

JOY BALLARD SALINE COUNTY COLLECTOR
2018 Annual Taxpayer Transparency Improvement District Report

FILED
SALINE COUNTY
CLERK & COUNTY CLERK
#32 of 2007
2020 FEB 27 AM 9:59

1. Name of recorded district District #81, Partnership Village Formation Statute
2. Purpose of the district Maintain infrastructure
3. Contracts-Obligations (Contractor's business name, phone number, and address)
None

BY [Signature]

4. Current Indebtedness & Bond Indebtedness (per most recent records)

Name of Payee	Amount Owed	Payoff/Maturity Date
<u>None</u>	<u>\$</u>	<u></u>
<u></u>	<u>\$</u>	<u></u>
<u></u>	<u>\$</u>	<u></u>

5. Outstanding # of Delinquent Assessments/Responsible Delinquent Collector
of Parcels None
\$ Total
Delinquent Collector

6. District Commissioners

Name	Address	City, Zip	Phone #
<u>Stephanie Griffin</u>	<u>404 W. Walnut</u>	<u>Benton, 72019</u>	<u>501-315-5434</u>
<u>Jenny Sichterman</u>	<u>201 E. Richardson Place</u>	<u>Bryant, 72022</u>	<u>501-860-1388</u>
<u>Lauren Miller</u>	<u>205 W. Carpenter</u>	<u>Benton, 72015</u>	<u>870-759-1500</u>

7. Annual Meeting May 28 12:00 Benton Chamber of Commerce
Date Time Location

8. District Assessor (Administrator)
Name Alan C. King Address alanking@improvementdistrictinc.com ZIP 72015 Phone 225-1236

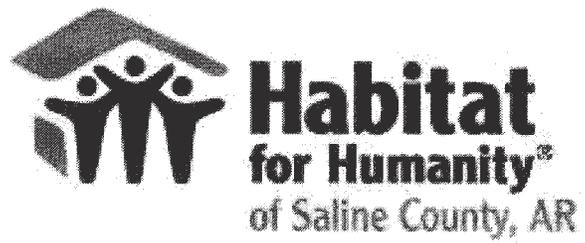
9. Payee for Distribution from County Treasurer
Name Habitat for Humanity Address 404 W. Walnut, Benton ZIP 72015

10. Delinquent Penalty (%) & Cost (\$) charges to property owner
% None \$

11. Method used to Calculate Assessments (Flat Fee; Per Acre; Per Structure, etc.)
Flat fee \$80 per lot

12. Statement of Income and Expenditure Activity: (Attachments Balance Sheet/Bank Statements)
See attached

Completed By: Stephanie Griffin Address 404 W. Walnut, Benton ZIP 72015 Phone 315-5434
Print Name
[Signature] Date 2-27-2020
Signature



**Financial Statements
June 30, 2019 and 2018**

(With Independent Auditor's Report Thereon)

Habitat for Humanity of Saline County, Arkansas, Inc.

Benton, Arkansas

Table of Contents

	Page(s)
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statement of Activities	
For the Year Ended June 30, 2019	3
For the Year Ended June 30, 2018	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 – 16

Independent Auditor's Report

To the Board of Directors of
Habitat for Humanity of Saline County, Arkansas, Inc.

I have audited the accompanying financial statements of Habitat for Humanity of Saline County, Arkansas, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Saline County, Arkansas, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 9 to the financial statements, in 2019, the Organization adopted SU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Wyatt R. Smith CPA, PLLC
Little Rock, Arkansas
December 31, 2019

Habitat for Humanity of Saline County, Arkansas, Inc.
Statements of Financial Position
As of June 30, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash	\$ 274,004	\$ 230,928
Grant receivable	76,942	-
Current portion of mortgage loan receivable	152,160	156,156
Homes under construction	375,482	33,170
Prepaid expenses	6,333	-
Homeowner escrow deposits held	1,182	2,107
Total Current Assets	886,103	422,361
Mortgage Loan Receivable		
Non-interest bearing mortgage loans receivable, net of allowance	1,965,410	2,056,833
Discount on non-interest bearing mortgage loans receivable	(1,036,705)	(1,063,579)
Net Present Value of Mortgage Loans Receivable	928,705	993,254
Real Estate Owned	248,760	251,925
Property and Equipment, Net	431,772	447,345
Total Assets	\$ 2,495,340	\$ 2,114,885

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 15,536	\$ 10,933
Accrued payroll and taxes	3,753	1,907
Homeowner escrow deposits held	1,182	2,107
Other current liabilities	6,646	-
Total Current Liabilities	27,117	14,947
Net Assets		
Without donor restrictions	2,457,508	2,091,854
With donor restrictions	10,715	8,084
Total Net Assets	2,468,223	2,099,938
Total Liabilities and Net Assets	\$ 2,495,340	\$ 2,114,885

Habitat for Humanity of Saline County, Arkansas, Inc.
Statement of Activities
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Home sales	\$ 245,220	\$ -	\$ 245,220
ReStore sales	416,372	-	416,372
Contributions	125,170	2,631	127,801
Government grants	214,558	-	214,558
Mortgage loan discount amortization	98,772	-	98,772
Fundraisers and events	32,784	-	32,784
In-kind donations	42,601	-	42,601
Gain of foreclosure of homes	99,335	-	99,335
Second mortgage payments	14,732	-	14,732
Other gains and losses	1,484	-	1,484
Total Revenues	<u>1,291,028</u>	<u>2,631</u>	<u>1,293,659</u>
Expenses			
Program services	791,984	-	791,984
Supporting services			
General and administrative	109,594	-	109,594
Fundraising	23,796	-	23,796
Total Expenses	<u>925,374</u>	<u>-</u>	<u>925,374</u>
Change in net assets	365,654	2,631	368,285
Net assets, beginning of year	<u>2,091,854</u>	<u>8,084</u>	<u>2,099,938</u>
Net assets, end of year	<u>\$ 2,457,508</u>	<u>\$ 10,715</u>	<u>\$ 2,468,223</u>

Habitat for Humanity of Saline County, Arkansas, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Home sales	\$ 410,662	\$ -	\$ 410,662
ReStore sales	370,634	-	370,634
Mortgage loan discount amortization	94,147	-	94,147
Contributions	83,126	8,084	91,210
Fundraisers and events	34,813	-	34,813
In-kind donations	38,114	-	38,114
Rental Income	5,500	-	5,500
Other gains and losses	17,792	-	17,792
Total Revenues	<u>1,054,788</u>	<u>8,084</u>	<u>1,062,872</u>
Expenses			
Program services	1,078,361	-	1,078,361
Supporting services			
General and administrative	81,518	-	81,518
Fundraising	23,815	-	23,815
Total Expenses	<u>1,183,694</u>	<u>-</u>	<u>1,183,694</u>
Change in net assets	(128,906)	8,084	(120,822)
Net assets, beginning of year	<u>2,220,760</u>	<u>-</u>	<u>2,220,760</u>
Net assets, end of year	<u>\$ 2,091,854</u>	<u>\$ 8,084</u>	<u>\$ 2,099,938</u>

Habitat for Humanity of Saline County, Arkansas, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from Operating Activities		
Change in net assets	\$ 368,285	\$ (120,822)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	24,704	25,151
Gain on foreclosed property	(99,335)	-
Discount on mortgages issued	136,705	251,049
Mortgage loan discount amortization	(98,772)	(94,147)
Mortgage loans issued	(248,520)	(410,662)
Principal payments received on mortgage loans	204,726	156,156
Changes in operating assets and liabilities:		
Homes under construction	(164,922)	236,958
Grant receivable	(76,942)	-
Real estate owned	(483)	54,107
Prepaid expenses	(6,333)	4,244
Accounts payable and accrued expenses	4,603	2,067
Accrued payroll and related taxes	1,846	(5,552)
Other current liabilities	6,646	-
Net cash provided (used) by operating activities	52,208	98,549
Cash Flows from Investing Activities		
Purchase of property and equipment	(9,132)	(15,105)
Net cash provided (used) by investing activities	(9,132)	(15,105)
Cash Flows from Financing Activities		
Payments on notes payable	-	(118,582)
Net cash provided (used) by investing activities	-	(118,582)
Net change in cash and cash equivalents	43,076	(35,138)
Cash and cash equivalents, beginning of year	230,928	266,066
Cash and cash equivalents, end of year	\$ 274,004	\$ 230,928
<u>Supplemental Cash Flow Information:</u>		
Interest paid	\$ -	\$ 2,371

Habitat for Humanity of Saline County, Arkansas, Inc.

Statements of Functional Expenses For the Years Ended June 30, 2019 and 2018

June 30, 2019				
	Program Services	General and Administrative	Fund Raising	Total
Cost of homes sold	\$ 262,190	\$ -	\$ -	\$ 262,190
Salaries and benefits	237,261	41,961	14,722	293,944
Discount on mortgages issued	136,705	-	-	136,705
Advertising	6,796	-	-	6,796
Insurance	18,612	2,068	-	20,680
Depreciation	22,686	2,018	-	24,704
Occupancy	12,950	2,098	792	15,840
Professional fees	-	12,593	-	12,593
Mortgage processing fees	-	13,694	-	13,694
In-kind expenses	-	12,000	-	12,000
Meetings, training, travel and dues	300	3,077	-	3,377
Credit card processing fees	7,698	-	-	7,698
Impairment loss	9,037	-	-	9,037
Interest and service charges	-	899	-	899
Miscellaneous	3,241	336	-	3,577
Office expense	264	6,271	726	7,261
Property tax	4,371	-	-	4,371
Telephone	2,310	879	168	3,357
Cost of special events	-	-	7,388	7,388
Equipment and supplies	7,379	452	-	7,831
Repairs and maintenance	4,420	7,712	-	12,132
ReStore purchases	30,008	-	-	30,008
Vehicle costs	11,260	738	-	11,998
Volunteer appreciation	2,109	2,798	-	4,907
Tithe and fees to International	12,387	-	-	12,387
Total Expenses	\$ 791,984	\$ 109,594	\$ 23,796	\$ 925,374

June 30, 2018				
	Program Services	General and Administrative	Fund Raising	Total
Cost of homes sold	\$ 473,661	\$ -	\$ -	\$ 473,661
Salaries and benefits	216,685	25,492	12,746	254,923
Discount on mortgages issued	251,049	-	-	251,049
Insurance	13,206	1,490	-	14,696
Depreciation	25,151	-	-	25,151
Occupancy	11,135	1,310	655	13,100
Professional fees	-	14,082	-	14,082
Mortgage processing fees	-	11,886	-	11,886
In-kind expenses	-	12,000	-	12,000
Meetings, training, travel and dues	-	2,831	-	2,831
Program expenses	3,714	-	-	3,714
Credit card processing fees	6,163	-	-	6,163
Interest and service charges	2,627	-	-	2,627
Office expense	-	5,075	564	5,639
Telephone	3,024	351	176	3,551
Cost of special events	-	-	9,674	9,674
Equipment and supplies	29,503	-	-	29,503
ReStore purchases	20,378	-	-	20,378
Public relations	-	2,993	-	2,993
Vehicle costs	9,586	-	-	9,586
Volunteer appreciation	-	4,008	-	4,008
Tithe and fees to International	12,479	-	-	12,479
Total Expenses	\$ 1,078,361	\$ 81,518	\$ 23,815	\$ 1,183,694

Habitat for Humanity of Saline County, Arkansas, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Habitat for Humanity of Saline County, Arkansas, Inc. (“Habitat” or the “Organization”) is a not-for-profit organization, incorporated in the State of Arkansas in 1999. Habitat is an affiliate of Habitat for Humanity International, Inc., a non-denominational Christian not-for-profit organization with affiliates worldwide that seeks to eliminate poverty housing and homelessness, and to make decent shelter a matter of conscience and action. Although Habitat for Humanity International (HfHI) assists with informational and fiscal resources, Habitat is responsible for its own operations.

Creating affordable homeownership is Habitat’s primary program. The Organization builds or renovates homes in Saline County, Arkansas utilizing volunteer labor, donated materials, and contributed funds. The homes are then sold at or below cost to pre-qualified, low-income families. Habitat provides 0% mortgage financing, which allows homebuyers more affordable monthly mortgage payments. Homebuyers are selected based on need, ability to repay the Habitat mortgage, and willingness to partner.

Habitat also operates the ReStore center, which consists of a retail store selling new and donated items. The sale proceeds provide funds for home construction and Habitat’s general and administrative expenses.

The Organization also tithes a portion of its general donations to HfHI for use in building homes outside the United States. The tithe is sufficient to build an equal number of homes overseas as are built locally.

Habitat is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Habitat is generally exempt from state and local taxes. No provision for income tax is recorded in the financial statements.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Management’s Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash

For the years ended June 30 2019 and 2018, Habitat’s cash was held in checking and savings accounts at financial institutions insured by the FDIC. The accounts earn interest at rates ranging from 0.0% to 2.5%.

Habitat for Humanity of Saline County, Arkansas, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts-with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift - cash and other assets	Fair Value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. Conditional contributions having donor stipulations which are satisfied in the period the first is received are recorded as revenue and net assets without donor restrictions.

Habitat for Humanity of Saline County, Arkansas, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

Grants Receivable

In 2019, Habitat finalized an agreement with the Arkansas Development Finance Authority (ADFA) to construct twelve affordable single-family homes received from HOME Investment Partnership Program (Home Program) funded by the U.S. Department of Housing and Urban Development. Habitat constructed and completed one home under the HOME Program during the year ended June 30, 2019. Habitat is eligible to receive up to \$99,000 of grant funding for each home.

Once a home has been approved by ADFA, grants receivable is recorded for cost incurred but not reimbursed prior to June 30, 2019. For the year ended June 30, 2019, total revenue recognized under the HOME Program was \$214,558. As of June 30, 2019, grants receivable under the HOME Program totaled \$76,942.

Mortgage Loans Receivable

Mortgage loans receivable consist of amounts due from individuals who have purchased homes constructed by Habitat. These mortgages are secured by the real estate and payable in monthly installments over twenty to thirty-year terms. The mortgages do not bear interest and are discounted based upon prevailing market rates for low-income housing at the inception of the mortgage. The discount is amortized on a straight-line basis over the term of the mortgage. As of June 30, 2019 and 2018, a total of fifty-five mortgages were outstanding.

Because the Organization has a perfected security interest in all homes they sell, an allowance for loan loss has not been recorded. Management believes the value of each home is generally greater than the respective carrying value of the mortgage due.

Foreclosed Property

From time to time, Habitat must foreclose on homeowners due to nonpayment. Habitat has not experienced a loss upon foreclosure as the carrying value of the mortgage is less than the estimated fair market value of the repossessed property. For the year ended June 30, 2019, Habitat foreclosed three single-family homes, which resulted in recognition of a \$99,335 gain. These assets have been reclassified to homes in progress as renovations will be performed in order to resale in the near future.

Homes Under Construction

Homes under construction are stated at cost and include land under development, developed lots, direct and indirect costs of housing construction, in-kind donation of materials and property taxes incurred during the development period. Cost is determined by the specific identification and per unit methods. As of June 30, 2019, eleven homes were under construction with cost totaling \$375,482. Nine homes of these homes were being constructed under the HOME Program with cost totaling \$160,779.

Habitat for Humanity of Saline County, Arkansas, Inc.

Notes to the Financial Statements

June 30, 2019 and 2018

Real Estate Owned

Real estate owned includes fully developed lots ready for construction and land under development for future lots, which includes direct and indirect costs of housing construction, and property taxes incurred during the development period. Cost is determined by the specific identification and per unit methods. Real estate assets are evaluated for impairment on an annual basis, or upon discovery impairment indicators during interim periods. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate the asset's carrying value of the asset may not be recoverable. For the year ending June 30, 2019, management determined an impairment loss of \$9,037 was required to reduce the value of a real estate holding which was not recoverable.

Homeowner Escrow Deposits

Homeowner escrow deposits held are funds collected from homeowners for payment of their property taxes and homeowners' insurance. These custodial funds are held in a fiduciary capacity by Habitat. A corresponding liability is included in homeowner escrow deposits held in the accompanying statement of financial position. At June 30, 2019 and 2018, homeowner escrow deposits held totaled \$1,182 and \$2,107, respectively.

Property and Equipment

Habitat capitalizes property and equipment having an estimated useful life of more than one year with cost in excess of \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 7 years
Vehicles	5 years

Habitat for Humanity of Saline County, Arkansas, Inc.

Notes to the Financial Statements

June 30, 2019 and 2018

In-Kind Contributions and Contributed Services

In addition to receiving cash contributions, Habitat receives in-kind contributions of construction materials from local businesses as well as real property such as undeveloped lots. It is Habitat's policy to record the estimated fair value of certain in-kind donations in its financial statements as an expense, or home construction costs, based on the nature of the contribution, and similarly increase contribution revenue by a like amount. In addition, contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The contributed services did not qualify for recognition in the financial statements. For the year ended June 30, 2019, a total of 53 volunteers contributed 6,558 hours of unrecognized contributed services. For the years ended June 30, 2019 and 2018, Habitat recognized in-kind contributions for construction materials totaling \$30,601 and 26,114, respectively.

ReStore Center

Habitat accepts non-cash donations for resale through the operation its ReStore center. Management has been unable to determine a reasonable estimate for the value of the contributions when received and, as such, the ReStore center inventory is not carried on the Statement of Financial Position. Revenue is recorded at the time of sale. Management believes the effect is immaterial to the financial statements taken as a whole.

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- | | |
|-----------|--|
| Level I | Quoted prices in active markets for identical assets or liabilities. |
| Level II | Quoted prices in active markets for similar assets and liabilities, and inputs that are observable for the asset or liability. |
| Level III | Unobservable inputs for the asset or liability, such as discounted cash flow models or valuations. |

Habitat's assets that are measured at fair value consist of mortgages receivable. There are no liabilities that are measured at fair value.

The fair value of mortgages receivable is estimated by discounting the future cash flows using a current interest rate of return based on current market value.

Habitat for Humanity of Saline County, Arkansas, Inc.

Notes to the Financial Statements

June 30, 2019 and 2018

Functional Allocation of Expenses

The costs of providing Habitat’s 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. The Organization classifies expenses which can be directly attributed to a particular function. Certain expenses based on management’s best estimate and may be allocated on estimated hours, square footage or other reasonable criteria.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 31, 2019, the date the financial statements were available to be issued.

Note 2: Liquidity and Availability

Habitat has approximately \$500,000 of financial assets available to be used within one year of the statement of financial position date to meet cash needs for general expenditure. Saline County, Arkansas has contributed \$10,715 of the financial assets and are restricted to future use in Partnership Village that make them unavailable for general expenditure within one year of the statement of financial position date. In addition to financial assets on hand, the Organization relies upon Restore sales, government grants, fundraisers and contributions from local businesses and individuals.

Note 3: Unused Line of Credit

The Organization has a \$185,000 line of credit with a bank bearing interest of 6.50%. The line of credit is secured by the Organization’s ReStore building, contains a due on demand clause in addition to various financial covenants and matures on April 1, 2020. As of June 30, 2019 and 2018, the line of credit balance was \$0.

Note 4: Non-Forgivable Mortgage Loans Receivable

A home is considered sold when a formal closing transaction has been finalized. For the years ended June 30, 2019 and 2018, the number of homes sold were three and seven, respectively. Since the first mortgage on each home is less than the market value, the Organization also obtains a second mortgage for the difference between the first mortgage and the market value. The second mortgage is forgiven at the end of the first mortgage term and, it is assumed to have no economic value. Accordingly, the second mortgage is not recognized in the Organization’s financial statements. If a homeowner sells the property prior to the original maturity, the second mortgage becomes payable. For the year ended June 30, 2019, revenue recognized for proceeds received from second mortgages totaled \$14,732.

