

HABITAT FOR HUMANITY OF OHIO, INC.

JUNE 30, 2020

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OHIO SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS
FED ID: 31-0603874

May 18, 2021

To the Board of Trustees
Habitat for Humanity of Ohio, Inc.
Columbus, Ohio

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying statement of financial position of Habitat for Humanity of Ohio, Inc. (a nonprofit organization), as of June 30, 2020, and 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 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Ohio, Inc. as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2021, on our consideration of Habitat for Humanity of Ohio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lloyd Rimmer Banker & Ellis, P.C.

HABITAT FOR HUMANITY OF OHIO, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 395,277
Cash held for others	7,034
Interest receivable	733
Accounts receivable – affiliates	5,386
Notes receivable – affiliates	<u>220,000</u>
Total assets	<u>\$ 628,430</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued interest	\$ 2,500
Accrued payroll	11,200
Funds held for others	7,034
Deferred revenue	27,500
Note payable – PPP – Park National Bank	<u>18,957</u>
Total liabilities	<u>67,191</u>

LONG-TERM DEBT

<u>250,000</u>
<u>250,000</u>

NET ASSETS

Without donor restrictions	311,239
With donor restrictions	<u>0</u>
Total net assets	<u>311,239</u>

Total liabilities and net assets	<u>\$ 628,430</u>
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HABITAT FOR HUMANITY OF OHIO, INC.
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 78,140	\$ 0	\$ 78,140
Grants	609,760	0	609,760
Conference registration & sponsorship	67,077	0	67,077
Interest income	11,263	0	11,263
Affiliate training	2,260	0	2,260
Miscellaneous revenue	<u>1,258</u>	<u>0</u>	<u>1,258</u>
Total revenues, gains and other support	<u>769,758</u>	<u>0</u>	<u>769,758</u>
EXPENSES			
Program services:			
Affordable housing	706,318	0	706,318
Supporting services:			
Management and general	26,357	0	26,357
Fundraising	<u>12,317</u>	<u>0</u>	<u>12,317</u>
Total expenses	<u>744,992</u>	<u>0</u>	<u>744,992</u>
CHANGE IN NET ASSETS	24,766	0	24,766
NET ASSETS, BEGINNING OF YEAR	<u>286,473</u>	<u>0</u>	<u>286,473</u>
NET ASSETS, END OF YEAR	<u>\$ 311,239</u>	<u>\$ 0</u>	<u>\$ 311,239</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF OHIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Affordable Housing</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 73,360	\$ 9,170	\$ 9,170	\$ 91,700
Payroll taxes	5,796	725	724	7,245
Employee benefits	3,276	409	410	4,095
Payroll processing fees	1,123	141	140	1,404
Annual conference	37,447	0	0	37,447
Statehouse build expenses	1,000	0	0	1,000
Bank service charges	485	1	1	487
Insurance	1,320	165	165	1,650
Grants and sponsorships to affiliates	554,274	0	0	554,274
Office supplies	477	60	60	597
Dues and subscriptions	5,334	666	667	6,667
Professional fees	0	14,040	0	14,040
Seminars and meetings	4,418	552	552	5,522
Website development	206	26	25	257
International projects	9,582	0	0	9,582
Miscellaneous	24	3	3	30
Travel	3,196	399	400	3,995
Interest expense – OHIP loan	5,000	0	0	5,000
Total	<u>\$ 706,318</u>	<u>\$ 26,357</u>	<u>\$ 12,317</u>	<u>\$ 744,992</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF OHIO, INC.
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 24,766
Adjustments to reconcile change in net assets to net cash used by operating activities:	
(Increase) decrease in:	
Cash held for others	(50)
Accounts receivable – affiliates	(5,386)
Notes receivable – affiliates	30,000
Interest receivable	2,100
Increase (decrease) in:	
Accrued payroll	700
Funds held for others	50
Accounts payable	(7,484)
Combined charitable state campaign liabilities	(10,658)
Deferred revenue	<u>(70,000)</u>
Net cash provided by operating activities	<u>(35,962)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from PPP loan	<u>18,957</u>
Net cash provided by financing activities	<u>18,957</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 (17,005)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>412,282</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 395,277</u>
 SUPPLEMENTAL DATA:	
Interest paid	<u>\$ 5,000</u>
Income taxes paid	<u>\$ 0</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1

BACKGROUND INFORMATION

Habitat for Humanity of Ohio, Inc. (the Organization) is a non-profit corporation that puts faith in action by advocating for affordable housing on a statewide basis and partnering with people and organizations to enhance the health and development of Ohio Habitat for Humanity affiliates. The Organization is an affiliate of Habitat for Humanity International, Inc. Although Habitat for Humanity International, Inc. assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. The Organization is supported primarily through donor contributions and grants.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity of Ohio, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Basis of Accounting

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

Estimates

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

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without restrictions and net assets with restrictions.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The federal income tax returns of the Organization for 2020, 2019, 2017 and 2016 are subject to examination by the IRS generally for three years after they were filed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

HABITAT FOR HUMANITY OF OHIO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Notes receivable are carried at their estimated collectible amounts. Interest income is recognized using the interest method.

Functional Allocation of Expenses

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

New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information and also impacts the recognition, measurement, presentation and disclosure of financial instruments. The Organization adopted the new standard effective July 1, 2019, the first day of the Organization's fiscal year, using the prospective adoption cumulative-effect approach. The adoption of the ASU has no impact on net assets as of July 1, 2019, as the guidance under the ASU did not impact the measurement of the Organization's financial instruments.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) transactions within the scope of Topic 958, Not-For-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard has no impact on the Organization's financial statements.

