HABITAT FOR HUMANITY
OF ANDERSON, INC.

FINANCIAL STATEMENTS
June 30, 2021

(With Independent Auditors' Report Thereon)

HABITAT FOR HUMANITY
OF ANDERSON, INC.

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MARTIN·SMITH
& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity of Anderson, Inc.
Anderson, South Carolina

Report on the Financial Statements
We have audited the accompanying statement of financial position of Habitat for Humanity of Anderson, Inc. as of June 30, 2021; the related statements of activities, functional expenses, and cash flows for the year 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Anderson, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Martin Smith & Company CPAs PA

Greenville, South Carolina
January 28, 2022

HABITAT FOR HUMANITY OF ANDERSON, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,369,062
Inventories	99,729
Prepaid expense	8,953
Mortgages receivable - current portion	186,319
Total current assets	1,664,063
PROPERTY AND EQUIPMENT - NET	506,626
OTHER ASSETS	
Mortgages receivable - non-current portion	1,465,010
Land held for development	94,860
Land held for sale	3,000
Total other assets	1,562,870
Total assets	$ 3,733,559

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 2,644
Accrued expenses	5,844
Notes payable - current portion	7,834
Total current liabilities	16,322
NON-CURRENT LIABILITIES	
Notes payable - non-current portion	28,756
Total liabilities	45,078
NET ASSETS	
Without donor restrictions:	
Invested in property and equipment	506,626
Board designated reserve	151,235
Undesignated	3,030,620
Total net assets	3,688,481
Total liabilities and net assets	$ 3,733,559

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF ANDERSON, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions and bequests	$ 433,448	$ -	$ 433,448
In-kind contributions	1,206,348	-	1,206,348
Home sales	282,397	-	282,397
ReStore sales	776,991	-	776,991
Miscellaneous income	3,134	-	3,134
Total revenue and support	2,702,318	-0-	2,702,318
EXPENSES:			
Program services:			
ReStore	1,527,675	-	1,527,675
Construction	343,895	-	343,895
Mortgage originations	42,109	-	42,109
Total program services	1,913,679	-0-	1,913,679
Supporting services:			
General and administrative	181,244	-	181,244
Fundraising	81,110	-	81,110
Total supporting services	262,354	-0-	262,354
Total expenses	2,176,033	-0-	2,176,033
Changes in net assets before non-recurring item	526,285	-	526,285
Non-recurring item - contribution from forgiveness of PPP loan	78,300	-	78,300
Changes in net assets	604,585	-	604,585
Net assets at beginning of year	2,973,930	-0-	2,973,930
Net assets at end of year	$ 3,578,515	$ -0-	$ 4,183,100

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF ANDERSON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services				Supporting Services		
	Construction Supervision and Support	ReStore Retail	Mortgage Originations	Total	Administrative and General	Fundraising and Public Support	Total Expenses
Cost of goods sold	$ -	$ 1,185,786	$ -	$ 1,185,786	$ -	$ -	$ 1,185,786
Cost of houses sold	320,819	-	-	320,819	551	-	321,370
Mortgage discounts	-	-	39,245	39,245	-	-	39,245
Salaries	-	208,856	-	208,856	100,530	49,340	358,726
Health insurance	-	22,064	-	22,064	10,374	5,429	37,867
Payroll taxes	-	16,105	-	16,105	7,161	3,151	26,417
Retirement	-	3,148	-	3,148	1,884	1,438	6,470
Insurance	12,154	19,195	-	31,349	2,940	936	35,225
Maintenance	-	6,036	-	6,036	667	-	6,703
Depreciation	-	-	-	-	19,059	-	19,059
Utilities	-	9,152	-	9,152	1,150	-	10,302
Telephone	863	3,543	-	4,406	3,502	783	8,691
Advertising	-	24,333	312	24,645	-	1,883	26,528
Professional services	-	70	-	70	13,500	-	13,570
Truck expense	4,276	8,930	45	13,251	129	126	13,506
Credit checks and fees	-	11,024	-	11,024	541	-	11,565
Office expense	-	6,017	-	6,017	4,390	-	10,407
Contributions	-	-	-	-	6,000	-	6,000
Miscellaneous	2,122	2,354	2,393	6,869	610	226	7,705
Fundraising	-	-	4	4	-	12,507	12,511
Planning development	-	93	-	93	-	3,170	3,263
Dues and memberships	515	-	-	515	4,643	977	6,135
Training	-	440	-	440	761	795	1,996
Volunteer expense	2,250	-	-	2,250	561	-	2,811
Subscriptions	-	419	-	419	1,197	-	1,616
Property taxes	896	-	-	896	-	-	896
Postage and freight	-	110	110	220	198	349	767
Board development	-	-	-	-	896	-	896
	$ 343,895	$ 1,527,675	$ 42,109	$ 1,913,679	$ 181,244	$ 81,110	$ 2,176,033

