



LEXINGTON HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

LEXINGTON HABITAT FOR HUMANITY, INC.

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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, 2021 and 2020 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, 2021 and 2020, 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

As discussed in Note 2 to the financial statements, effective July 1, 2020, Habitat adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Blue & Co., LLC

Lexington, Kentucky
December 6, 2021

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

| | ASSETS | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Cash | \$ 1,570,964 | \$ 460,144 |
| Accounts and grants receivable | 190,677 | 24,586 |
| Inventory | 5,340 | 9,228 |
| Prepaid expenses | 72,769 | 83,808 |
| Non-interest bearing mortgage loans, net | 4,237,808 | 4,656,640 |
| Construction in progress | 295,810 | 387,016 |
| Land and property held for sale or development | 243,067 | 491,462 |
| Buildings and equipment, net | 1,167,721 | 1,219,008 |
| Investments at fair value | 1,267,235 | 985,067 |
| Total assets | <u>\$ 9,051,391</u> | <u>\$ 8,316,959</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 143,979 | \$ 87,499 |
| Accrued liabilities | 150,022 | 134,666 |
| Refundable advance | 246,369 | 149,625 |
| Line of credit | 200,000 | 264,554 |
| Notes payable | 734,594 | 1,088,231 |
| Total liabilities | <u>1,474,964</u> | <u>1,724,575</u> |
| Net assets | | |
| Without donor restrictions | 6,185,261 | 5,493,482 |
| With donor restrictions | | |
| Purpose restricted for the Love Your Neighborhood program | 123,931 | 113,835 |
| Endowment fund | 1,267,235 | 985,067 |
| Total net assets with donor restrictions | <u>1,391,166</u> | <u>1,098,902</u> |
| Total net assets | <u>7,576,427</u> | <u>6,592,384</u> |
| Total liabilities and net assets | <u>\$ 9,051,391</u> | <u>\$ 8,316,959</u> |

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

| | Without donor restrictions | With donor restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Revenues and other support | | | |
| ReStore sales, net | \$ 1,685,169 | \$ -0- | \$ 1,685,169 |
| Transfers to homeowners | 681,000 | -0- | 681,000 |
| Program sponsorship revenue | 437,085 | 102,190 | 539,275 |
| Contributions and fundraising | 284,523 | 1,474 | 285,997 |
| Grants | 478,818 | -0- | 478,818 |
| Interest income from mortgage discount amortization | 401,652 | -0- | 401,652 |
| Special events, net of donor benefits | 135,199 | -0- | 135,199 |
| Gifts in-kind | 50,552 | -0- | 50,552 |
| Gain on loan forgiveness | 275,000 | -0- | 275,000 |
| Other income | 14,982 | -0- | 14,982 |
| Investment return, net | -0- | 330,172 | 330,172 |
| Income from repair-program recipients | 4,375 | -0- | 4,375 |
| Income from rent-to-own pilot program | 4,550 | -0- | 4,550 |
| Gain from early payoff of mortgages | 92,262 | -0- | 92,262 |
| Released from restrictions and used for programs | 141,572 | (141,572) | -0- |
| Total revenues and other support | 4,686,739 | 292,264 | 4,979,003 |
| Expenses | | | |
| Program | 3,151,185 | -0- | 3,151,185 |
| Management and general | 574,162 | -0- | 574,162 |
| Fundraising | 269,613 | -0- | 269,613 |
| Total expenses | 3,994,960 | -0- | 3,994,960 |
| Change in net assets | 691,779 | 292,264 | 984,043 |
| Net assets, beginning of year | 5,493,482 | 1,098,902 | 6,592,384 |
| Net assets, end of year | \$ 6,185,261 | \$ 1,391,166 | \$ 7,576,427 |

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

| | Without donor restrictions | With donor restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Revenues and other support | | | |
| ReStore sales, net | \$ 1,651,460 | \$ -0- | \$ 1,651,460 |
| Transfers to homeowners | 737,901 | -0- | 737,901 |
| Program sponsorship revenue | 582,582 | 132,269 | 714,851 |
| Contributions and fundraising | 586,851 | 2,149 | 589,000 |
| Grants | 461,639 | -0- | 461,639 |
| Interest income from mortgage discount amortization | 358,380 | -0- | 358,380 |
| Special events, net of donor benefits | 69,231 | 26,698 | 95,929 |
| Gifts in-kind | 74,739 | -0- | 74,739 |
| Gain from early payoff of mortgages | 54,500 | -0- | 54,500 |
| Other income | 16,678 | -0- | 16,678 |
| Investment return, net | -0- | 16,895 | 16,895 |
| Income from repair-program recipients | 4,556 | -0- | 4,556 |
| Released from restrictions and used for programs | 66,217 | (66,217) | -0- |
| Total revenues and other support | 4,664,734 | 111,794 | 4,776,528 |
| Expenses | | | |
| Program | 3,837,457 | -0- | 3,837,457 |
| Management and general | 602,684 | -0- | 602,684 |
| Fundraising | 307,369 | -0- | 307,369 |
| Total expenses | 4,747,510 | -0- | 4,747,510 |
| Change in net assets | (82,776) | 111,794 | 29,018 |
| Net assets, beginning of year | 5,576,258 | 987,108 | 6,563,366 |
| Net assets, end of year | \$ 5,493,482 | \$ 1,098,902 | \$ 6,592,384 |

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|------------------------------|-------------------|---------------------|
| Salaries | \$ 971,716 | \$ 344,124 | \$ 186,476 | \$ 1,502,316 |
| Building materials and supplies | 1,138,429 | -0- | -0- | 1,138,429 |
| Employee fringe benefits and payroll taxes | 249,491 | 68,610 | 46,555 | 364,656 |
| Rent expense | 294,540 | -0- | -0- | 294,540 |
| Depreciation expense | 64,096 | 75,046 | -0- | 139,142 |
| Repairs and maintenance | 95,431 | 9,772 | 4,404 | 109,607 |
| Office | 37,003 | 10,663 | 20,571 | 68,237 |
| Utilities | 66,522 | 802 | 641 | 67,965 |
| Insurance | 52,370 | 10,731 | 22 | 63,123 |
| ReStore cost of goods sold | 53,064 | -0- | -0- | 53,064 |
| Professional fees | 17,746 | 32,745 | 324 | 50,815 |
| Bank and merchant account charges | 34,055 | 65 | 3,221 | 37,341 |
| Special events, donor benefits | -0- | -0- | 37,133 | 37,133 |
| Interest expense | 15,342 | 16,089 | -0- | 31,431 |
| Vehicle expense | 30,546 | -0- | -0- | 30,546 |
| Advertising | 25,613 | -0- | 1,465 | 27,078 |
| Habitat for Humanity International, Inc. fees and tithes | 23,250 | -0- | -0- | 23,250 |
| Partner family expenses | 17,805 | -0- | -0- | 17,805 |
| Telephone | 9,558 | 1,663 | 1,290 | 12,511 |
| Postage | 931 | 610 | 3,931 | 5,472 |
| Equipment rental | 2,583 | 2,471 | -0- | 5,054 |
| Loss on asset dispositions | 2,125 | -0- | -0- | 2,125 |
| Seminars and conferences | 479 | 694 | 440 | 1,613 |
| Travel and training | 627 | 77 | 273 | 977 |
| Post sale home repairs | 927 | -0- | -0- | 927 |
| Total expenses | <u>3,204,249</u> | <u>574,162</u> | <u>306,746</u> | <u>4,085,157</u> |
| Less expenses included with revenues in the statement of activities | <u>(53,064)</u> | <u>-0-</u> | <u>(37,133)</u> | <u>(90,197)</u> |
| Total expenses included in the expense section of the statement of activities | <u>\$ 3,151,185</u> | <u>\$ 574,162</u> | <u>\$ 269,613</u> | <u>\$ 3,994,960</u> |

