



Brunswick County Habitat for Humanity, Inc.

Audited Financial Statements

for the fiscal year ended

June 30, 2019

(with comparative totals for 2018)



Table of Contents

Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-16



bearmancpa

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brunswick County Habitat for Humanity, Inc.
Southport, North Carolina

We have audited the accompanying financial statements of Brunswick County Habitat for Humanity, Inc. (Habitat), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Comparative Information

The organization's 2018 financial statements were audited by other auditors. In their report dated January 15, 2019, they expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bearman CPA PC

Wilmington, North Carolina
November 12, 2019

Brunswick County Habitat for Humanity, Inc.
Statement of Financial Position
as of June 30, 2019
(with comparative totals for 2018)

	6/30/19	6/30/18
Assets		
Cash and Cash Equivalents (Notes 3c and 4)	\$ 1,379,480	\$ 710,684
Accounts Receivable (Note 5)	6,199	10,781
Prepaid Expenses	11,013	18,651
ReStore Inventory (Note 3j)	150,850	143,415
Program Properties Inventory (Notes 3h and 6)	289,014	211,117
Loans to Homeowners, net (Note 7)	1,294,988	1,301,011
Property & Equipment, net (see Note 8)	1,695,855	1,719,273
Total Assets	\$ 4,827,399	\$ 4,114,932
Liabilities & Net Assets		
Accounts Payable & Accrued Liabilities (Note 9)	\$ 126,557	\$ 84,298
Notes Payable (Note 10)	842,037	892,825
Total Liabilities	968,594	977,123
Net Assets		
Without Donor Restrictions		
Undesignated (Note 3b)	3,512,968	3,132,509
Board Designated for Operating Reserve (Note 3b)	241,119	-
With Donor Restrictions (Note 3b)	104,718	5,300
Total Net Assets	3,858,805	3,137,809
Total Liabilities & Net Assets	\$ 4,827,399	\$ 4,114,932

The accompanying notes are an integral part of these financial statements.

Brunswick County Habitat for Humanity, Inc.

Statement of Activities

for the fiscal year ended June 30, 2019

(with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total FY 2018/19	Total FY 2017/18
OPERATING				
Revenue				
Private Grants & Contributions (Note 3d)	\$ 80,754	\$ 130,000	\$ 210,754	\$ 76,109
Home Sales (Note 7)	175,230		175,230	350,073
Gross ReStore Sales	1,846,492		1,846,492	1,541,207
Less ReStore Cost of Goods Sold	<u>(1,045,877)</u>		<u>(1,045,877)</u>	<u>(983,992)</u>
ReStore, net (see Note 3j)	800,615	-	800,615	557,215
Interest & Other Income	4,510		4,510	6,679
Imputed Income on Interest-free Loans (Note 7)	100,853		100,853	98,134
Net Assets Released from Restriction (Note 3b)	<u>30,582</u>	<u>(30,582)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>1,192,544</u>	<u>99,418</u>	<u>1,291,962</u>	<u>1,088,210</u>
Expense				
Program (Note 3e)	403,781		403,781	711,519
Management & General (Note 3e)	154,000		154,000	84,467
Fundraising (Note 3e)	<u>13,185</u>	<u>-</u>	<u>13,185</u>	<u>24,319</u>
Total Expense	<u>570,966</u>	<u>-</u>	<u>570,966</u>	<u>820,305</u>
Change in Net Assets	<u>621,578</u>	<u>99,418</u>	<u>720,996</u>	<u>267,905</u>
Net Assets Beginning of Year	<u>3,132,509</u>	<u>5,300</u>	<u>3,137,809</u>	<u>2,869,904</u>
Net Assets End of Year	<u>\$ 3,754,087</u>	<u>\$ 104,718</u>	<u>\$ 3,858,805</u>	<u>\$ 3,137,809</u>

The accompanying notes are an integral part of these financial statements.

Brunswick County Habitat for Humanity, Inc.
Statement of Functional Expenses
for the fiscal year ended June 30, 2019
(with comparative totals for 2018)

Expense Type	Program				Total FY 2018/19	Total FY 2017/18
	Homeownership	ReStore	Management & General	Fundraising		
Wages, Taxes & Benefits	\$ 101,107	\$ 613,610	\$ 90,146	\$ 8,438	\$ 813,301	\$ 747,698
Construction	168,333	-	-	-	168,333	346,414
Discount on New Mortgages (Note 7)	48,588	-	-	-	48,588	203,794
Contracted Services	-	-	13,377	-	13,377	10,325
General Operations	65,721	167,491	32,617	3,075	268,904	208,095
Occupancy (Note 13)	9,289	109,582	8,282	775	127,928	131,148
Interest (Note 10)	1,870	40,500	1,667	156	44,193	42,978
Insurance	8,674	53,947	7,734	724	71,079	58,408
Depreciation (Note 8)	199	60,747	177	17	61,140	55,437
Total Expenses by Function	\$ 403,781	\$ 1,045,877	\$ 154,000	\$ 13,185	\$ 1,616,843	\$ 1,804,297
<u>Less Expense Items Netted Against Revenue on the Statement of Activities</u>						
ReStore Cost of Goods Sold	-	(1,045,877)	-	-	(1,045,877)	(983,992)
Total Expenses per Statement of Activities	\$ 403,781	\$ -	\$ 154,000	\$ 13,185	\$ 570,966	\$ 820,305

The accompanying notes are an integral part of these financial statements.

Brunswick County Habitat for Humanity, Inc.
Statement of Cash Flows
for the fiscal year ended June 30, 2019
(with comparative totals for 2018)

	FY 2018/19	FY 2017/18
Cash Flows from Operating Activity		
Change in Net Assets	\$ 720,996	\$ 267,905
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Changes in certain assets and liabilities:		
Accounts Receivable	4,582	(955)
Prepaid Expenses	7,638	-
Inventory	(7,435)	-
Accounts payable & accrued expenses	42,259	11,876
Program Properties Inventory	(77,897)	129,904
Depreciation (including ReStore)	61,140	55,437
Home Sales, net of discounts	(126,642)	(146,279)
Other non-cash transactions	-	(41,441)
Imputed Income - Interest-free Loans	(100,853)	(98,134)
Net Cash Provided by Operating Activities	523,788	178,313
Cash Flows from Investing Activities		
Homeowner Payments Received	138,088	142,278
Other Sales of Property	95,430	1,250
Purchases of Property & Equipment	(37,722)	(28,694)
Net Cash Provided by Investing Activities	195,796	114,834
Cash Flows from Financing Activities		
Payments on Long-term Debt	(50,788)	(52,002)
Net Cash Provided by Financing Activities	(50,788)	(52,002)
Net Increase (Decrease) in Cash	668,796	241,145
Cash and Cash Equivalents, beginning of year	710,684	469,539
Cash and Cash Equivalents, end of year	\$ 1,379,480	\$ 710,684

The accompanying notes are an integral part of these financial statements.

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

1. Organization

Brunswick County Habitat for Humanity, Inc. (“Habitat”) is a North Carolina nonprofit corporation organized in June 1993 operating in Brunswick County, North Carolina. It is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience for people everywhere.

Habitat is directly responsible for its own operations. It receives assistance from Habitat International in a variety of ways including assistance with training, publications and prayer support. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3) under a group exemption letter granted to Habitat International. As such, contributions to the organization are generally tax deductible.

2. Mission and Activities

Habitat is an ecumenical Christian housing ministry partnering with community volunteers to assist families who are working toward the purchase of a Habitat house. Habitat had completed 63 houses since its inception in 1993 through June 30, 2019. It sells the homes to pre-qualified, low-income families who have actively participated in the construction process. New homeowners either qualify for an interest-free loan from Habitat to finance the purchase and repay Habitat over time or they qualify for a low-interest loan from a third-party lender and pay Habitat in full at closing.

3. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

3a. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

See the Independent Auditor’s Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

3b. Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, "Not-for-Profit Entities," requires the reporting of an organization's activities by net asset class. The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on their use are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Board-Designated Funds

During the year the organization's board of directors opened a money market account to establish an operating reserve. Initially, \$240,000 was deposited and during the year an additional \$1,119 was earned in interest. The board considers the entire amount of \$241,119 to be designated for operating reserves. Since none of the funds are donor-restricted, the board of directors may remove or change the designation as it sees fit.

Net assets with donor restrictions are resources that are subject to donor (or certain grantor) - imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. During the course of the year funds totaling \$30,582 that were initially restricted by donors were expended for their intended purposes and released from restriction. These appear as the line item "Net Assets Released from Restriction" on the Statement of Activities. *As of June 30, 2019, Habitat held no net assets with permanent donor restrictions.*

3c. Cash and Cash Equivalents

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation. At various times during the year, the organization's cash balance in financial institutions has exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per depositor. The financial institutions have strong credit ratings and management believes that the credit risks related to these deposits are minimal.

See the Independent Auditor's Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

3d. Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (see *Note 3b*, previously). Contributed services are only recorded if they meet the requirements for recognition discussed in *Note 11, Contributed Services, Donated Property & Materials*. Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

3e. Functional Allocation of Expenses

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, "Not-for-Profit Entities," requires the reporting of the organization's expenses in a Statement of Activities using functional classifications (program, management and general, and fundraising). The Statement of Functional Expenses presents these same expenses by both functional and natural classification (e.g. wages, contracted services).

Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an objective basis for the following categories:

Expense Category

Payroll & related
Occupancy & Depreciation

Method of Allocation by Function

Time and effort (e.g. staff members' time tracking)
Usage of space (e.g. square footage by function)

Management and General activities include the functions necessary to provide support for the organization's program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

3f. Property & Equipment

Habitat capitalizes property and equipment costing more than \$1,000 with a useful life of more than one year. Lesser amounts are expensed. Purchased property and equipment is capitalized at acquisition cost, including costs necessary to prepare the asset for its intended use. Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor specifically restricts

See the Independent Auditor's Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

the asset's use. Also see *Note 8, Property & Equipment and Note 11, Contributed Services, Donated Property & Materials.*

3g. Escrow

Habitat makes loans to homeowners as described in *Note 7*. The homeowner escrow accounts are held as cash on the balance sheet and are offset by a corresponding liability within the accounts payable and accrued liabilities section since Habitat retains no ownership of the escrow funds.

3h. Real Estate Owned and Homes under Construction

Real estate, including pre-acquisition, acquisition, and development costs, building materials and labor, are recorded at cost when assets are acquired or services are provided, or at estimated fair market value when donated. A portion of overhead expenses is allocated to the cost of homes. Foreclosed homes purchased by the organization are recorded at cost when the homes are acquired. No interest is capitalized as a cost of houses. Reclaimed houses are recorded as a component of real estate owned at the outstanding balance of the interest-free mortgage at the date of reclamation plus any related legal fees.

The costs of homes under construction are capitalized until the transfer to the homeowner is made. They appear as an asset on the Statement of Financial Position within the line item "Program Properties Inventory." Once the home is occupied and title has passed to the homeowner, the construction costs are expensed and appear on the Statement of Functional Expenses as the program expense "Construction." Also see *Note 6, Housing Activities.*

3i. Home Sales

Habitat transfers ownership of its properties to homeowners when the homes are occupied, and title is transferred. The transfers are recorded as revenue on the Statement of Activities at the gross amount of payments to be received over the lives of the associated mortgages plus any cash payments received at closing. The non-interest-bearing mortgages are discounted at a rate provided by Habitat International that seeks to approximate a market rate for similar types of loans. Currently, the rate used is 7.66%. Discounts are amortized using the effective interest method over the lives of the mortgages. Also see *Note 7, Home Sales / Loans to Homeowners.*

3j. ReStore Donations

Habitat receives support in the form of in-kind donations of building materials and household items. It operates ReStores in Ocean Isle Beach, Southport, and Leland, NC in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold).

See the Independent Auditor's Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

3k. Prior Year Information

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (unrestricted, temporarily restricted and permanently restricted). Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year then ended, from which the summarized information is derived. Certain reclassifications of prior year amounts were made to conform to the current year presentation.

4. Liquidity & Availability

As of June 30, 2019, Habitat had working capital (the difference between current assets and current liabilities) of \$1,276,527 including unrestricted cash on hand of \$1,033,643. This amount translates to 243 days of unrestricted cash on hand (calculated by dividing the unrestricted cash on hand by average daily expenses of \$4,262, excluding depreciation).

Financial assets not considered available for general expenditure within one-year for the purpose of the above calculations include property and equipment of \$1,695,855, property held for future use of \$172,413, long-term portions of loans to homeowners of \$1,152,761, and donor restricted funds of \$104,718. Board designated funds of \$241,119 are also excluded as their use is limited. However, the board designated amounts could be made available, if necessary, by vote of the board of directors.

As part of Habitat's liquidity management plan, cash in excess of daily requirements may be invested in short-term investments and money market funds.

5. Accounts Receivable

The accounts receivable balance of \$6,199 consists of sales taxes paid by the organization that were requested for reimbursement from the State of North Carolina. Management believes the amount is fully collectible. Accordingly, no provision is made for uncollectible amounts.

6. Housing Activities

The following table summarizes home building activity for FY 2018/19.

	<u>Cost</u>
Program Properties Inventory, Beginning	\$ 211,117
Additional costs incurred	246,838
2 Homes Sold	<u>(168,941)</u>
Program Properties Inventory, Ending	<u>\$ 289,014</u>

See the Independent Auditor's Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

7. Homes Sales / Loans to Homeowners

Habitat sells homes to program participants in exchange for interest-free mortgage notes plus any cash down-payments received. The mortgages are payable to Habitat over 20 to 30 years and appear on the Statement of Financial Position discounted to their present value (see Note 3i). This method of accounting reflects the present value of the interest-free loans at inception and recognizes imputed interest income over the life of the loans.

As each house is sold, an expense is calculated for the difference between the face value of the mortgage loan receivable and the present value of the loan. The discount expense appears on the Statement of Functional Expenses as “Discount on New Mortgages.” As imputed interest income is earned over the life of the loan, it appears on the Statement of Activities within the revenue line item “Imputed Income – Interest-Free Loans.”

As of June 30, 2019, Habitat had 62 loans outstanding with a gross value of \$2,725,387 and a discounted value of \$1,294,988. Management has established no provision for loan losses because Habitat is the secured creditor and it can reclaim the homes through foreclosure. Historically, when foreclosure has occurred, the proceeds to Habitat have exceeded the book value of the loan plus the costs of reselling the home.

Scheduled annual mortgage receipts are as follows:

FY 2019/20	\$ 166,248
FY 2020/21	139,377
FY 2021/22	138,550
FY 2022/23	136,616
FY 2023/24	130,344
Thereafter	<u>2,014,252</u>
	<u>\$ 2,725,387</u>
Less present value discount	<u>(1,430,399)</u>
Loans to Homeowners, Net	<u>\$ 1,294,988</u>

In addition to the interest-free mortgage, most homeowners are obligated to a second mortgage which is forgiven based on compliance with various requirements including timely mortgage payments and occupancy over 20 years. These second mortgages are a contingent asset of Habitat and are therefore not recorded on the financial statements unless they are realized due to a home foreclosure or refinancing with a new lender. During FY 2018/19, Habitat did not foreclose on any homeowner loans.

See the Independent Auditor’s Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

8. Property and Equipment

The property and equipment balance is stated at cost and consists of the following:

	<u>6/30/19</u>
Land	\$ 249,611
Buildings & Improvements	1,738,148
Machinery & Equipment	<u>134,898</u>
	2,122,657
Less accumulated depreciation	<u>(426,802)</u>
Property & Equipment, Net	<u>\$ 1,695,855</u>

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (up to 40 years for buildings and improvements, 5 to 10 years for machinery and equipment).

Depreciation expense totaled \$61,140 of which \$60,747 relates to the ReStore facility.

9. Accounts Payable & Accrued Liabilities

The accounts payable and accrued liabilities balance consists of the following:

	<u>6/30/19</u>
Operational Accounts Payable	\$ 43,030
Escrow Funds Payable	19,686
Payroll & Related Payables	17,854
Funds held for Homeowner Repairs	<u>45,987</u>
Total	<u>\$ 126,557</u>

10. Notes Payable

Habitat's debt consists of the following:

- Note payable to First Bank with a principal balance of \$465,105, due in monthly installments of \$3,660, including interest at a fixed rate of 4.60% per annum. The loan matures in March 2027. The note is secured by the Southport ReStore.
- Note payable to First Bank with a principal balance of \$376,933, due in monthly installments of \$4,255, including interest at a fixed rate of 4.60% per annum. The loan matures in June 2028. The note is secured by the Ocean Isle Beach ReStore.

Interest expense totaled \$44,193 and appears as a line item on the Statement of Functional Expenses.

See the Independent Auditor's Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

Scheduled annual mortgage principal payments on the two notes are as follows:

FY 2019/20	\$ 57,449
FY 2020/21	60,148
FY 2021/22	62,974
FY 2022/23	65,932
FY 2023/24	69,030
Thereafter	<u>526,504</u>
	<u>\$ 842,037</u>

11. Contributed Services, Donated Property and Materials

The requirements for the recognition of contributed services in the financial statements are set forth in FASB ASC 958-605-25-16, "Contributed Services." They should be recorded when (1) they create or enhance non-financial assets; or (2) they require specialized skills provided by individuals possessing those skills and are services that would typically be purchased if not provided by donation.

Volunteers provide substantial services to Habitat in the form of construction and other services. In addition, Habitat receives donated property and construction materials in the course of its construction activities. These in-kind donations are valued using an estimate of fair value for the service or material provided. In addition, volunteers perform a variety of administrative and fundraising tasks for the organization. Only the services of skilled construction personnel meet the criteria for recognition.

In-kind donations of \$47,396 are included within the "Private Grants and Contributions" line item on the Statement of Activities. The in-kind amount consists primarily of gifts of property recorded at tax-assessed values.

12. Payment to Habitat International

Habitat remits a portion of its revenues each year to Habitat International and Habitat North Carolina. A portion of these funds known as a "tithe" comes from our unrestricted contributions and is used to help construct homes in economically depressed areas around the world. The rest of these funds are fees charged by Habitat International and Habitat NC for the support services they provide their affiliates. Habitat contributed \$13,850 in this way during the fiscal year and this expense is included within the General Operations line item on the Statement of Functional Expenses.

See the Independent Auditor's Report

Brunswick County Habitat for Humanity, Inc.

Notes to the Audited Financial Statements

June 30, 2019

13. Leases

Habitat leases administrative offices from a local landlord on a short-term basis that expires in December 2020. Rent expense for FY 2018/19 was \$11,400 and the agreed-upon annual rent for FY 2019/20 is \$5,700. Habitat also leases commercial space for their Leland ReStore from a local landlord on a short-term basis. Rent is paid on a month-to-month basis and rent expense for FY 2018/19 was \$38,367. Rent expense appears within the line item "Occupancy" on the Statement of Functional Expenses.

14. Income Taxes

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and Habitat believes it is not subject to tax examinations for fiscal years prior to FY 2015/16.

15. Subsequent Events

Habitat has evaluated events that have occurred subsequent to the statement of financial position date (June 30, 2019) and through the date the Independent Auditor's Report was available to be issued (November 12, 2019). No events have occurred during that period that would require adjustments to the audited financial statements or additional disclosure in these notes.

See the Independent Auditor's Report