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF ANDERSON, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

Cash flows from operating activities:	
Increase in net assets	$ 604,585
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	19,059
Discounts on mortgages receivable	28,335
Change in donated ReStore inventory, net	13,834
Contribution income from forgiveness of PPP loan	(78,300)
(Increase) decrease in assets:	
Inventories	(25,055)
Prepaid expense	640
Mortgages receivable	(93,348)
Houses under construction	(97,395)
Land held for development	(62,570)
Increase (decrease) in liabilities:	
Accounts payable	(769)
Accrued expenses	5,712
Net cash provided by operating activities	314,728
Cash flows from investing activities:	
Purchases of property and equipment	(44,150)
Net cash used in investing activities	(44,150)
Cash flows from financing activities:	
Borrowings under notes payable	44,150
Payments on notes payable	(7,560)
Net cash provided by financing activities	36,590
Net increase in cash and cash equivalents	307,168
Cash and cash equivalents at beginning of year	1,061,894
Cash and cash equivalents at end of year	$ 1,369,062

See accompanying notes to financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Organization

Habitat for Humanity of Anderson, Inc. ("the Organization" or "Habitat"), is a non-profit organization whose mission is to help low-income individuals and families in Anderson County purchase a home that otherwise could not afford a home. Habitat builds market-quality affordable homes, utilizing volunteer labor, and sells homes to qualified low-income families for minimal cash down. Habitat requires each of its home buyers to provide "sweat-equity" by participating in a significant amount of labor in its home construction program. Each homeowner is provided pre-purchase and post-purchase homeowner education and counseling. The Organization is affiliated with Habitat for Humanity International but is autonomous in its day-to-day operations.

Habitat's programs are funded through contributions, grants and in-kind donations from individuals, corporations, public agencies, and religious organizations. Habitat's program services include its home construction program.

In addition to its homebuilding activities, the Organization operates a Habitat for Humanity ReStore ("the ReStore") as a retail operation where building supplies, not utilized by Habitat in home construction, and home furnishings, appliances and other miscellaneous items donated by the general public are available for sale. All net proceeds from the operation of the ReStore help support and enhance Habitat's non-profit mission related activities.

b) Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

c) Financial Statement Presentation

These financial statements have been prepared to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with recommendations of the Financial Accounting Standards Board ("FASB") in the *Accounting Standards Codification* ("ASC"). This guidance requires that unconditional promises to give be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. It establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors ("the Board"), designated by the Board for specific purposes, or invested in property and equipment.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

d) Contributions and Revenue

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions.

Contributions are recognized when received. Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions and are reclassified to unrestricted net assets and reported in the Statement of Activities as restricted contributions expended as the restrictions expire.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

d) Contributions and Revenue, continued

Noncash contributions are recorded as support at their estimated fair value at the date they are placed into service or are sold. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

Habitat receives in-kind contributions of materials and supplies used in the construction and furnishing of its homes, which are recorded as donated materials and supplies in the Statement of Activities. Donations of property are recorded in land held for development until the home is constructed and transferred to a homeowner.

Habitat also receives in-kind contributions of furniture, household items, and other material used for resale and operations at the ReStore. Donated inventory items are recorded at estimated fair market value as determined by management using a calculation based on factors such as estimated sales and inventory turnover. When donated inventory items are sold in the ReStore, they are reflected in the cost of goods sold of thrift operations.

Donated services are recognized when the services received create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to Habitat principally in the area of home construction. The value of non-professional contributed time is not reflected in the accompanying financial statements.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash balances in depository institutions, and money market balances.

f) Inventories

The Organization's inventory is valued at lower of cost or market value using the retail method.

g) Mortgages Receivable

Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments. Habitat records and accounts for non-interest-bearing mortgage loans receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present values, discount rates are 3% for all loans outstanding. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognizes imputed interest income over the life of the loans. An expense is recorded upon the sale of the homes for the difference between the face value of the mortgage loans receivable and the present value of the loans. Habitat has not established an allowance for doubtful accounts as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible.

h) Land Held for Development

Land held for development is stated at the lower of the cost of land and improvements or fair value. When costs exceed fair value a valuation adjustment is recorded to value buildings and real estate based on appraisals and comparable sales in the area.

i) Land Held for Sale

From time to time, the Organization receives gifts of property. In accordance with donor intent, the Organization lists the property for sale.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

j) Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at the date of donation. Additions of assets valued over $3,000 are capitalized and major items retired are removed from the accounts. Replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Straight-line depreciation is taken on the recorded value of the property and equipment at annual rates ranging from 2% to 20%. No depreciation is taken on land, land improvements, or construction in progress.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset is less than the carrying value.

k) Income Taxes

The Organization is exempt from Federal and State income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. As a result of the implementation of this guidance, the Organization has determined that it has no uncertain tax positions requiring accrual and disclosure.

l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

m) Statement of Financial Position Presentation

Assets and liabilities presented in the Statement of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

n) Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to program and supporting services based on various factors as determined by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Habitat.

2) CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at three financial institutions located in South Carolina. Accounts at each institution are protected by depository insurance up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation. At June 30, 2021, the Organization had uninsured cash and cash equivalents balances of $782,155. At June 30, 2021 the Board has designated $151,235 in cash as reserves for specific projects.

3) MORTGAGES RECEIVABLE

Habitat for Humanity of Anderson, Inc. sells to individuals usually on a twenty year no interest rate loan. The loan is serviced by a local bank which charges Habitat a fee of $10 per loan it collects on each month.

3) MORTGAGES RECEIVABLE, Continued

Mortgages receivable at June 30, 2021 are as follows:

Receivable in less than one year	$ 186,319
Receivable in more than one year	2,330,742
Total mortgages receivable	2,517,061
Less discounts to net present value	(865,732)
Net mortgages receivable	$ 1,651,329

	Current	Non-current	Total
Mortgages receivable	$ 186,319	$ 2,330,742	$ 2,517,061
Prior year discounts	-	(837,397)	(837,397)
Additional discount 2021	-	(28,335)	(28,335)
	$ 186,319	$ 1,465,010	$ 1,651,329

4) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2021:

Vehicles	$ 78,710
Furniture and fixtures	21,751
Building and improvements	333,248
Land	45,000
Land improvements	8,400
Construction in progress	261,737
	748,846
Less accumulated depreciation	(243,220)
Total property and equipment, net	$ 505,626

Depreciation expense for the year ended June 30, 2021 was $19,059.

5) RESALE STORE

The resale store sells items that are donated to the Organization as well as items purchased for resale. Activity for the year ended June 30, 2021 is as follows:

ReStore Sales, including in-kind donations		$ 1,983,339
Beginning inventory	$ 88,508	
In-kind donations	1,138,925	
Purchases	58,082	
	1,285,515	
Less ending inventory	(99,729)	
Cost of sales		1,185,786
Gross profit		$ 797,553

6) NOTES PAYABLE

Notes payable at June 30, 2021, are as follows:

Note payable to bank, payable in monthly installments of $798.33 with interest at 3.2%, beginning August 2021	$ 36,590
Current portion of notes payable	(7,834)
Long term portion of notes payable	$ 28,756

Principal maturities for the note payable shown at June 30, 2021 are as follows:

Years Ending	
2022	$ 7,834
2023	8,089
2024	8,353
2025	8,622
2026	3,692
	$ 36,590

Interest paid on this note payable for the year ended June 30, 2021, was $1,194.

During the year ended June 30, 2020, the Organization borrowed $78,300 through the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES"). This program allowed eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs for the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower met certain requirements, all or some portion of the loan could be forgiven. During the year ended June 30, 2021, the Organization met the conditions for full forgiveness of the PPP loan, applied for, and was granted such forgiveness. See Note 12 for further discussion.

7) HOUSE/LOT SALES

The Organization sold three houses and lots for the year ended June 30, 2021. The sale and cost are as follows:

Sale of houses and lots	$	282,397
Cost of houses and lots		(320,819)
Net gain (loss)	$	(38,422)

8) RETIREMENT PLAN

The Organization has a defined contribution plan covering substantially all of its employees. The contribution is based on the employee's compensation. The contribution for the year ended June 30, 2021 was $6,616, of which $146 was capitalized.

9) CAPITALIZED PAYROLL AND PAYROLL TAXES

During the year ending June 30, 2021, the Organization included the salary and payroll taxes of the building coordinator in the construction in progress account. As of June 30, 2021, a portion of the expenses remain in construction in progress, and the balance is reflected in the cost of homes sold. Management believes the recording of these expenses gives a more accurate cost of each home sold. Below is a summary of the salaries and payroll taxes expensed and capitalized for the year ending June 30, 2021:

		Total		Expensed		Capitalized
Salaries and benefits	$	58,894	$	34,249	$	24,645
Payroll taxes		3,578		2,081		1,497
	$	62,472	$	36,330	$	26,142

10) FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization has adopted the provisions of the *Fair Value Measurement and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and cash equivalents, accounts payable, accrued expenses, prepaid expenses - the carrying values approximate fair value due to their short maturities.

Mortgages receivable - the carrying values approximate the discounted present value of cash flows.

11) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable because certain net assets are Board designated for specific purposes (See Footnote 2). The Organization has the following financial assets that could readily be made available within one year of the Statement of Financial Position date to fund expenses without limitations:

Financial assets:		
Cash	$	1,369,062
Mortgage notes receivable, current portion		186,319
Financial assets, at year-end		1,555,381
Less those unavailable for general expenditures within one year due to:		
Board designated reserves		(151,235)
Financial assets available to meet cash needs for general expenditures within one year	$	1,404,146

The Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

12) OTHER

In December 2019, an outbreak of novel coronavirus ("COVID-19") originated in China and spread to other countries, including the U.S. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency, and limited most aspects of business, education, travel, and personal physical interactions. Beginning in March 2020, the Organization was forced to close its thrift store and delay other construction programs. These necessary actions did cause thrift-related revenue and contributions to decrease and additional expenses to be incurred.

In response to the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), which, among other provisions, introduced additional aid to effected organizations through the Paycheck Protection Program ("PPP"). This program allowed eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs of the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower met certain requirements, all or some portion of the loan may be forgiven.

The Organization determined its eligibility for PPP and borrowed $78,300 under this program in April 2020. The Organization concluded that the PPP loan represented, in substance, a grant that was expected to be forgiven. Therefore, the Organization accounted for the PPP loan as a conditional contribution, in accordance with the provisions of the *Not-for-Profit Entities – Revenue Recognition* topic of FASB ASC. Because the PPP loan agreement specified that the Organization must meet the stipulation for spending the funds solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities, within a specified time frame, the Organization identified the existence of a donor-imposed condition or barrier. The existence of such a barrier meant the Organization accounted for the funds received in this conditional contribution as a refundable advance until the condition has been substantially met or explicitly waived. As of June 30, 2020, the Organization had not substantially met the conditions for spending the funds for specified purposes; therefore, no contribution was recognized, and the amount of the refundable advance was included as a liability in the Statements of Financial Position.

12) OTHER, Continued

During the year ended June 30, 2021, the Organization met the conditions for full forgiveness of the PPP loan, applied for, and was granted such forgiveness. This forgiveness is included as non-recurring item – contribution from forgiveness of PPP loan of $78,300 in the Statements of Activities.

With the substantial improvements in experience with Covid-19 regionally and nationally, the Organization has been operating normally in the summer of 2021. However, there remains some uncertainty. Future significant impacts could include continued possible adjustments to the Organization's operations and could include disruptions or restrictions on employees' ability to work. Changes in the operating environment may also increase operating costs. Management of the Organization is carefully monitoring this situation and has budgeted so as to enable it to maintain its financial stability.

13) REVENUE RECOGNITION

The Organization adopted the provisions of the *Revenue from Contracts with Customers* topic of FASB ASC. This guidance replaces most existing revenue recognition in U. S. GAAP and requires expanded disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The core principle is that an entity should recognize revenue when it transfers 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 by applying five steps listed in the guidance. The Organization's main revenue streams accounted for as exchange transactions derive from home sales and ReStore sales.

As part of the adoption of the ASC, the Organization elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Organization used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Organization expects to recognize such revenue for all periods prior to the date of initial application of the ASC, and (iv) the Organization has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The Organization's revenue is recognized based on the terms of the respective contracts. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the Organization's revenue streams do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of this ASC did not have a significant impact on the Organization's financial statements. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

The Organization generates revenue through the sales of homes to program participants and financing the sale through a mortgage agreement with 0% interest. The Organization has identified two performance obligations associated with the sale of homes: 1) to transfer the title of the home to the homeowner, and 2) to finance the purchase price of the home. The transaction price for the property is identified and stated on the closing agreement and is consistent with the gross amount of revenue recorded at the time of an executed closing agreement. With respect to home sales, the Organization is the principal in the arrangement as the Organization maintains control of the property up until the time at which the property is sold to the homeowner. As the mortgages are at 0% interest, the Organization imputes interest on the mortgage by discounting the transaction price to present value based on a discount rate set by Habitat for Humanity International at the end of each fiscal year. The present value of the transaction price is allocated to the first performance obligation, with development costs of homes included as construction hard costs. The imputed interest or "discount" is allocated to the second performance obligation.

13) REVENUE RECOGNITION, Continued

Revenue allocated to the first performance obligation is recorded at the point in time when control of the property transfers. This is the point in time at which the Organization has satisfied its first performance obligation to transfer control of the property to the homeowner as evidenced by an executed closing statement. Revenue allocated to the second performance obligation is recognized over the mortgage term as payments are collected. Contract liabilities related mainly to homeowner deposits in escrow. Management has concluded that no impact to revenue recognition has resulted from the adoption of this ASC as it related to home sales.

Revenue related to the ReStore sales is recognized at the time of sale. The income derived from ReStore sales are exempt from unrelated business income tax because substantially all sales consist of merchandise that the Organization received as gifts or contributions. Management has concluded that no impact to revenue recognition has resulted from adoption of this ASC as it relates to ReStore Sales.

The Organization also recognizes revenue through both unconditional and conditional contribution and grants. Unconditional contributions are recognized when received, while a conditional contribution is recognized upon satisfaction of the donor's condition or when the grant funds have been expended in accordance with the provisions of the respective agreements. Management has determined that contributions and grants are non-reciprocal transactions and therefore fall under the scope of the *Contributions Received* topic of ASC.

The Organization generates revenue from special events. The exchange of assets or performance of services in exchange for assets of substantially lower value may be deemed to be a partial contribution. Such contribution would be measured at the difference between the fair value of the products provided or services performed, and the consideration received. Management concludes that the benefit to donors related to special events is immaterial in comparison to the consideration received by the donor as typically all that is received is insignificant amounts of food and beverage during the event. As such, consideration received through the conducting of special events is considered a contribution transaction and no impact to revenue recognition has resulted from the adoption of this ASC.

The Organization's other revenue streams include interest income, rent income, late-fee income, and other income which are not included within the scope of this ASC.

The Organization has disaggregated revenue into various categories in the accompanying Statement of Activities, which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

Contract assets would include mortgages receivable from homeowners and net unamortized discount on mortgages receivable on the accompanying Statements of Financial Position. Mortgages receivable from homeowners are recorded at the time revenue is recognized, while cash collections occur after revenue recognition. Contract balances are as follows as of June 30, 2021:

Mortgage notes receivable	$ 2,506,760
Unamortized discount on mortgages receivable	(860,731)
	$ 1,646,029

14) SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 28, 2022, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2021.