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|------------------------------|-------------------|---------------------|
| Salaries | \$ 1,266,611 | \$ 356,512 | \$ 211,043 | \$ 1,834,166 |
| Building materials and supplies | 1,228,181 | -0- | -0- | 1,228,181 |
| Employee fringe benefits and payroll taxes | 338,352 | 73,777 | 51,078 | 463,207 |
| Rent expense | 301,238 | -0- | -0- | 301,238 |
| Depreciation expense | 66,966 | 74,478 | -0- | 141,444 |
| Repairs and maintenance | 113,306 | 9,915 | 5,864 | 129,085 |
| Office | 71,824 | 13,962 | 26,201 | 111,987 |
| Utilities | 97,980 | 910 | 728 | 99,618 |
| ReStore cost of goods sold | 86,130 | -0- | -0- | 86,130 |
| Loss on assets dispositions | 78,823 | -0- | -0- | 78,823 |
| Insurance | 52,660 | 9,880 | 28 | 62,568 |
| Interest expense | 24,028 | 22,188 | -0- | 46,216 |
| Special events, donor benefits | -0- | -0- | 42,317 | 42,317 |
| Professional fees | 3,255 | 33,461 | 952 | 37,668 |
| Vehicle expense | 36,575 | 32 | 88 | 36,695 |
| Habitat for Humanity International, Inc. fees and tithes | 35,250 | -0- | -0- | 35,250 |
| Bank and merchant account charges | 31,861 | 63 | 2,996 | 34,920 |
| Partner family expenses | 28,825 | -0- | -0- | 28,825 |
| Advertising | 22,331 | -0- | 1,906 | 24,237 |
| Post sale home repairs | 12,616 | -0- | -0- | 12,616 |
| Telephone | 9,867 | 775 | 398 | 11,040 |
| Travel and meals | 6,301 | 2,456 | 1,286 | 10,043 |
| Postage | 3,687 | 1,265 | 3,738 | 8,690 |
| Seminars and conferences | 3,791 | 1,328 | 1,063 | 6,182 |
| Equipment rental | 3,129 | 1,682 | -0- | 4,811 |
| Total expenses | <u>3,923,587</u> | <u>602,684</u> | <u>349,686</u> | <u>4,875,957</u> |
| Less expenses included with revenues in the statement of activities | <u>(86,130)</u> | <u>-0-</u> | <u>(42,317)</u> | <u>(128,447)</u> |
| Total expenses included in the expense section of the statement of activities | <u>\$ 3,837,457</u> | <u>\$ 602,684</u> | <u>\$ 307,369</u> | <u>\$ 4,747,510</u> |

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|------------|-----------|
| Operating Activities | | |
| Change in net assets | \$ 984,043 | \$ 29,018 |
| Adjustments to reconcile change in net assets to net change from operating activities: | | |
| Depreciation | 139,142 | 141,444 |
| Transfers to homeowners - financed by Habitat | -0- | (94,901) |
| Imputed interest income from non-interest bearing mortgage loans | (401,652) | (358,380) |
| Gain on debt forgiveness | (275,000) | -0- |
| Realized and unrealized losses (gains) on investments | (309,726) | 9,140 |
| Loss on disposal of assets | 2,125 | 78,823 |
| Special event revenue restricted for long-term investment | -0- | (26,698) |
| Changes in operating assets and liabilities: | | |
| Accounts and grants receivable | (166,091) | (4,974) |
| Inventory | 3,888 | (2,643) |
| Prepaid expenses | 11,039 | 16,367 |
| Construction in progress | 73,117 | 204,899 |
| Land and property held for sale or development | 185,555 | (115,353) |
| Accounts payable | 56,480 | (130,484) |
| Accrued liabilities | 15,356 | (52,788) |
| Refundable advance | 96,744 | (185,180) |
| Deferred lease incentive | -0- | (14,167) |
| Net cash flows from operating activities | 415,020 | (505,877) |

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|--------------|-------------|
| Investing Activities | | |
| Proceeds from sales of property and equipment | 3,100 | -0- |
| Purchases of property and equipment | (12,151) | (51,764) |
| Non-interest bearing mortgage loan payments received | 820,484 | 735,793 |
| Proceeds from sales of investments | 66,940 | 1,182,868 |
| Purchases of investments | (39,382) | (1,187,437) |
| Net cash flows from investing activities | 838,991 | 679,460 |
| Financing Activities | | |
| Special events revenue restricted for endowment | -0- | 26,698 |
| Net payments on line of credit | (64,554) | (446) |
| Proceeds from note payable | -0- | 275,000 |
| Payments on notes payable | (78,637) | (79,579) |
| Net cash flows from financing activities | (143,191) | 221,673 |
| Net change in cash | 1,110,820 | 395,256 |
| Cash, beginning of year | 460,144 | 64,888 |
| Cash, end of year | \$ 1,570,964 | \$ 460,144 |
| Cash payments for: | | |
| Interest | \$ 31,431 | \$ 46,216 |
| Supplemental non-cash investing and financing transactions: | | |
| Discount on current year non-interest bearing mortgage loans | \$ -0- | \$ 120,599 |
| Transfer of construction in progress and land and property held for sale or development to property and equipment for rental program | \$ 80,929 | \$ -0- |

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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.

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, 2021 AND 2020

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. At June 30, 2021, the amount of cash in excess of federally insured limits totaled \$1,348,893.

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 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.

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, 2021 and 2020, and accordingly no provision for bad debts has been provided in the accompanying financial statements.

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 7.38% to 8.48% 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 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

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

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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 includes 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.

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.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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 \$2,000 are capitalized. The cost of repairs and maintenance is expensed as incurred.

Transfers to Homeowners

Traditionally, all Habitat homebuyers obtained financing from Habitat via non-interest bearing mortgage loans. However, beginning in July 2018, most Habitat homebuyers finance their homes through interest-bearing first mortgage loans from an external lending institution, and a forgivable subordinate mortgage loan from Habitat for the difference between the amount of the appraised value of the home and the first mortgage plus any forgivable subordinate mortgage loans from grant funders. 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.

Revenue Recognition

Unconditional 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.

Conditional contributions are recorded when explicit conditions are met. Homebuyer sponsorships are conditional contributions where Habitat must complete the construction of sponsored homes. If the sponsored home builds are not fully constructed, any contributions received in advance would be returned to the sponsors. Therefore, homebuyer sponsorships received in advance of completion of the sponsored home builds are recorded as a refundable advance on the statement of financial position. After a sponsored home is fully constructed and transferred to the homebuyer, the amounts previously recorded as a refundable advance are recognized as revenue in the statement of activities.

Revenue from the sales of homes (contract revenue) is generally recognized at the time of the closing of the sale, when title and possession of the property are transferred to the buyer, and is reported at the amount that reflects the consideration to which Habitat expects to be entitled in exchange for building and transferring the home to the homeowner. These amounts are due

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

from the homeowner and from third-party payors, which include governmental agencies. Included in grants revenue for the year ended June 30, 2021 is approximately \$378,000 related to such third-party payor arrangements. Included in accounts receivable at June 30, 2021 and 2020 is \$159,000 and \$-0-, respectively, related to such arrangements, and the balance was \$-0- at July 1, 2019. The related building materials and supplies costs are recorded as expenses when the related revenue is recognized.

Revenue from ReStore sales (contract revenue) is recorded upon the delivery of the goods to the buyer, which is when the performance obligation is satisfied, and is reported net of any discounts.

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 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 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, 2021 and 2020, Habitat received approximately \$34,300 and \$70,400 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 \$16,200 and \$4,300 of donated professional services for the years ended June 30, 2021 and 2020, 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.

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

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

on a reasonable basis that is consistently applied. Certain expenses not directly benefiting a certain program are allocated, including certain salaries and benefits, which are allocated based on employees' job responsibilities, and utilities and other facilities-related costs, which are allocated to each respective function based on square footage. 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, 2021 and 2020 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, 2020. 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.

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 6, 2021, the date which the financial statements were available to be issued.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2020, Habitat adopted the new revenue recognition accounting standard issued by the Financial Accounting Standards Board ("FASB") and codified in the FASB Accounting Standards Codification ("ASC") as topic 606 ("ASC 606"). The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding Habitat's revenue recognition policies and significant judgments employed in the determination of revenue. Habitat applied the modified retrospective approach to all contracts when adopting ASC 606. Analysis of various provisions of this standard resulted in no significant changes in the way Habitat recognizes revenue, and therefore no changes to the net assets balance at July 1, 2020 were required.

3. NON-INTEREST BEARING MORTGAGE LOANS, NET

Maturities of non-interest bearing mortgage loans receivable as of June 30, 2021 are as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|---------------------|
| 2022 | \$ 702,658 |
| 2023 | 577,545 |
| 2024 | 550,603 |
| 2025 | 525,532 |
| 2026 | 490,762 |
| 2027 and thereafter | <u>4,668,128</u> |
| | 7,515,228 |
| Less discount | <u>(3,277,420)</u> |
| | <u>\$ 4,237,808</u> |

As of June 30, 2020, non-interest bearing mortgage loans receivable, net of unamortized discounts, totaled \$4,656,640.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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, 2021:

| | Construction in progress | Land and property held for sale or development |
|---|-----------------------------|--|
| Balance at June 30, 2020 | \$ 387,016 | \$ 491,462 |
| Gifts in-kind and donations | 32,338 | -0- |
| Purchases and additional cost incurred | 848,486 | 44,941 |
| Transfers of land | 184,488 | (184,488) |
| Property sold | -0- | (46,008) |
| Property transferred to rent-to-own pilot program | (18,089) | (62,840) |
| Cost of completed repair projects transferred out | (95,236) | -0- |
| Cost of completed homes transferred out | (1,043,193) | -0- |
| Balance at June 30, 2021 | \$ 295,810 | \$ 243,067 |

A summary of activity in construction in progress and land and property held for sale or development for the year ended June 30, 2020:

| | Construction in progress | Land and property held for sale or development |
|---|-----------------------------|--|
| Balance at June 30, 2019 | \$ 591,915 | \$ 376,109 |
| Gifts in-kind and donations | 27,506 | 45,400 |
| Purchases and additional cost incurred | 746,820 | 332,406 |
| Transfers of land | 248,956 | (248,956) |
| Property transfers (sold) | -0- | (13,497) |
| Cost of completed repair projects transferred out | (90,867) | -0- |
| Cost of completed homes transferred out | (1,137,314) | -0- |
| Balance at June 30, 2020 | \$ 387,016 | \$ 491,462 |

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

5. BUILDING AND EQUIPMENT, NET

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

| | 2021 | 2020 |
|------------------------------------|---------------------|---------------------|
| Buildings and improvements | \$ 1,497,479 | \$ 1,485,329 |
| Rent-to-own pilot program property | 80,929 | -0- |
| Land | 89,250 | 89,250 |
| Office furniture | 139,026 | 139,026 |
| Warehouse equipment | 135,918 | 138,518 |
| Vehicles | 237,723 | 245,143 |
| | <u>2,180,325</u> | <u>2,097,266</u> |
| Less accumulated depreciation | 1,012,604 | 878,258 |
| | <u>\$ 1,167,721</u> | <u>\$ 1,219,008</u> |

6. INVESTMENTS

Investments consist of the following at June 30:

| | 2020 | 2019 |
|---|---------------------|-------------------|
| Cash | \$ 114,713 | \$ 99,823 |
| Equities, common stocks, exchange-traded funds, and closed-end funds: | | |
| International | 448,869 | 339,975 |
| Large cap | 277,516 | 194,735 |
| Small cap | 177,169 | 138,562 |
| Fixed income | 85,198 | 66,939 |
| U.S. government | 73,887 | 64,942 |
| Other | 41,487 | 42,037 |
| Real estate | 48,396 | 38,054 |
| | <u>\$ 1,267,235</u> | <u>\$ 985,067</u> |

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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.
- 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 2021 and 2020.

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, 2021 and 2020.

- 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, 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|---------------------|---------------|---------------|---------------------|
| Investments: | | | | |
| Exchange-traded and closed-end funds | \$ 1,152,522 | \$ -0- | \$ -0- | \$ 1,152,522 |
| Total assets at fair value | <u>\$ 1,152,522</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | 1,152,522 |
| Cash | | | | 114,713 |
| Total investments | | | | <u>\$ 1,267,235</u> |

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Fair value measurements at June 30, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|------------|---------|---------|------------|
| Investments: | | | | |
| Exchange-traded and closed-end funds | \$ 885,244 | \$ -0- | \$ -0- | \$ 885,244 |
| Total assets at fair value | \$ 885,244 | \$ -0- | \$ -0- | \$ 885,244 |
| Cash | | | | 99,823 |
| Total investments | | | | \$ 985,067 |

8. LINE OF CREDIT

At June 30, 2021 and 2020, Habitat has available a secured line of credit, which provides for borrowing up to \$600,000. Interest is payable monthly and is charged at a rate equal to the prime rate (with a maximum rate of 5.50%), which was 3.25% at June 30, 2021 and 2020. The current agreement expires in March 2022. The line of credit is secured by the assignment of mortgages of properties located in Lexington, Kentucky with an aggregate carrying value of approximately \$448,000 at June 30, 2021. The outstanding balance on the line of credit as of June 30, 2021 and 2020 was approximately \$200,000 and \$265,000, respectively.

9. NOTES PAYABLE

Notes payable as of June 30, 2021 and 2020 consist of the following:

| | 2021 | 2020 |
|--|----------|-----------|
| 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. | \$ 7,387 | \$ 18,478 |
| 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. | 70,524 | 75,580 |
| Various 1% installment notes payable, unsecured, to Bluegrass Affordable Housing Association. Interest is due quarterly and principal is due annually. The notes mature through October 2030. | 109,677 | 140,657 |

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|------------|--------------|
| <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 \$877,268 at June</p> | 136,339 | 144,600 |
| <p>Installment note payable to bank dated March 19, 2015. Original amount of \$541,500. Principal and interest payments due in monthly installments that vary based on prime 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 (3.25% at June 30, 2021), and is secured by property and land located at 700 East Loudon Avenue, Lexington, Kentucky with a net book value of approximately \$877,268 at June 30, 2021.</p> | 410,667 | 433,916 |
| <p>under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). PPP loan was unsecured, bore interest at 1% and funds advanced were subject to forgiveness, if certain criteria were met, with the remaining balance repayable within two years of disbursement. PPP loans may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic (Note 18), and submit adequate documentation of such expenditures to qualify for loan forgiveness. Habitat elected to account for this loan as debt, and recognized forgiveness during the year ended June 30, 2021, when the loan was legally forgiven by the SBA.</p> | -0- | 275,000 |
| Total | \$ 734,594 | \$ 1,088,231 |

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

The following is a summary of debt maturities as of June 30, 2021:

| <u>Year ended June 30:</u> | | |
|----------------------------|----|----------------|
| 2022 | \$ | 62,019 |
| 2023 | | 56,088 |
| 2024 | | 55,491 |
| 2025 | | 54,954 |
| 2026 | | 53,330 |
| 2027 and thereafter | | 452,712 |
| | \$ | <u>734,594</u> |

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Donor-restricted endowment fund: | | |
| Restricted in perpetuity | \$ 1,019,502 | \$ 1,018,028 |
| Accumulated investment gains subject to satisfaction of donor purpose restrictions | 247,733 | (32,961) |
| Restricted for the Love Your Neighborhood program | 123,931 | 113,835 |
| | <u>\$ 1,391,166</u> | <u>\$ 1,098,902</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

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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

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. A deficiency of this nature existed in the endowment fund as of June 30, 2020, which on that date, had an original gift value of \$1,018,028, a current fair value of \$985,067, and a deficiency of \$32,961. This deficiency resulted from unfavorable market fluctuations following the onset of the Coronavirus pandemic (Note 18), which occurred after the appropriation that was deemed prudent by the Board of Directors.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Changes in endowment net assets for the years ended June 30, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|---|---------------------|-------------------|
| Endowment fund with donor restrictions: | | |
| Endowment net assets, | | |
| beginning of year | \$ 985,067 | \$ 987,108 |
| Contributions | 1,474 | 2,149 |
| Special events revenues | -0- | 39,275 |
| Special events expenses | -0- | (12,577) |
| Investment return, net | 330,172 | 16,895 |
| Amount appropriated | (49,478) | (47,783) |
| Endowment net | <u>\$ 1,267,235</u> | <u>\$ 985,067</u> |

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure that are without donor or other restrictions that make them unavailable for use within one year of the statement of financial position date, are comprised of the following as of June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 1,571,000 | \$ 460,000 |
| Accounts receivable | 191,000 | 25,000 |
| Current Portion of Non-interest bearing mortgage | 703,000 | 755,000 |
| Total financial assets | <u>2,465,000</u> | <u>1,240,000</u> |
| Less those unavailable for general expenditure within one year: | | |
| Contributions with donor restrictions | (123,931) | (113,835) |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,341,069</u> | <u>\$ 1,126,165</u> |

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.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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 | 2021 | 2020 |
|---|-------------------|---------------------|
| FHLB Affordable Housing Program award 201801-0042 | 190,466 | 376,300 |
| Self-Help Homeownership Program award 2017 | 38,800 | 38,800 |
| Self-Help Homeownership Program award 2018 | 65,000 | 65,000 |
| Self-Help Homeownership Program award 2019 | 65,000 | -0- |
| Kentucky Housing Corporation Affordable Housing Trust Fund HB18-0096-01 | -0- | 32,500 |
| Kentucky Housing Corporation Affordable Housing Trust Fund HB19-0096-01 | 48,500 | 100,000 |
| Kentucky Housing Corporation Affordable Housing Trust Fund HR19-0096-01 | 41,507 | 65,451 |
| Kentucky Housing Corporation Affordable Housing Trust Fund HB20-0096-01 | 147,000 | 200,000 |
| Kentucky Housing Corporation Affordable Housing Trust Fund HR20-0096-01 | 107,500 | 107,500 |
| Lexington-Fayette Urban County Government HOME Funds | -0- | 55,627 |
| | <u>\$ 703,773</u> | <u>\$ 1,041,178</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 the years ended June 30, 2021 and 2020, Habitat contributed approximately \$65,000 and \$68,000, respectively.

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 was recorded as a liability and was being amortized into rent expense over the life of the lease. Effective September 30, 2019, Habitat early terminated the addendum for the additional leased space. Therefore, there was no liability for the deferred lease incentive at June 30, 2021 and 2020.

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.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Rent expense related to these leases totaled approximately \$295,000 and \$301,000 for the years ending June 30, 2021 and 2020, respectively.

As of June 30, 2021, future minimum lease payments under these noncancelable operating lease agreements are as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|-------------------|
| 2022 | \$ 307,301 |
| 2023 | 147,836 |
| 2024 | 101,191 |
| 2025 | 101,191 |
| 2026 | 101,191 |
| 2027 and thereafter | 202,382 |
| | <u>\$ 961,092</u> |

16. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, Habitat paid tithes and fees to Habitat for Humanity International, Inc. (HFHI) of \$23,250 and \$35,250, respectively. Additionally, Habitat received support from HFHI of approximately \$333,000 and \$181,000 during the years ended June 30, 2021 and 2020, respectively. Amounts paid to HFHI during the years ended June 30, 2021 and 2020, apart from tithes, fees, and principal payments (Note 9) were approximately \$4,700 and \$8,300, respectively.

17. CONCENTRATIONS

At June 30, 2021, approximately 94% of accounts receivable were due from two grantors. During the year ended June 30, 2020, Habitat received a donation from the estate of a single donor representing approximately 38% of the total contributions and fundraising revenue.

18. CONTINGENCIES

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. In response to measures taken by Federal, state and local governments to contain the virus, Habitat temporarily closed the ReStore outlets before later reopening one location at reduced hours of operation. Although the temporary closure and reduced hours resulted in lower facility-related expenses, and certain employees were furloughed in order to contain personnel costs, Habitat experienced a significant reduction to ReStore sales for the years ended June 30, 2021 and 2020. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national and global economies. The

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

extent to which COVID-19 impacts Habitat's future operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict.

Management believes Habitat is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available for issuance.

19. RECENTLY ISSUED ACCOUNTING STANDARDS

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. Habitat is not required to adopt this standard until its year ending June 30, 2023.

During September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This standard applies to all not-for-profit entities that receive contributed nonfinancial assets, which are also known as gifts in kind or donated services. These include fixed assets like land, buildings, and equipment, use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets in some cases. This ASU requires a more prominent presentation of contributed nonfinancial assets and enhanced disclosures about the valuation of those contributions and their uses in programs and other activities, including any donor-imposed restrictions on such uses. Habitat is not required to adopt this standard until its year ending June 30, 2022.

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