Note 3

NOTES RECEIVABLE – AFFILIATES

In August 2010 the Ohio Housing Finance Agency (OHFA) created a loan fund for the "Ohio Habitat Investment Partnership". Through this program OHFA agreed to loan \$500,000 to Habitat for Humanity of Ohio, Inc. which they would loan to affiliates for the purpose of building, rehabilitating, and repairing homes for Ohio families. The funds are to be used by the affiliates as a bridge loan until committed resources are received by the Habitat affiliate. During the fiscal year ended June 30, 2012, Habitat for Humanity of Ohio, Inc. received the \$500,000 and subsequently loaned it to various Habitat affiliates. In July 2012, an additional \$250,000 was made available, under the existing program. The Organization borrowed the additional \$250,000 and subsequently made additional loans to various Habitat affiliates. In July of 2018, the Organization paid back \$600,000 of the loans and borrowed another \$100,000 in November 2018 to accommodate a new loan to an affiliate. All notes to affiliates are at the rate of 4% per annum. Payments of interest only are to be received quarterly, with the entire principal amount due five years from the date of the note. The Habitat affiliates have pledged an interest in one or more affiliate mortgages as collateral. When an affiliate pays off a loan it will be recycled into other affiliate loans. Following is a summary of receivables at June 30, 2020:

Noncurrent	
Notes receivable – Habitat affiliates	<u>\$ 220,000</u>

HABITAT FOR HUMANITY OF OHIO, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2020

Note 4 **LONG-TERM DEBT**

As disclosed in Note 3, Habitat for Humanity of Ohio, Inc. has borrowed \$750,000 from the Ohio Housing Finance Agency as part of a program designed to provide bridge loans to Habitat affiliates. Following is a summary of long-term debt at June 30, 2020:

Note payable to Ohio Housing Finance Agency, due July 2022 with interest only payments at 2% per annum due semi-annually	<u>250,000</u>
Total long-term debt	<u>\$ 250,000</u>

Maturities of long-term debt are as follows:

Year ending June 30:

2021	\$	0
2022		0
2023		<u>250,000</u>
		<u>\$ 250,000</u>

Note 5 **PAYMENTS TO AFFILIATES**

The Organization periodically remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International, Inc. These funds are used to construct homes in economically depressed areas around the world. The Organization contributed to Habitat for Humanity International, Inc. \$9,582 for year ended June 30, 2020.

Note 6 **CONCENTRATION OF CREDIT RISK**

Financial instruments, which potentially subject the Organization to a concentration of credit risk, consist principally of cash and cash equivalents. At times, such investments may exceed federally insured limits. The Organization manages this risk by using high credit quality financial institutions.

Note 7 **DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through May 18, 2021, the date on which the financial statements were available to be issued.

Note 8 **FUNDS HELD FOR OTHERS**

Funds held for others consisted of the following at June 30, 2020.

Ohio ReStore Council	<u>\$ 7,034</u>
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HABITAT FOR HUMANITY OF OHIO, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Note 9

LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Organizations financial assets as of June 30, 2020, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the statement of financial position date.

Financial assets:	
Cash and cash equivalents	\$ 395,277
Notes receivable – affiliates	220,000
Interest receivable	733
Cash held by others	<u>7,034</u>
Financial assets at June 30, 2020	623,044
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions	<u>0</u>
Financial assets available to meet cash needs for general expenditures within one year, before board designations	623,044
Less board designations:	
Reserves for operations	<u>0</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 623,044</u>

Note 10

NOTE PAYABLE – PPP - PARK NATIONAL BANK

On April 8, 2020, the Organization was granted a loan from The Park National Bank in the amount of \$18,957 pursuant to the Paycheck Protection Program (PPP) under the Cares Act. The loan and accrued interest are forgivable as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for purposes consistent with PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan the Organization cannot assure the users of these financial statements that it will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

HABITAT FOR HUMANITY OF OHIO, INC.
 LOW AND MODERATE INCOME HOUSING TRUST FUND
 OHIO DEVELOPMENT SERVICES AGENCY GRANT #S-S-18-7LP-1
 GRANT PERIOD JANUARY 1, 2020 THROUGH FEBRUARY 28, 2020
 SCHEDULE OF SUPPORT, GRANTS, REVENUES AND EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE PERIOD JULY 1, 2019 THROUGH JUNE 30, 2020

	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 0	\$ 200,000	\$ 200,000
Total support and revenue	<u>0</u>	<u>200,000</u>	<u>200,000</u>
EXPENSES			
Management service	0	20,000	20,000
Grants	<u>0</u>	<u>180,000</u>	<u>180,000</u>
Total expenses	<u>0</u>	<u>200,000</u>	<u>200,000</u>
SUPPORT AND REVENUE OVER (UNDER) EXPENDITURES		0	0
BEGINNING FUND BALANCE		<u>0</u>	<u>0</u>
ENDING FUND BALANCE		<u>\$ 0</u>	<u>\$ 0</u>

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OHIO SOCIETY OF CERTIFIED
 PUBLIC ACCOUNTANTS
 FED ID: 31-0603874

May 18, 2021

To the Board of Trustees
 Habitat for Humanity of Ohio, Inc.
 Columbus, Ohio

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Ohio, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Habitat for Humanity of Ohio, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Habitat for Humanity of Ohio, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, or correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Ohio, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lloyd Danner Quentner & Ellis, P.A.

HABITAT FOR HUMANITY OF OHIO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
➤ Significant deficiencies identified?	___ Yes <u>X</u> No
➤ Significant deficiencies identified that are considered to be material weaknesses?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported