

**DORCHESTER HABITAT FOR  
HUMANITY, INC.**

**INDEPENDENT AUDITORS' REPORT  
AND AUDITED FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2021**

Dorchester Habitat for Humanity, Inc.  
Audited Financial Statements  
As of and for the Year Ended June 30, 2021

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William H. Jarrard, CPA  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Dorchester Habitat for Humanity, Inc.  
Summerville, SC

We have audited the accompanying financial statements of Dorchester Habitat for Humanity, Inc. ("the Entity"), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the fiscal 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.

### **Auditors' 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 auditors' 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 auditors consider 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.

*Jarrard, Nowell & Russell, LLC is an Independent Member of the BDO Alliance USA.*

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dorchester Habitat for Humanity, Inc. as of June 30, 2021 and 2020, 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.

*Jarard, Nowell, & Russell, LLC*

Charleston, SC  
September 24, 2021

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 700,865	\$ 424,334
Accounts Receivable	16,665	17,529
Other Current Assets	71,910	46,042
Construction in Progress	349,055	294,240
Mortgage Receivables, net, current	89,684	83,733
<b>Total Current Assets</b>	<b>\$ 1,228,179</b>	<b>\$ 865,878</b>
Property and Equipment, net	1,452,091	\$ 1,405,528
<b>Other Assets</b>		
Land Held for Development	547,670	483,720
Mortgages Receivables, net, long term	1,409,787	1,344,404
Land Held for Investment	1	1
<b>Total Other Assets</b>	<b>\$ 1,957,458</b>	<b>\$ 1,828,125</b>
<b>Total Assets</b>	<b>\$ 4,637,728</b>	<b>\$ 4,099,531</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 60,357	\$ 43,628
Compensated Absences	6,461	11,115
Accrued Salaries	20,226	16,780
Note Payable	53,849	50,660
<b>Total Current Liabilities</b>	<b>\$ 140,893</b>	<b>\$ 122,183</b>
<b>Long Term Liabilities</b>		
Note Payable	549,251	620,573
<b>Total Long Term Liabilities</b>	<b>\$ 549,251</b>	<b>\$ 620,573</b>
<b>Total Liabilities</b>	<b>\$ 690,144</b>	<b>\$ 742,756</b>
<b>Net Assets</b>		
Without Donor Restrictions	3,920,784	\$ 3,328,975
With Donor Restrictions	26,800	27,800
<b>Total Net Assets</b>	<b>3,947,584</b>	<b>\$ 3,356,775</b>
<b>Total Liabilities and Net Assets</b>	<b>4,637,728</b>	<b>\$ 4,099,531</b>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support			
Contributions	\$ 43,684	\$ 37,500	\$ 81,184
Contributions In-kind	-	25,440	25,440
Grant Revenue	-	220,678	220,678
Home Sales, net	141,697	-	141,697
Mortgage Discount Amortization	119,607	-	119,607
Special Events	75,671	-	75,671
ReStore Sales	1,581,427	-	1,581,427
Interest Income	79	-	79
Other Income	132,075	-	132,075
Net Assets Released from Restrictions	284,618	(284,618)	-
Total Revenues and Other Support	<u>\$ 2,378,858</u>	<u>\$ (1,000)</u>	<u>\$ 2,377,858</u>
Expenses			
Program			
Construction	504,812	-	504,812
ReStore	1,139,139	-	1,139,139
Total Program Expenses	<u>\$ 1,643,951</u>	<u>\$ -</u>	<u>\$ 1,643,951</u>
Support Services			
Management and General	35,004	-	35,004
Fundraising	80,952	-	80,952
Special Events	27,143	-	27,143
Total Support Services	<u>\$ 143,099</u>	<u>\$ -</u>	<u>\$ 143,099</u>
Total Expenses	<u>\$ 1,787,050</u>	<u>\$ -</u>	<u>\$ 1,787,050</u>
Change in Net Assets	\$ 591,808	\$ (1,000)	\$ 590,808
Net Assets at Beginning of Year	\$ 3,328,975	\$ 27,800	\$ 3,356,775
Net Assets at End of Year	<u>\$ 3,920,783</u>	<u>\$ 26,800</u>	<u>\$ 3,947,583</u>

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and Other Support</b>			
Contributions	\$ 39,320	\$ 11,950	\$ 51,270
Contributions In-kind	-	27,513	27,513
Grant Revenue	-	139,341	139,341
Home Sales, net	75,006	-	75,006
Mortgage Discount Amortization	130,080	-	130,080
Special Events	23,723	-	23,723
ReStore Sales	1,259,624	-	1,259,624
Interest Income	109	-	109
Other Income	21,690	-	21,690
Net Assets Released from Restrictions	177,804	(177,804)	-
<b>Total Revenues and Other Support</b>	<u>\$ 1,727,356</u>	<u>\$ 1,000</u>	<u>\$ 1,728,356</u>
<b>Expenses</b>			
<b>Program</b>			
Construction	402,076	-	402,076
ReStore	855,181	-	855,181
<b>Total Program Expenses</b>	<u>\$ 1,257,257</u>	<u>\$ -</u>	<u>\$ 1,257,257</u>
<b>Support Services</b>			
Management and General	65,979	-	65,979
Fundraising	71,996	-	71,996
Special Events	6,861	-	6,861
<b>Total Support Services</b>	<u>\$ 144,836</u>	<u>\$ -</u>	<u>\$ 144,836</u>
<b>Total Expenses</b>	<u>\$ 1,402,093</u>	<u>\$ -</u>	<u>\$ 1,402,093</u>
Change in Net Assets	\$ 325,263	\$ 1,000	\$ 326,263
Net Assets at Beginning of Year	3,003,712	26,800	3,030,512
Net Assets at End of Year	<u>\$ 3,328,975</u>	<u>\$ 27,800</u>	<u>\$ 3,356,775</u>

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

	Program			Support Service				Total Expenses
	Construction	ReStore	Total	Management and General	Fundraising	Special Events	Total	
Salaries	\$ 121,784	\$ 508,540	\$ 630,324	\$ 7,901	\$ 48,892	\$ -	\$ 56,793	\$ 687,117
Payroll Taxes	8,160	32,022	40,182	449	3,650	-	4,099	44,281
Employee Benefits	5,467	12,562	18,029	-	1,938	-	1,938	19,967
Total Salaries and Benefits	<u>\$ 135,410</u>	<u>\$ 553,125</u>	<u>\$ 688,535</u>	<u>\$ 8,351</u>	<u>\$ 54,480</u>	<u>\$ -</u>	<u>\$ 62,830</u>	<u>\$ 751,365</u>
Cost of Homes Sold	\$ 237,685	\$ -	\$ 237,685	\$ -	\$ -	\$ -	\$ -	\$ 237,685
Supplies	3,589	232,264	235,854	919	1,860	221	3,000	238,853
Vehicle Expense	3,065	15,232	18,297	-	-	-	-	18,297
Telephone	667	4,628	5,295	259	746	-	1,005	6,300
Advertising	7,204	85,730	92,934	367	1,402	850	2,619	95,553
Postage and Shipping	200	365	565	81	703	-	784	1,349
Occupancy	8,976	34,968	43,944	2,185	2,511	-	4,696	48,640
Insurance	20,000	38,149	58,149	1,350	2,115	-	3,465	61,614
Professional Fees	43,447	53,538	96,985	14,893	8,107	-	23,000	119,985
Seminar Travel & Meals	1,693	8,749	10,442	12	1,165	-	1,177	11,619
Homeowner and Volunteer Expenses	20,784	1,950	22,734	-	58	-	58	22,792
Interest	7,966	18,217	26,183	1,819	2,082	-	3,901	30,084
Bank and Processing Charges	532	34,944	35,476	232	265	884	1,381	36,857
Dues and Memberships	4,441	4,433	8,874	54	1,105	-	1,159	10,033
Repairs and Maintenance	3,280	14,213	17,494	1,257	1,556	-	2,813	20,307
Special Event Expenses	-	-	-	-	-	25,188	25,188	25,188
Habitat International	200	-	200	-	-	-	-	200
Total Expenses Before Depreciation	<u>\$ 499,139</u>	<u>\$ 1,100,506</u>	<u>\$ 1,599,645</u>	<u>\$ 31,780</u>	<u>\$ 78,155</u>	<u>\$ 27,143</u>	<u>\$ 137,078</u>	<u>\$ 1,736,723</u>
Depreciation	5,674	38,633	44,306	3,224	2,797	-	6,021	50,327
Total Expenses	<u>\$ 504,812</u>	<u>\$ 1,139,139</u>	<u>\$ 1,643,951</u>	<u>\$ 35,004</u>	<u>\$ 80,952</u>	<u>\$ 27,143</u>	<u>\$ 143,099</u>	<u>\$ 1,787,050</u>

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Fiscal Year Ended June 30, 2020

	Program			Support Service				Total Expenses
	Construction	ReStore	Total	Management and General	Fundraising	Special Events	Total	
Salaries	\$ 122,449	\$ 370,986	\$ 493,435	\$ 5,340	\$ 40,125	\$ -	\$ 45,465	\$ 538,900
Payroll Taxes	9,248	26,845	36,093	404	2,993	-	3,397	39,490
Employee Benefits	13,033	16,577	29,610	165	1,393	-	1,558	31,169
Total Salaries and Benefits	\$ 144,730	\$ 414,408	\$ 559,139	\$ 5,909	\$ 44,511	\$ -	\$ 50,420	\$ 609,559
Cost of Homes Sold	\$ 134,011	\$ -	\$ 134,011	\$ -	\$ -	\$ -	\$ -	\$ 134,011
Supplies	3,816	138,960	142,776	539	1,433	5,936	7,908	150,684
Vehicle Expense	-	9,403	9,403	-	-	-	-	9,403
Telephone	1,359	4,431	5,790	250	675	-	925	6,715
Advertising	20,306	74,610	94,916	-	2,906	722	3,628	98,544
Postage and Shipping	128	130	258	18	164	-	182	440
Occupancy	7,109	35,198	42,307	2,229	2,608	-	4,837	47,144
Insurance	6,319	15,120	21,439	856	977	-	1,833	23,272
Professional Fees	36,511	31,895	68,406	15,323	7,374	-	22,697	91,103
Seminar Travel & Meals	2,395	9,273	11,668	-	1,104	-	1,104	12,772
Printing and Publications	925	6,547	7,472	390	1,538	-	1,928	9,401
Homeowner and Volunteer Expenses	21,294	2,244	23,538	-	-	-	-	23,538
Interest	6,976	21,711	28,687	2,171	2,481	-	4,652	33,340
Bank and Processing Charges	621	29,512	30,133	363	323	-	686	30,819
Dues and Memberships	7,930	9,021	16,951	4	1,878	203	2,085	19,036
Repairs and Maintenance	1,715	11,137	12,852	799	914	-	1,713	14,565
Loss on Foreclosure	-	-	-	33,555	-	-	33,555	33,555
Habitat International	100	-	100	-	-	-	-	100
Total Expenses Before Depreciation	\$ 396,245	\$ 813,600	\$ 1,209,845	\$ 62,406	\$ 68,886	\$ 6,861	\$ 138,153	\$ 1,347,998
Depreciation	5,831	41,561	47,412	3,573	3,110	-	6,683	54,095
Total Expenses	\$ 402,076	\$ 855,161	\$ 1,257,257	\$ 65,979	\$ 71,996	\$ 6,861	\$ 144,836	\$ 1,402,093

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Cash Flows from Operating Activities		
Increase in net assets	\$ 590,809	\$ 326,263
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	50,327	54,095
Amortization of discount on mortgages	(119,607)	(130,080)
Discounts on mortgages issued	204,960	106,763
(Increase)/Decrease in:		
Construction in progress	(54,815)	(229,415)
Other current assets	(25,868)	(27,256)
Increase/(Decrease) in:		
Accounts payable	16,729	8,605
Payroll taxes and benefits payable	(1,208)	11,697
Net Cash Provided (Used) By Operating Activities	\$ 661,327	\$ 120,672
Cash Flows From Investing Activities		
Lots used in development and closed	\$ 54,050	\$ 39,046
Purchase of Property for Inventory	(118,000)	(257,783)
Building improvements	(17,654)	(9,150)
Purchase of equipment	(79,236)	(9,200)
Principal balances of foreclosed/paid off properties	-	69,703
Collection of mortgage receivable	188,333	163,272
Issuance of mortgage receivable	(344,157)	(179,269)
Net Cash (Used)/Provided By Investing Activities	(316,663)	\$ (183,381)
Cash Flows From Financing Activities		
Proceeds from issuance of note payable	\$ -	\$ 90,000
Principal payments on note payable	(68,132)	(31,957)
Net Cash (Used)/Provided By Financing Activities	(68,132)	\$ 58,043
(Decrease)/Increase In Cash and Cash Equivalents	\$ 276,532	\$ (4,666)
Cash and Cash Equivalents At Beginning Of Year	\$ 424,333	428,999
Cash and Cash Equivalents At End Of Year	\$ 700,865	\$ 424,333
Supplemental Disclosures		
Noncash investing and financing activities:		
Assets donated for use	-	-
Interest paid	30,084	33,340
Income taxes paid	-	-

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Organization**

Dorchester Habitat for Humanity, Inc. (DHFH) was founded in 1993 and is an approved affiliate for Habitat for Humanity International (HFHI). DHFH builds and sells new homes to first-time homeowners. DHFH's homeowners are working families who must earn 35%-80% of the Area Median Income for Dorchester County as determined yearly by the HUD Home Program, the South Carolina Housing Finance & Development Authority, and the Federal Home Loan Bank. Habitat homes are built by DHFH's construction crew and hundreds of volunteers. DHFH holds an interest-free first mortgage on each home built with terms of twenty (20), twenty-five (25), or thirty (30) years. Since 1993, DHFH has helped build sixty-seven (67) homes for working families in Dorchester County, South Carolina. DHFH also operates a ReStore, which accepts donated items that are sold to the general public. ReStore proceeds are used to fund DHFH's operations and home building efforts.

**Mission**

DHFH is a locally run affiliate of Habitat for Humanity International, a non-profit, ecumenical Christian housing organization. DHFH's mission statement is "Putting God's love into action by bringing people together building homes and hope." DHFH's vision statement is "Transforming Dorchester County one home at a time." DHFH is dedicated to addressing Dorchester County's need for decent and affordable housing.

**Organizational and Program Values**

DHFH relies on the generosity of volunteers to keep the cost of construction of Habitat homes low. Volunteers donate approximately 2,000 hours to build each Habitat home.

DHFH builds permanent, affordable, decent, safe, simple, and energy-efficient homes in partnership with low-wealth families who meet the requirements of its Construction and Homeownership Program.

DHFH seeks to build in safe, decent, and diverse neighborhoods.

DHFH's Construction and Homeownership Program requires that applicants earn between 35%-80% of the Median Income for Dorchester County, South Carolina; have a debt-to-income ratio at or below 40% for fiscal year 2021 and 2020, respectively; have a housing expenses-to-income ratio at or below 32% for fiscal year 2021 and

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Organizational and Program Values – (continued)**

2020, respectively; have an established and good credit history; and work at least 425 sweat-equity hours in partnership with DHFH, including working at least 60 hours on other future homeowners' homes and at least 60 hours on their own home.

DHFH thrives only through the support of the community, and it owes the community a regular accounting of its spending and achievements.

DHFH builds to Energy Star 3 standards by utilizing sustainable and energy efficient building products and methods that reduce homeowners' living expenses and promotes environmental stewardship.

DHFH works to strengthen the financial stability and creditworthiness of low-wealth families by partnering with the Financial Transformation. The Financial Transformation provides financial, budgeting, and credit counseling and education before the application process, during the application process, and after homeownership.

Homeowners pay back to DHFH an interest-free mortgage over twenty, twenty-five, or thirty years. The mortgage payments go into a revolving fund ("seed money") used to build additional Habitat homes in partnership with other future homeowners.

The ReStore is DHFH's largest fundraiser accepting and selling donated items from and to the public six days a week. The ReStore depends upon a large number of volunteers who perform various tasks ranging from assisting customers, creating DIY projects and displays, repairing furniture, and organizing donations.

**Basis of Accounting**

The financial statements of DHFH have been prepared on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expenses are recorded when the obligations are incurred.

**Basis of Presentation**

DHFH follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that DHFH follows to ensure the consistent reporting of its financial

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Basis of Presentation –** (continued)

condition, changes in net assets and cash flows. References to GAAP issued by the FASB in the accompanying footnotes are the FASB Accounting Standards Codification (“ASC”).

DHFH’s financial statements have been prepared in accordance with standards of accounting and financial reporting under FASB ASC 958, *Not-For-Profit Entities* and the AICPA Audit and Accounting Guide, *Not-For-Profit Entities*. Under this authoritative guidance, DHFH is required to provide financial statements which are prepared with focus on DHFH as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets having similar characteristics have been combined into similar categories.

- **Net assets without donor restrictions** are those currently available at the discretion of the Board of Directors (the “Board”) for use in DHFH’s operations and those resources invested in property and equipment.
- **Net assets with donor restrictions** are assets restricted by donors for any of the following: certain time periods, certain purposes, or assets that must be maintained permanently by DHFH as required by the donor but DHFH is permitted to use or expend part or all of any income derived from those assets.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Basic Program**

DHFH builds homes with donated funds, ReStore Income, and mostly volunteer labor. The homes are sold to working families at fair market value as determined by an independent third party appraisal. Prior to July 1, 2016 the homes were sold at cost. All related costs of construction are recognized on the "completed contract" method, which recognizes when a contract (home) is substantially or entirely completed.

When a home is sold, DHFH issues a non interest bearing mortgage to the homeowner for the fair market value of the home. This is referred to as the first mortgage. DHFH will issue a second mortgage on a home when the value of the first mortgage is less than the fair market value of the home on the date of sale. Prior to July 1, 2016, all homes were issued a second mortgage to reflect the difference between cost and fair market value.

Currently DHFH may issue a first mortgage to a homeowner for below the fair market value of the home on date of sale in the event that the fair market value exceeds the previously prescribed affordability standards set by DHFH's policies. In this event, a second mortgage is issued for the difference between the first mortgage and the fair market value of the home.

No payments are due on the second mortgage except in the case of a sale to a third party, foreclosure, and/or a third party refinancing. The second mortgage is forgiven based on the individual terms of the second mortgage when issued. Typically, the second mortgage is forgiven when the first mortgage is satisfied in full (except in the case of refinancing or a sale to a third party). DHFH does not generally collect on the second mortgage and thus does not reflect the value of the second mortgages in its financial statements.

On October 27, 2016, the board of directors approved increasing the length of future mortgages from twenty five years to thirty years. Mortgage notes receivable are discounted at an imputed interest rate and interest income is recognized over the life of the mortgage in accordance with FASB ASC 835-30, imputation of interest.

**Cash and Cash Equivalents**

For the purposes of the Statements of Cash Flows, DHFH considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of June 30, 2021 and 2020, DHFH did not have any cash equivalents.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Promises to Give**

Unconditional promises to give are recognized as revenues in the period in which the promise is received, and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Construction in Progress**

Construction in Progress represents the cost of homes that are currently under construction for qualified future homeowners. Purchased materials and land for the construction of these homes are recorded at cost. Donated materials, labor, and land, if applicable, are recorded at estimated fair market value. Land is recorded and tracked in the land held for development account. Overhead and administration expenses of DHFH's home construction are included in other program expenses of DHFH or under construction program expenses.

**Donated Assets**

DHFH receives donated goods for various purposes, including items to be resold in the ReStore and items to be used for the construction of homes. Donated items to the ReStore include building materials, home goods, and furniture. Items donated to the ReStore are deemed to be of value only when sold. In accordance with ASC 958-605-25-4, Not-for-Profit Entities-Revenue Recognition, the donated inventory is not recorded in the financial statements until the time of sale. Revenue is recognized at the time of sale and reflected in the statement of activities. The values for ReStore donated goods as of June 30, 2021 and 2020 were zero. Donated materials for construction and lot inventory are recorded at their estimated fair market values at the date of the donation. The values of donated goods for construction projects are allocated to their specific construction-in-progress accounts. Merchandise purchased for resale is recorded at cost.

**Property and Equipment**

Purchased property and equipment for construction and the ReStore are recorded at cost. Donated property and equipment not intended for resale are recorded at the approximate fair market value on the date of donation. Expenditures for major additions and improvements, generally in excess of \$5,000 are capitalized.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Property and Equipment** (continued)

Minor replacements, maintenance, and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of the operations for the respective period. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

**Compensated Absences**

Full time and part-time employees of DHFH are entitled to paid time off (PTO) which is used for vacations, paid sick days, and personal days off, depending on job classification and length of service. Part-time employees, and full-time employees working less than forty (40) and more than thirty-four (34) hours per week are eligible for PTO benefits and the accrual of PTO hours on a prorated basis based upon the percentage of the forty (40) hour work week that the employee usually works. The following schedule provides PTO hours allowed based on years of service:

<u>Years of Service</u>	<u>Annual PTO Hours</u>
0 - 3 years	120
4 - 8 years	160
Over 9 years	200

**Change in Net Assets**

The change in net assets is affected by, and dependent upon, home sales. In particular, DHFH sold two (2) homes in 2021 and one (1) home in 2020. When home sales occur, the revenue is recorded, and the related previously capitalized construction in progress is recognized and expensed in the year of the sale. On July 1, 2016, DHFH adopted Policy 22 from Habitat for Humanity International's US Affiliated Organizations Policy Handbook. The policy states the sales price of housing units is its fair market value. The fair market value is determined by a third party appraisal for each housing unit. If the qualified program participant does not financially qualify for sale at FMV, then DHFH has the ability to use other means to reach an affordable payment. For 2021 and 2020, all homes were sold at fair market value as determined by appraisal.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Effect of Change in Policy**

Prior to adoption, Policy 23 referred to the “total repayable price of the home” which was stated by DHFH as the first mortgage. The practice for determining the “total repayable price of the home” was the total development costs of the home unless the market value by appraisal or affordability by the homeowner using prescribed ratio testing was less than total development costs. The prior policy did not include subordinate mortgage amounts when recording notes receivable.

**Home Sales**

Revenue related to home sales is recognized when properties are sold to qualified homebuyers. The “sales price” is the total of all consideration paid by (or on behalf of) the homebuyer for the home. This includes any down payment and the amount of all mortgages, including any subordinate mortgage in favor of DHFH or any third party lender.

**Donated Services**

Donated services are recognized in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 *Not-For-Profit Entities* if services (a) create or enhance a non-financial asset, or (b) require special skills, are performed by people with those skills, and would otherwise be purchased by DHFH. Volunteers perform a variety of tasks that assist DHFH with specific programs, fund-raising, and various team assignments throughout the year. These tasks are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Revenue Recognition**

In accordance with Standards FASB ASC 958-605-25, Accounting or Contributions Received and Contributions Made, contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. DHFH reports contributions as restricted if they are received with donor stipulations that limit the use of the donation. Donor restrictions expire when either the stipulated time restriction ends or the purpose restriction is accomplished. When a donor restriction expires the asset with donor restrictions is reclassified to an asset without donor restrictions and reported in the statement of activities as a net asset without restriction. DHFH reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. It is DHFH's policy to record restricted contributions received and released in the same year as unrestricted support. DHFH had \$26,800 and \$27,800 in assets with donor restrictions at the end of the 2021 and 2020 fiscal years, respectively.

**Advertising**

Cost of promotions and advertising are expensed as incurred. Advertising and promotion expenses total \$95,553 and \$98,544 for the fiscal years ended June 30, 2021 and 2020.

**Expense Allocation**

The cost of providing various programs and other activities are summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Directly identifiable expenses are charged to program services including construction or ReStore, or supporting services including management and general, fundraising, or special events, as applicable. Accordingly, overhead and certain other expenses are allocated to functional categories based on percentages estimated by the organization's management.

**Income Taxes**

DHFH is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, DHFH qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. DHFH has no tax liability on unrelated business income for the fiscal years ended June 30, 2021 and 2020.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies –**  
(continued)

**Income Taxes** (continued)

Management has evaluated the tax positions of DHFH and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the fiscal years ended June 30, 2021 and 2020. DHFH's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense.

DHFH currently has no taxable unrelated business income. Accordingly, no provision for income taxes has been recorded. With few exceptions, DHFH is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before the fiscal year ended June 30, 2017.

**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.

**Note 2 – Restricted Cash**

DHFH did not have any cash balances subject to restrictions as of June 30, 2021.

**Note 3 – Homeowner Escrow Receivable**

During the fiscal year 2014, DHFH outsourced its mortgage loan and escrow management to the Habitat for Humanity Michigan Fund (HFHMF), now Affiliate Mortgage Services (AMS). AMS is a full-service licensed lending entity, providing loan origination, loan servicing, collections, loan restructuring, foreclosure mitigation advice, and delinquency management services.

As a part of this service agreement, DHFH transferred all escrow balances to AMS. As of June 30, 2021 the escrow account has a deficit balance. DHFH remits payment to AMS to assume the deficit balance. As of June 30, 2021 and 2020, the receivables from homeowners for deficit escrows accounts were \$10,907 and \$10,301, respectively.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 4 – Promises to Give**

Promises to give consist of amounts due from private donors based on the terms of their pledge agreements. Management periodically reviews the status of all promises to give for collectability. Each balance is assessed based on management’s knowledge and relationship with the donor along with the age of the pledge balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to uncollected receivable expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful accounts were recorded.

There were no promises to give as of fiscal years ended June 30, 2021 and 2020.

**Note 5 – Mortgage Note Receivable**

DHFH directly finances all of the homes that it sells. Each mortgage is issued as a zero-interest mortgage to the buyer. During fiscal years 2021 and 2020, two (2) and one (1) homes were sold to qualifying homes respectively. Mortgages receivable consist of non-interest bearing promissory notes in amounts ranging from \$1,724 to \$172,146. Monthly principal payments range from \$108 to \$498, and maturities range from 2021 to 2051. The resulting mortgages are non-interest bearing, and the presentation of their book value is discounted based upon the prevailing market rates for low-income housing at the inception of the mortgages. For fiscal years 2021 and 2020, discount rates were 7.38% and 7.38%, respectively.

Because the mortgages are secured by the deeds of trust on the respective properties, management believes no allowance for doubtful mortgages is necessary. Sales to homeowners for the fiscal years ended June 30, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Gross Sales to Homeowners	\$ 346,657	\$ 181,769
Less Discount on Sales to Homeowners	(204,960)	(106,763)
Net Sales to Homeowners	<u>\$ 141,697</u>	<u>\$ 75,006</u>

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 5 – Mortgage Note Receivable - (continued)**

DHFH discounts the mortgages using the prevailing market rates for low-income housing at the time the homes are sold. The discount is amortized using the effective interest method. Mortgages receivable as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Mortgage Note Receivable at Face Value	\$ 3,429,990	\$ 3,273,303
Less: Unamortized Discount	(1,930,519)	(1,845,166)
Total	\$ 1,499,471	\$ 1,428,137
Less: Current Portion	(89,684)	(83,733)
Mortgage Receivable, Long Term	<u>\$ 1,409,787</u>	<u>\$ 1,344,404</u>

Future collections on these mortgages will be received over the next five years and thereafter as follows:

2022	\$ 193,653
2023	190,022
2024	189,537
2025	185,566
2026	182,832
Thereafter	<u>2,488,380</u>
 Total	 <u>\$ 3,429,990</u>

**Note 6 – Construction in Progress**

Costs associated with the acquisition, development, and construction of a project are capitalized. Such costs may include (1) pre-acquisition costs such as land acquisition or improvement; (2) infrastructure development or construction costs such as equipment rental, construction materials or subcontractors; and (3) other costs such as interest, insurance, or construction benefits. Most of the projects included in construction in progress are currently expected to be completed and sold in the year ending June 30, 2022.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2021 and 2020

**Note 6 – Construction in Progress – (Continued)**

Construction in progress consists of the following at June 30, 2021, & 2020:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Total</u>
Half Street Lot 4	\$ 633	\$ 62	\$ 5,805	\$ 6,500
Half Street Lot 5	633	109	5,805	6,547
1027 Dukes Street	1,748	72,026	-	73,774
131 Maxwell Lane A	94,567	5,567	-	100,134
131 Maxwell Lane B	46,825	2,565	-	49,390
131 Maxwell Lane C	16,100	2,565	-	18,665
2066 Central Ave. B	7,716	82,807	-	90,523
150 Clarks Hill Drive	3,522	-	-	3,522
	<u>\$ 171,744</u>	<u>\$ 165,701</u>	<u>\$ 11,610</u>	<u>\$ 349,055</u>

**Note 7 – Land Held for Development**

The following lots were held for development as of June 30, 2021 and 2020:

	<u>Number of Lots Remaining</u>	<u>2021</u>	<u>2020</u>
Clarks Hill Drive, St. George	7	\$ 43,911	\$ 43,911
Dukes St. Corner Lot	1	-	-
Dukes Street	8	-	-
Half Street, Summerville	1	24,900	24,900
Weber Road, Summerville	1	27,126	27,126
Cady Dr, Summerville	0	-	30,000
N. Hickory Street, Summerville	5	100,750	100,000
Maxwell Lane/ Central Ave, Summerville	4	99,466	124,266
TreeLand Drive, Ridgeville	1	12,164	12,164
Dean Street, Summerville	3	121,353	121,353
150 Clarks Hill Drive	1	118,000	-
Total		<u>\$ 547,670</u>	<u>\$ 483,720</u>

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 8 – Property and Equipment**

Acquisitions of property and equipment greater than \$5,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized at cost. Property and equipment, other than donated property, is stated at cost. Donated property is valued at fair market value at the date of the gift.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings	15 to 40 years
Furniture and Equipment	3 to 5 years
Software	5 years
Vehicles	3 to 7 years

Property and Equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 241,770	\$ 241,770
Office and ReStore Building	1,615,783	1,598,129
Furniture and Equipment	33,615	18,165
Vehicles	118,702	54,916
	<u>\$ 2,009,870</u>	<u>\$ 1,912,980</u>
Less Accumulated Depreciation	<u>(557,779)</u>	<u>(507,452)</u>
Property and Equipment, Net	<u>\$ 1,452,091</u>	<u>\$ 1,405,528</u>

Depreciation charged to operation in fiscal years ended June 30, 2021 and 2020, was \$50,327 and \$54,095, respectively.

**Note 9 – Homeowner Escrow**

Beginning in the fiscal year 2014, the Habitat for Humanity Michigan Fund (HFHMF), now Affiliate Mortgage Services (AMS), serving as the escrow agent for DHFH, collects monthly payments from the homeowners for homeowners' insurance, termite bonds, and real property taxes. The escrow account balances and offsetting liability are not recorded in the financial statements. The homeowner escrow balances held by AMS as of June 30, 2021 and 2020, were \$44,008 and \$42,807, respectively.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 10 – In-Kind Contributions**

Donated materials and professional construction services are reflected as contributions in the accompanying financial statements at their estimated fair market values on the date of receipt. Recorded in-kind contributions consisted of the following for the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Construction Materials	\$ 18,940	\$ 14,013
Construction Services	<u>6,500</u>	<u>13,500</u>
Total	<u>\$ 25,440</u>	<u>\$ 27,513</u>

Many individuals volunteer their time and perform a variety of tasks that assist DHFH with specific programs, campaign solicitations, and various team assignments. These amounts are not recorded.

**Note 11 – Notes Payable**

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

	<u>2021</u>	<u>2020</u>
Suntrust Commercial Loan	\$ 539,876	\$ 582,357
108 Dean Street Mortgage	63,224	88,875
Less Current Maturities	<u>(53,849)</u>	<u>(50,660)</u>
Total Long Term Debt	<u>\$ 549,251</u>	<u>\$ 620,572</u>

In February 2021, DHFH refinanced its commercial loan with Suntrust Bank, secured by the DHFH building. The Suntrust commercial loan is due in monthly installments of \$5,754 at an interest rate of 3.31%. The commercial loan matures in August 2030, at which time any remaining interest and principal amounts are due in full.

In April of 2020, DHFH purchased 108 Dean Street, a property held for development. The purchase of the property was secured with a 5 year mortgage consisting of monthly payments of \$980 at an interest rate of 5.5%. At the end of the 5 year term any remaining unpaid principal and interest are due in full.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 11 – Notes Payable - (continued)**

The principal payment of all long-term debt is as follows for the fiscal year ended June 30, 2021

2022	\$	-
2023		56,769
2024		59,848
2025		89,338
2026		55,931
Thereafter		<u>287,365</u>
 Total	 \$	 <u><u>549,251</u></u>

**Note 12 – Assets with Donor Restrictions**

Assets with donor restrictions include those net assets whose use by DHFH has been donor-restricted by specified purpose or time limitations. Restricted net assets received and expended in the same year are classified as unrestricted. Assets with donor restrictions consist of the following as of fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>			
<u>Purpose</u>	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Distributions</u>	<u>Ending Balance</u>
Land Capital Campaign:				
Weber Drive	\$ 26,800	\$ -	\$ -	\$ 26,800
131 Mawell Lane	-	27,500	(27,500)	-
2066-B Central Ave	-	7,716	(7,716)	-
Material In-kind Donations	1,000	18,940	(19,940)	-
Grant Revenue	-	222,962	(222,962)	-
Build Donations	-	6,500	(6,500)	-
 Total	 <u>\$ 27,800</u>	 <u>\$ 283,618</u>	 <u>\$ (284,618)</u>	 <u>\$ 26,800</u>

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2020**

Purpose	Beginning Balance	Contributions	Distributions	Ending Balance
Land Capital Campaign:				
Weber Drive	\$ 26,800	\$ -	\$ -	\$ 26,800
Material In-kind Donations	-	14,013	(13,013)	1,000
Cash Contributions	-	11,950	(11,950)	-
Grant Revenue	-	139,341	(139,341)	-
Build Donations	-	13,500	(13,500)	-
Total	<u>\$ 26,800</u>	<u>\$ 178,804</u>	<u>\$ (177,804)</u>	<u>\$ 27,800</u>

**Note 13 – Related Party Transactions**

Dorchester Habitat for Humanity is an affiliate of Habitat for Humanity International, Inc. (HFHI). Although HFHI assists with information resources, training, publications, and flow through contributions, DHFH is primarily and directly responsible for its operations. DHFH tithed and paid membership fees for the fiscal year ended June 30, 2021 and 2020, of \$7,700 and \$7,600, respectively.

DHFH partnered with South Carolina Association of Habitat for Humanity Affiliates (SCAHA) to share costs related to fundraising and other operating activities. DHFH paid \$1,500 in membership fees to SCAHA for the fiscal year ended June 30, 2021.

Dorchester Habitat for Humanity participated in the local Trident Habitat for Humanity (THFH) joint fundraising and development initiative. During fiscal years ended 2021 and 2020, DHFH paid THFH \$3,479 and \$3,812 as their share of joint development and received \$400 and \$400 in grants or income for the respective years.

Contributions from DHFH board members and employees for June 30, 2021 and 2020, totaled \$19,800 and \$6,620, respectively.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 14 – Concentration of Credit Risk**

DHFH places its cash with reputable financial institutions. Accounts held by banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. DHFH's total balance for accounts with SunTrust Bank was \$700,865 as of June 30, 2021. This balance exceeds the FDIC insured limit by \$499,772. Management does not consider this a significant credit risk.

DHFH's programs are concentrated in Dorchester County, South Carolina. The level of contributions, home sales, and collections of mortgages receivable may be affected by changes in this local economy. In addition to geographic concentration risk, management also notes the following risk factors that may affect DHFH's future ability to carry out its mission, including: DHFH's ongoing dependency on contributions as a significant portion of total operating revenue; the rate at which DHFH collects its long-term mortgages receivable versus the obligations presented by DHFH's short-term liabilities; risk of loss due to loan defaults; the continuing impacts of the Covid-19 pandemic; and the limited marketability of the mortgages receivable for resale.

**Note 15 – Commitments and Contingencies**

**Collection of Second Mortgages**

In addition to the non-interest bearing mortgage received from the sale of each home, DHFH may issue a contingent second mortgage. The second mortgages, issued by DHFH, represent the excess of the market value of the homes over the original loans at the date the second mortgages are executed. A mortgage default resulting in foreclosure will trigger the collection of the second mortgage. Except in the case of resale or refinance, early satisfaction of the first mortgage of a home in good standing will not usually result in the collection of the second mortgage obligation.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**Note 15 – Commitments and Contingencies - (continued)**

The conditions for release from a second mortgage are stated separately in the terms of the second mortgage, signed by the homeowner. Any second mortgage repayment is considered remote by DHFH, and therefore no receivable has been recorded in the current year financial statements. Amounts recognized as income on second mortgages were \$0 and \$13,580 for 2021 and 2020 respectively. The total amount of second mortgages recorded as of June 30, 2021, was \$1,742,586.

**South Carolina Housing Trust**

Fourteen contingent third mortgages are held by the South Carolina Housing Trust as a condition of grants provided to construct the homes and are amortized over a period up to twenty years.

**Note 16 – Impairment of Note Receivable**

In October of 2018 the owner of the 150 Clarks Hill Road property still under mortgage with DHFH passed away. Subsequently, the estate of the homeowner continued making payments on the property through February of 2019. After attempts to negotiate a payment plan with the estate failed, DHFH initiated foreclosure proceedings on the property in August of 2019. Management does not believe the remaining balance on the 150 Clarks Hill Road property is collectible. As there is no future expectation for receipt of payments on the mortgage an impairment loss under ASC 310-30 is recorded for the carrying value of the mortgage as of the date of the foreclosure filing; August 19, 2019. Total impairment losses from July 1, 2019 through June 30, 2020 were \$33,555.

Management has regained possession of the home through foreclosure proceedings. Management intends to sell the property either to another qualifying homeowner through its program or on the open market for the highest realizable offer. As of the report date the property has been repossessed by DHFH and management reports the building to be in good condition. At the time of the audit report there is an estimate for the fair market value of the home of \$118,000 and has been subsequently been recorded. As of the report date DHFH has begun to refurbish the home and intends to sell it once complete.

**DORCHESTER HABITAT FOR HUMANITY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 17 – Payroll Protection Program**

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law. One of the provisions of the CARES Act was the creation of the Paycheck Protection Program. The Paycheck Protection Program (PPP) is a business loan program funded by the US Federal Government designed to assist small businesses affected by COVID-19 to retain employees by offering low interest rate loans that may be partially or completely forgiven if the business meets certain criteria. In April of 2020, DHFH received \$110,900 in funds from the Paycheck Protection Program.

As of the report date management has applied for forgiveness of the 1<sup>st</sup> PPP loan, and the loan has been forgiven.

The Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act), which was included in the Consolidated Appropriations Act, 2021, was signed into law on Dec. 27, 2020. One of the provisions of the Economic Aid Act was the creation of the 2<sup>nd</sup> round of Paycheck Protection Program. The Paycheck Protection Program (PPP) is a business loan program funded by the US Federal Government designed to assist small businesses affected by COVID-19 to retain employees by offering low interest rate loans that may be partially or completely forgiven if the business meets certain criteria. In April of 2021, DHFH received \$110,890 in funds from the Paycheck Protection Program.

Under accounting standard FASB ASC 958-605 DHFH has accounted for the PPP loan and its expected forgiveness as government grant revenue and recorded the proceeds from the loan on its statement of activity for the 2021 fiscal year. As of August 23, 2021 the 2<sup>nd</sup> PPP loan has been forgiven.

**Note 18 – Subsequent Events**

In January of 2020, a widespread economic event related to the global spread of the COVID-19 virus caused uncertainty across nearly all sectors of the global economy. In addition to volatility in securities markets, etc., events related to COVID-19 have significantly impacted economic activity in general. While we are not able to estimate the direct impacts to the overall business activity of DHFH at this time it is possible that DHFH's operations and financial health could be affected by COVID-19 during 2021.

Management has evaluated subsequent events through September 22, 2021, and has concluded no significant subsequent events except as described above meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in the financial statement.