At June 30, 2019 and 2018, the non-forgivable mortgage loans receivable balance is as follows:

	2019	2018
Face Value	\$ 2,117,570	\$ 2,212,989
Less: Unamortized discount	(1,036,705)	(1,063,579)
Net Present Value	\$ 1,080,865	\$ 1,149,410

Habitat for Humanity of Saline County, Arkansas, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

Estimated annual collection of the non-forgivable mortgage loans receivable, net of the unamortized discount, at June 30, 2019, are as follows:

Year Ending June, 30		
2020	\$	152,160
2021		152,160
2022		152,160
2023		149,090
2024		148,300
Thereafter		1,363,700
Total	\$	<u>2,117,570</u>

Note 5: Property and Equipment

Property and equipment consist of:

	2019	2018
Buildings and improvements	\$ 493,302	\$ 485,996
Furniture and equipment	13,315	11,490
Vehicles	63,942	63,942
Gross fixed assets	570,559	561,428
Less: Accumulated depreciation	(138,787)	(114,083)
Property and equipment, net	\$ 431,772	\$ 447,345

For the years ended June 30, 2019 and 2018, depreciation expense charged to operations was \$24,704 and \$25,151, respectively.

Note 6: Contribution to Habitat for Humanity International, Inc.

For the years ended June 30, 2019 and 2018, Habitat incurred a tithe expense in the amount of \$4,887 and \$4,979, respectively, to HfHI to benefit its international building projects and is reported in the accompanying Statement of Functional Expenses as a program services expense. For the years ended June 30, 2019 and 2018, Habitat incurred an affiliate fee of \$7,500, and is reflected in the accompanying Statement of Functional Expenses as a program services expense.

Note 7: Administrative Office Lease Agreement

The Organization's administrative offices are located in Benton, Arkansas and are provided rent free by the Central Arkansas Development Council (CADC). The estimated fair market value of the rent is approximately \$12,000 and is reflected under the caption in-kind donations in the Statement of Activities and as rent expense in the Statement of Functional Expenses. The Organization does not have a written lease agreement and the rent-free arrangement is subject to change at the discretion of CADC.

Habitat for Humanity of Saline County, Arkansas, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

Note 8: Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to “Note 2: Summary of Significant Accounting Policies.” The Organization has assets that are valued using the Level III inputs. As of June 30, 2019 and 2018, there are no Level I or Level II assets or liabilities.

The following table presents the fair value hierarchy, measuring fair value at quoted prices in active markets for identical assets (Level I), significant other observable inputs (Level II), and significant unobservable inputs (Level III). Assets measured at fair value on a recurring basis as of June 30, 2019 and 2018, are as follows:

<u>Description</u>	<u>June 30, 2019</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Mortgage loans receivable	\$ 1,080,865	\$ -	\$ -	\$ 1,080,865
Total assets at fair value	<u>\$ 1,080,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,080,865</u>

<u>Description</u>	<u>June 30, 2018</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Mortgage loans receivable	\$ 1,149,410	\$ -	\$ -	\$ 1,149,410
Total assets at fair value	<u>\$ 1,149,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149,410</u>

The following table sets forth a summary of changes in the fair value of Habitat’s Level III assets for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mortgages receivable		
Balance, beginning of year	\$ 1,149,410	\$ 1,051,806
Mortgages issued	248,520	410,662
Payments	(204,726)	(156,156)
Foreclosed mortgages	(139,213)	-
Change in discount	26,874	(156,902)
Balance, end of year	<u>\$ 1,080,865</u>	<u>\$ 1,149,410</u>

Habitat for Humanity of Saline County, Arkansas, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

Note 9: Change in Accounting Principle

In 2019, Habitat adopted, and retrospectively applied, Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the ASU's provisions applicable to Habitat is as follows:

Statements of Financial Position

The statements of financial position distinguish between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Notes to the Financial Statements

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position, and requires additional footnote disclosures regarding methods to allocate expenses among program and support functions.

This change had no impact on previously reported total change in net assets or the reported amounts of assets and liabilities.

Note 10: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Organization is in the process of evaluating the effect the amendment will have on the financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in

Habitat for Humanity of Saline County, Arkansas, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards.