events expenses	(15,589)	(10,656)
Investment return, net	26,578	78,692
Amount appropriated	(46,500)	(47,300)
Endowment net	<u>\$ 987,108</u>	<u>\$ 987,841</u>

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

### 12. LIQUIDITY AND AVAILABILITY OF RESOURCES

Habitat has approximately \$797,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of approximately \$65,000 and principal payments on non-interest bearing mortgage loans in the next year of approximately \$732,000. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Habitat has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 8, Habitat also has a committed line of credit in the amount of \$600,000, which it could draw upon in the event of an unanticipated liquidity need. The amount available under the line of credit is dependent on any outstanding balance at the time of the draw.

### 13. GRANTS AWARDED

Habitat receives financial assistance from various sources, such as corporations and local governments. Habitat recognizes the award as grant revenue when the conditions stipulated in the grant agreement have been met. Funds by the grantors for the following programs may be requested for future program expenditures as of June 30:

Grant award	2019	2018
FHLB Affordable Housing Program award 201501-0026	-0-	1,305
FHLB Affordable Housing Program award 201601-0025	-0-	8,543
FHLB Affordable Housing Program award 201601-0026	-0-	7,999
FHLB Affordable Housing Program award 201701-0013	-0-	125,000
FHLB Affordable Housing Program award 201801-0042	500,000	-0-
Self-Help Homeownership Program award 2017	38,800	-0-
HOME investment Partnerships Program 2016 Consolidated Plan	-0-	60,000
HOME investment Partnerships Program 2017 Consolidated Plan	-0-	1,475
LFUCG Stormwater Quality Projects Incentive Grant Program	-0-	194,067
KHC GAP GF16-0096-01	-0-	34,000
KHC AHTF HB18-0096-01	200,000	200,000
	<u>\$ 738,800</u>	<u>\$ 632,389</u>

### 14. RETIREMENT

Habitat maintains a 401(k) defined contribution pension plan (the Plan) for employees 18 years of age and over who are enrolled in the Plan in the first day of the month after twelve months from the date of employment. Employee benefits are immediately vested. Habitat will contribute five percent (5%) of the eligible employees' gross wages. The Plan permits eligible employees to make voluntary contributions. During each of the years ended June 30, 2019 and 2018, Habitat contributed approximately \$69,000 and \$68,000, respectively.

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 15. LEASE AGREEMENTS

Habitat maintains a building lease under a non-cancelable operating lease that expires September 30, 2022, with options to renew through September 2032. During the year ended June 30, 2017, Habitat signed an addendum to the original building lease adding additional space to the leased premises. As an inducement for Habitat to enter into the addendum, the landlord paid Habitat \$100,000 as a lease incentive. The lease incentive is recorded as a liability and is being amortized into rent expense over the life of the lease.

On December 29, 2017, Habitat entered into another building lease under a non-cancelable operating lease that expires June 30, 2028. As an incentive for Habitat to enter into the lease, the landlord provided free rent during the initial six months of the lease agreement.

Rent expense related to these leases totaled approximately \$333,000 and \$292,000 for the years ending June 30, 2019 and 2018, respectively.

As of June 30, 2019, future minimum lease payments under these noncancelable operating lease agreements are as follows:

<u>Year ended June 30:</u>	
2020	\$ 329,572
2021	294,540
2022	307,301
2023	147,836
2024	101,191
2025 and thereafter	404,764
	<u>\$ 1,585,204</u>

### 16. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2019 and 2018, Habitat paid tithes and fees to Habitat for Humanity International, Inc. (HFHI) of \$42,000 and \$37,500, respectively. Additionally, Habitat received support from HFHI of approximately \$150,000 and \$138,000 during the years ended June 30, 2019 and 2018, respectively. Amounts paid to HFHI during the years ended June 30, 2019 and 2018, apart from tithes, fees, and principal payments (Note 9) were approximately \$12,000 and \$22,000, respectively.

# LEXINGTON HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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### 17. RECENTLY ISSUED ACCOUNTING STANDARDS

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services”. On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which Habitat is not required to adopt until its year ending June 30, 2020, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On January 5, 2016, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This new standard, which the Organization is not required to adopt until its year ending June 30, 2020, is intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The standard will provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

On January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This new standard, which Habitat is not required to adopt until its year ending June 30, 2020, is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The primary impact on Habitat will be that changes in the fair value of equity investments will be recognized in net income, rather than in other comprehensive income as currently required.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity’s statement of financial position. Pursuant to ASU 2019-10 issued by the FASB in November 2019, Habitat is not required to adopt this standard until its year ending June 30, 2022.

Habitat is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.