

HABITAT FOR HUMANITY - MIDOHIO

Columbus, Ohio

Financial Statements,  
Schedule of Expenditures of Federal Awards and  
Related Independent Auditors' Reports  
In Accordance With Government  
Auditing Standards and Uniform Guidance

For the years ended June 30, 2019 and 2018



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Habitat for Humanity - MidOhio  
Columbus, Ohio

We have audited the accompanying financial statements of Habitat for Humanity - MidOhio (Habitat), which comprise the statements of financial position as of June 30, 2019, and 2018, and the related statements of activities and change in net assets, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 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 opinions.

## **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 2018, and the change 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 discussed in Note 2 to the financial statements, in 2019, Habitat adopted Accounting Standards Update (ASU) No. 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of Habitat's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat's internal control over financial reporting and compliance.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
December 20, 2019

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HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,566,702	\$ 1,057,507
Receivables:		
Contributions	510,871	1,090,883
Mortgages, net	1,043,926	1,008,957
Grants	188,855	359,924
Other	2,673	-
	<u>1,746,325</u>	<u>2,459,764</u>
Prepaid expenses and other	261,452	227,553
Construction in progress, net	<u>548,294</u>	<u>633,790</u>
 Total Current Assets	 4,122,773	 4,378,614
 <b>PROPERTY AND EQUIPMENT, NET</b>	 4,717,104	 2,460,413
<b>MORTGAGES RECEIVABLE, NET</b>	8,842,931	8,371,293
<b>CONTRIBUTIONS RECEIVABLE, NET</b>	257,508	306,411
<b>GRANTS RECEIVABLE, NET</b>	58,859	168,750
<b>OTHER, NET</b>	<u>355,021</u>	<u>307,328</u>
 Total Assets	 <u>\$ 18,354,196</u>	 <u>\$ 15,992,809</u>

	<u>2019</u>	<u>2018</u>
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term notes payable	\$ 423,619	\$ 283,708
Accounts payable and accrued liabilities	735,701	965,908
Lines of credit	-	201,235
Deferred revenue and other	<u>102,677</u>	<u>186,479</u>
 Total Current Liabilities	 1,261,997	 1,637,330
 NOTES PAYABLE, NET OF CURRENT PORTION	 <u>4,039,079</u>	 <u>1,458,307</u>
 Total Liabilities	 5,301,076	 3,095,637
NET ASSETS		
NET ASSETS		
Without donor restrictions	11,852,914	10,503,241
With donor restrictions	<u>1,200,206</u>	<u>2,393,931</u>
 Total Net Assets	 <u>13,053,120</u>	 <u>12,897,172</u>
 Total Liabilities And Net Assets	 <u>\$ 18,354,196</u>	 <u>\$ 15,992,809</u>

See notes to financial statements.

HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, SUPPORT AND GRANTS			
Sales to homeowners, net	\$ 2,336,267	-	\$ 2,336,267
Resale operations	2,280,168	-	2,280,168
Contributions and grants	3,079,792	\$ 489,150	3,568,942
Amortization of loan discount	467,762	-	467,762
Other income	84,943	-	84,943
Net assets released from restrictions	1,682,875	(1,682,875)	-
	<u>9,931,807</u>	<u>(1,193,725)</u>	<u>8,738,082</u>
Total Revenues, Support And Grants			
FUNCTIONAL EXPENSES			
Program services	6,987,903	-	6,987,903
Management and general	713,083	-	713,083
Fundraising	881,148	-	881,148
	<u>8,582,134</u>	<u>-</u>	<u>8,582,134</u>
Total Functional Expenses			
Change In Net Assets	1,349,673	(1,193,725)	155,948
NET ASSETS			
Beginning of year	<u>10,503,241</u>	<u>2,393,931</u>	<u>12,897,172</u>
End of year	<u>\$ 11,852,914</u>	<u>\$ 1,200,206</u>	<u>\$ 13,053,120</u>



2018		
Without Donor Restriction	With Donor Restriction	Total
\$ 1,481,853	-	\$ 1,481,853
1,968,738	-	1,968,738
3,666,948	\$ 1,601,800	5,268,748
473,645	-	473,645
223,867	-	223,867
675,533	(675,533)	-
8,490,584	926,267	9,416,851
5,828,421	-	5,828,421
949,791	-	949,791
726,861	-	726,861
7,505,073	-	7,505,073
985,511	926,267	1,911,778
9,517,730	1,467,664	10,985,394
\$ 10,503,241	\$ 2,393,931	\$ 12,897,172

See notes to financial statements.

HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,170,355	\$ 483,768	\$ 628,315	\$ 3,282,438
Professional fees	114,117	71,908	26,344	212,369
Contracted services	-	-	-	-
Promotional and public relations	63,532	55	23,273	86,860
Payroll taxes	156,353	29,159	48,525	234,037
Other expenses	111,100	30,237	35,633	176,970
Other building and equipment expense	126,823	5,808	45,913	178,544
Building rent	135,574	9,375	7,031	151,980
Utilities	110,360	4,641	3,718	118,719
Depreciation	169,607	16,129	11,976	197,712
Vehicle rental and operation expense	109,831	3,509	5,674	119,014
Insurance	64,208	6,242	3,022	73,472
Other construction	75,194	1,750	-	76,944
ReStore cost of purchased goods sold	206,545	-	-	206,545
Communications	50,520	11,653	7,824	69,997
Habitat International	45,000	5,000	-	50,000
Supplies	29,456	7,860	16,241	53,557
Interest	4,807	31,767	15,469	52,043
Bank charges	13,854	(5,778)	2,190	10,266
Bad debt recoveries	(238,136)	-	-	(238,136)
	3,519,100	713,083	881,148	5,113,331
Subtotal before cost of homes sold				
Cost of homes sold	3,468,803	-	-	3,468,803
Total	\$ 6,987,903	\$ 713,083	\$ 881,148	\$ 8,582,134

Notes:

1. During the years ended June 30, 2019 and 2018, Habitat sold 22 and 16 homes, respectively.
2. Net income from Habitat's ReStore operations currently covers the majority of Habitat's management, general and fundraising expenses.

## 2018

Program Services	Management and General	Fundraising	Total
\$ 1,951,040	\$ 656,568	\$ 467,731	\$ 3,075,339
99,296	100,675	1,000	200,971
112,713	15,096	5,272	133,081
80,530	1,131	52,483	134,144
184,071	29,659	34,492	248,222
104,576	20,569	77,187	202,332
76,519	8,681	473	85,673
192,884	34,375	25,781	253,040
90,075	458	3,894	94,427
86,383	8,903	1,441	96,727
59,494	5,439	5,839	70,772
67,881	6,829	3,232	77,942
136,874	-	562	137,436
116,071	-	-	116,071
45,685	11,967	6,260	63,912
43,000	-	-	43,000
24,024	4,864	15,114	44,002
7,426	28,774	14,400	50,600
47,138	15,803	11,700	74,641
(41,863)	-	-	(41,863)
3,483,817	949,791	726,861	5,160,469
2,344,604	-	-	2,344,604
<u>\$ 5,828,421</u>	<u>\$ 949,791</u>	<u>\$ 726,861</u>	<u>\$ 7,505,073</u>

See notes to the financial statements.

HABITAT FOR HUMANITY - MIDOHIO

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 155,948	\$ 1,911,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of loan discount	(467,762)	(473,645)
Depreciation	197,712	96,727
Decrease in allowance for uncollectible mortgages	240,918	(42,058)
Change in construction in progress valuation allowance	9,199	22,869
Change in discount on long-term contributions receivable	12,456	9,161
Changes in assets and liabilities:		
Contributions receivable	616,459	(780,965)
Mortgages receivable	(279,763)	333,692
Grants receivable	278,287	(498,605)
Prepaid expenses	(33,899)	109,158
Construction in progress	76,297	10,795
Other assets	(47,693)	(64,722)
Accounts payable and accrued liabilities	(230,207)	341,011
Deferred revenue	(83,802)	37,812
Net Cash Provided By Operating Activities	<u>444,150</u>	<u>1,013,008</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(804,340)</u>	<u>(925,459)</u>
Net Cash Used In Investing Activities	<u>(804,340)</u>	<u>(925,459)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments on) Proceeds from line of credit, net	(201,235)	162,839
Proceeds from notes payable	1,394,505	17,753
Principal payments on notes payable	<u>(323,885)</u>	<u>(209,502)</u>
Net Cash Provided By (Used In) Financing Activities	<u>869,385</u>	<u>(28,910)</u>
Net Increase In Cash And Cash Equivalents	509,195	58,639
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,057,507</u>	<u>998,868</u>
End of year	<u>\$ 1,566,702</u>	<u>\$ 1,057,507</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Noncash purchase of property and equipment	<u>\$ 1,650,063</u>	<u>\$ 700,000</u>
Interest paid	<u>\$ 66,000</u>	<u>\$ 40,000</u>

See notes to financial statements.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION

Habitat for Humanity - MidOhio (Habitat), a nonprofit organization, was incorporated in 1986. Habitat 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 with people everywhere. Habitat International assists with information resources, training, publications, prayer support and in other ways.

Since inception, Habitat has served eight hundred and sixty-two (862) families by building three hundred and ninety-nine (399) new homes, rehabilitating forty-seven (47) homes and impacting four hundred and ninety-five (495) families through providing critical repairs and other services. During the year ended June 30, 2019, Habitat served one hundred and forty-five (145) families by building twenty-two (22) new homes, providing eighty-four (84) home repair services and impacting another thirty-nine (39) families through other services, including “Rock the Block” events. In addition, through the Habitat International Tithing program, Habitat has impacted three hundred and eleven (311) families in Zambia and Cote’d Ivoire, including four (4) for the year ended June 30, 2019. Habitat is ninth-largest homebuilder in the central Ohio area.

Habitat is primarily and directly responsible for the legal, organizational, fundraising, family selection and nurture, financial and construction aspects of the development of affordable housing for the community of Central Ohio. Habitat, through its many volunteers, constructs affordable housing and sells the homes to qualified families at fair market (appraised) value. Habitat then provides and carries non-interest-bearing mortgage loans, providing a hand up to its partner families while also sustaining the mission.

Habitat also operates two retail stores (ReStores) that sell new and previously used items donated by retail businesses, contractors, other organizations and the general public. The proceeds from the ReStores also fund Habitat’s mission of eliminating poverty housing within the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets - As required by the Financial Accounting Standard Board's (FASB) accounting standards for nonprofit organizations, resources are classified into two net asset categories according to donor-imposed restrictions. A description of these categories follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are not restricted by donor-imposed restrictions and are available for use in Habitat's ongoing operations.

The Board has approved to designate 20% of all mortgages sold to third parties to cover the potential buy-back of non-performing loans. The amount that the board designated at June 30, 2019 is \$294,042 and is included in net assets without restrictions.

Net Assets With Donor Restrictions - Net assets whose use by Habitat is limited by donor-imposed restrictions that expire by passage of time, that can be fulfilled or removed by actions of Habitat, or must be retained in perpetuity. Donor-imposed restrictions that will be met in the same year in which the revenue is received are immediately classified in net assets without donor restrictions in the statement of activities and change in net assets. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

Cash and Cash Equivalents - Habitat maintains cash in various financial institutions that may exceed federally insured amounts at times. For purposes of the statement of cash flows, Habitat considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents. Certain grants require that cash proceeds received from the grants be segregated in separate bank accounts from cash received from other sources.

Mortgages Receivable - Sales to homeowners are recorded on the date title transfers. All mortgages are non-interest-bearing and, as a result, receivables are recorded at the gross amount less a discount based on prevailing market interest rates at the inception of the mortgages. Amortization income is recognized as the discounted amount decreases along with the passage of time.

Habitat monitors its credit risk by establishing credit policies for its loans and reviewing compliance with these policies. Mortgages receivable are considered past due when a homeowner fails to make scheduled payments. Provisions are made for estimated uncollectible mortgages receivable. Habitat's estimate of the allowance is based on historical collection experience, a review of current status of receivables and judgment. Decisions to foreclose on a mortgage are based on policies and procedures approved by the board of directors and on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. Given its mission, Habitat tries to work with homeowners, and foreclosures are kept to a minimum. Receivables are written off at the conclusion of any foreclosure proceedings. The balance in the allowance for doubtful accounts for mortgages receivable as of June 30, 2019 and 2018 is approximately \$333,000 and \$574,000, respectively.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Grants - Unconditional contributions and grants are recognized as revenue in the period the commitment or payment is first received. All contributions and grants are considered available for general operations unless specifically restricted by the donor. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in restricted net assets, depending on the nature of the restrictions. When a restriction is met or expires, net assets are reclassified to net assets without donor restrictions and reported in the statement.

Provisions are made for estimated uncollectible contributions and grants receivable. Habitat's estimate of the allowance is based on historical collection experience, a review of current status of receivables and judgment. Decisions to charge off receivables are based on policies and procedures approved by the board of directors and management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. There was no allowance for doubtful accounts as of June 30, 2019 and 2018 deemed necessary for contributions or grants receivable.

Construction in Progress - Construction in progress is presented net of an allowance representing the estimated loss on the ultimate sale of the underlying houses. The estimated loss is determined by comparing the actual or anticipated sales prices of the various houses included in construction in progress to their estimated total cost at completion. The amount in the allowance for losses on construction in progress as of June 30, 2019 and 2018 is approximately \$37,700 and \$28,500, respectively.

Property and Equipment - Property and equipment are recorded at cost if purchased, or fair value if received as a donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (ranging from 3 to 30 years). Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Gain or loss resulting from the retirement or other disposition of assets is included in income. Property and equipment are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. No impairment was recognized for the years ended June 30, 2019 and 2018.

In-Kind Contributions - In-kind contributions are accounted for as follows:

Donated Services - Donated services are recognized as contributions at their estimated fair value only if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, or would otherwise be purchased by Habitat.

Donated Goods - Donated goods are recognized as contributions at estimated fair values at time of donation.

Donated items sold at Habitat's ReStore are not recorded as contribution revenue or inventory due to the uncertainty that exists regarding the net realizable values of these items. These are included in revenue when sold to customers.

HABITAT FOR HUMANITY - MIDOHIO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - Habitat is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Habitat has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statements of activities and change in net assets for the periods ended June 30, 2019 and 2018 related to uncertain tax positions. Habitat is no longer subject to U.S. federal or state tax examinations for years prior to 2016.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 is the result of a joint project of FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Accounting Standards Codification (Codification) and most industry-specific guidance throughout the Industry Topics of the Codification.

ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. ASU 2014-09 requires either retrospective application by restating each period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date (Topic 606) (ASU 2015-14). ASU 2015-14 defers the effective date to annual reporting periods beginning after December 15, 2018. Habitat is assessing the impact that ASU 2014-09 and 2015-14 will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and right-of-use asset at the commencement date for all leases, with the exception of short-term leases. This guidance is effective for annual reporting periods beginning after December 15, 2020. Habitat is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), which should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for fiscal years beginning July 1, 2019. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for fiscal years beginning July 1, 2020. Habitat is currently evaluating the impact of adopting this new accounting guidance on its financial statements.



HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This new ASU is intended to simplify and improve not-for-profit financial reporting. The new standard includes: revisions to the net asset classification scheme to two classes; enhanced disclosures related to liquidity, financial performance, availability of resources, service efforts, investment performance, expenses and cash flows; and updated accounting and disclosure requirements for underwater endowments. Habitat has adjusted the presentation of these financial statements on a retrospective basis; however, there were no reclassifications to net assets resulting from the adoption of this standard.

In June of 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The pronouncement seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current U.S. Generally Accepted Accounting Principles (GAAP) with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. It is effective for fiscal years beginning July 1, 2021. Habitat is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

Subsequent Events - Management has evaluated subsequent events through December 20, 2019, which is the date that the financial statements were available to be issued. Subsequent events are defined as events or transactions that occur after the statement of financial position date but before the financial statements are issued or available to be issued.

NOTE 3 - LIQUIDITY

The following reflects Habitat's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restriction within one year of the statement of financial position date.

Cash and cash equivalents	\$	1,566,702
AR current, net		1,746,326
Total Financial Assets		<u>3,313,028</u>
Less: Those unavailable for general expenditures with donor restriction		(1,200,206)
Less: Board-designated net assets		<u>(294,042)</u>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	\$	<u>1,818,780</u>

In addition to these available assets, a significant portion of Habitat's annual expenditures will be funded with operating revenues from the affiliate's two ReStores as well as the grant funding.

Habitat has a \$1,000,000 variable rate line of credit available with Fifth Third Bank. The purpose of the line is to give Habitat access to liquidity to support operations when there are fluctuations in working capital. The outstanding balance of the loan was \$0 at June 30, 2019.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of commitments made by various individuals and organizations under pledge agreements. Certain contributions have been made as part of the Habitat Housing Initiative (HHI) Capital Campaign, which is a five-year plan to transform lives and communities through homebuilding, rehabs and repairs. Due to restrictions on the use of HHI funds outlined in the pledge agreements, many of these contributions are restricted.

Contributions receivable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 510,871	\$ 1,090,883
Receivable in one to five years	<u>270,260</u>	<u>335,260</u>
	781,131	1,426,144
Less: Discount to present value	<u>(12,752)</u>	<u>(28,849)</u>
Contributions Receivable, Net	\$ <u>768,379</u>	\$ <u>1,397,294</u>

At June 30, 2019 and 2018, the present value of contributions receivable has been determined using a discount rate of 3.00%.

NOTE 5 - MORTGAGES RECEIVABLE

Mortgages receivable, net at June 30, consisted of the following:

	<u>2019</u>	<u>2018</u>
Face value	\$ 13,950,120	\$ 13,644,924
Other mortgage-related receivables	79,285	153,660
Less: Unamortized discount based on imputed interest at rates ranging from 3.19% to 8.75%	(3,809,485)	(3,844,353)
Less: Allowance for uncollectible mortgages	<u>(333,063)</u>	<u>(573,981)</u>
Mortgages receivable, net	9,886,857	9,380,250
Less: Current portion	<u>(1,043,926)</u>	<u>(1,008,957)</u>
Mortgages Receivable Long-Term, Net	\$ <u>8,842,931</u>	\$ <u>8,371,293</u>

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - MORTGAGES RECEIVABLE (Continued)

The following is a reconciliation of the face value of mortgages receivable and other mortgage-related receivables as of June 30:

	2019	2018
Beginning balance	\$ 13,644,924	\$ 13,609,287
Plus:		
Mortgages issued	1,747,499	1,646,478
Change in other mortgages receivable	83,886	(259,208)
	15,476,309	14,996,557
Less:		
Foreclosures and deeds in lieu and loan modifications	(477,205)	(109,516)
Payments received during the year	(1,048,984)	(1,242,117)
Ending balance	\$ 13,950,120	\$ 13,644,924

Habitat considers the performance of the loan portfolio when determining the allowance for uncollectible mortgages. It is reasonably possible that management's estimate of uncollectible mortgages will change. The following table presents activity in the allowance for uncollectible mortgages for the years ended June 30:

	2019	2018
Beginning balance	\$ 573,981	\$ 616,039
Additions for loans not previously allowed	117,329	60,092
Write-offs of the allowance due to foreclosures	(105,923)	(61,621)
Recoveries	(121,183)	(44,525)
Change in the estimate of the allowance	(131,141)	3,996
Ending balance	\$ 333,063	\$ 573,981

As a result of serving exclusively low-income families and making extraordinary efforts to help them maintain homeownership, Habitat's loan portfolio's delinquency rate can generally be expected to be higher than that of a conventional lender. The following table summarizes the delinquency status of mortgages receivable as of June 30, 2019:

1 Month Past Due	2 - 6 Months Past Due	7 - 12 Months Past Due	13 - 24 Months Past Due	Greater than 24 Months Past Due	Loans Not Past Due	Total
\$ 486,788	\$ 1,394,736	\$ 413,064	\$ 173,613	\$ 688,820	\$ 10,793,099	\$ 13,950,120

Habitat works with homeowners, and generally, if a delinquent homeowner shows promise and makes six straight months of full payments, Habitat will work with the homeowner on a payment plan so that the mortgage will be current within a 12-month period. During the year ended June 30, 2019, Habitat engaged in one modification, affecting approximately \$10,000 of mortgages.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - MORTGAGES RECEIVABLE (Continued)

The following is a schedule of anticipated reductions of mortgages and other mortgage-related receivables as of June 30, 2019:

Year Ending June 30	Payments from Homeowners	Amortization of Discount	Net Reduction
2020	\$ 1,043,926	\$ 285,074	\$ 758,852
2021	1,003,640	274,073	729,567
2022	969,995	264,885	705,110
2023	944,706	257,979	686,727
2024	949,738	259,354	690,384
Thereafter	<u>9,038,115</u>	<u>2,468,120</u>	<u>6,569,995</u>
	<u>\$ 13,950,120</u>	<u>\$ 3,809,485</u>	<u>\$ 10,140,635</u>

Mortgages receivable are secured by a first mortgage on the related property. Mortgages receivable, net, included in current assets on the statements of financial position include approximately \$77,000 and \$94,000 due for escrow and other mortgage-related receivables from homeowners as of June 30, 2019 and 2018, respectively.

NOTE 6 - GRANTS RECEIVABLE

Grants receivable consist primarily of commitments made by various organizations, including Habitat International, Community Housing Development Organizations under development agreements, and governmental agencies. These entities have committed to providing a certain amount of funding with the stipulation that specific homes are constructed and sold. Due to stipulations outlined in the grants, revenue and receivables are recorded as certain milestones are met. Grants receivable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Habitat International - SHOP	-	\$ 71,014
Habitat Ohio	\$ 12,611	27,000
Central Ohio Community Improvement	15,000	-
Healthy Neighborhood Healthy Families	13,500	-
Southside Renaissance	-	20,000
United Way Central Ohio	168,750	350,000
United Way of Licking County	10,000	-
City of Columbus - ADDI	5,000	10,000
City of Columbus - Department of Development	26,494	50,660
Less: Discount to present value	<u>(3,641)</u>	<u>-</u>
	<u>\$ 247,714</u>	<u>\$ 528,674</u>

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 7 - CONSTRUCTION IN PROGRESS

Construction in progress at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Construction in progress, cost	\$ 585,983	\$ 662,280
Allowance for estimated loss on sale	<u>(37,689)</u>	<u>(28,490)</u>
Construction In Progress, Net	<u>\$ 548,294</u>	<u>\$ 633,790</u>

House construction activity for the years ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Houses in progress at beginning of year	14	11
Houses started during the year	16	19
Houses completed during the year	<u>(22)</u>	<u>(16)</u>
Houses In Progress At End Of Year	<u>8</u>	<u>14</u>

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment, net at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 3,200,411	\$ 1,683,411
Transportation equipment	339,312	234,426
Office and warehouse equipment	222,242	203,597
Building improvements	478,941	448,996
Furniture and fixtures	217,683	178,432
	<u>4,458,589</u>	<u>2,748,862</u>
Less: Accumulated depreciation	(817,559)	(651,523)
Land	<u>1,076,074</u>	<u>363,074</u>
Property And Equipment, Net	<u>\$ 4,717,104</u>	<u>\$ 2,460,413</u>

During 2019, Habitat purchased land and building for a third ReStore site. There was no depreciation or revenue recorded during 2019, as the building was undergoing renovations and not placed in service yet. The planned opening is expected to be in December 2019.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - OTHER ASSETS

Other assets, net at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land held for future development	\$ 107,821	\$ 198,710
Residential housing lots	300	300
Rental homes, net	72,361	33,796
Foreclosed properties	<u>174,539</u>	<u>74,522</u>
Other Assets, Net	<u>\$ 355,021</u>	<u>\$ 307,328</u>

NOTE 10 - LINES OF CREDIT

Habitat maintains a revolving line-of-credit agreement with a bank with maximum borrowings of \$1,000,000. The agreement is collateralized by specific mortgages with an approximate value of \$1,000,000. Interest is charged at the London Interbank Offered Rate (LIBOR) plus 2.0% (4.33% at June 30, 2019) on any outstanding balance. The outstanding balance at June 30, 2019 and 2018 was \$0 and \$201,235, respectively. The line of credit expires in February 2020. Habitat plans to renew this agreement with similar terms and conditions in fiscal year 2020.

NOTE 11 - NOTES PAYABLE

The following summarizes Habitat's notes payable at June 30:

	<u>2019</u>	<u>2018</u>
Funding agreements with Habitat International identified as SHOP notes (see table on Page 22).	\$ 141,225	\$ 162,918
Note payable to GM Financial. In December 2018, Habitat received financing for a vehicle in the amount of \$29,153. The note provides for interest at a rate of 6.24%. The note is payable in 60 monthly installments of \$568 and is scheduled to mature in December 2023.	26,534	-
Note payable to Ally Bank. In October 2018, Habitat received financing for a vehicle in the amount of \$17,250. The note provides for interest at a rate of 5.69%. The note is payable in 36 monthly installments of \$524 and is scheduled to mature in October 2021.	<u>13,694</u>	<u>-</u>
Amount Carried Forward	<u>181,453</u>	<u>162,918</u>

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 11 - NOTES PAYABLE (Continued)

	<u>2019</u>	<u>2018</u>
Amount Brought Forward	\$ 181,453	\$ 162,918
Note payable to United Midwest Savings Bank. This note is secured by 22 mortgages receivable as agreed to with the bank. The carrying value of the assets held as collateral is \$929,670 at June 30, 2019, which is included in the mortgages receivable on the statement of financial position. The note provides for interest at the prime rate minus 1.50% (4.0% as of June 30, 2019). The note is payable in monthly installments based upon the mortgages held as collateral and is scheduled to mature in May 2027.	811,352	896,658
Notes payable to United Midwest Savings Bank. This note is secured by a second position as the same listed above mortgages. The note provides for interest at the rate of 0.00%. The note is payable in monthly installments based upon the mortgages held as collateral and is scheduled to mature in May 2029.	347,615	-
Notes payable to United Midwest Savings Bank. Habitat received financing for a vehicle in the amount of \$48,660. The note provides for interest at the rate of 0.00%. The note is payable in monthly installments of \$811 over 60 months and is scheduled to mature in June 2024.	48,660	-
Mortgage note payable to Huntington Bank. This note is secured by the building and land at 6665 Busch Blvd. and potential rents. The note provides for interest at a rate of 4.380%. The note is payable in monthly installments of \$13,033 and is scheduled to mature in Oct 2023.	550,256	679,090
Mortgage note payable to Huntington Bank. This note is secured by the building and land at 2555 Bethel Rd. (a new ReStore location), capital improvements and potential rents. Interest on the note is a floating rate loan priced at LIBOR + 210 basis points (4.52% at June 30, 2019). By applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. A construction line of credit of \$500,000 is available as of June 30, 2019; however, \$0 has been drawn as of June 30, 2019.	1,555,000	-
Note payable to Northern Trust. This note is secured by certain mortgages receivable as agreed to with the bank. The note provides for interest at the rate of 0.00%. This note is payable in monthly installments based upon the mortgages held as collateral and is scheduled to mature in November 2041. The carrying value of the assets held as collateral is \$744,067 as of June 30, 2019.	972,984	-
Amount Carried Forward	<u>4,467,320</u>	<u>1,738,666</u>

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 11 - NOTES PAYABLE (Continued)

	2019	2018
Amount Brought Forward	\$ 4,467,320	\$ 1,738,666
Note payable to Ally Bank. In June 2016, Habitat received financing for a vehicle in the amount of \$35,626. The note provides for interest at a rate of 2.69%. The note was payable in 48 monthly installments of \$785 and matured in June 2019.	-	8,519
Less: Imputed discount - SHOP notes	4,467,320 (4,622)	1,747,185 (5,170)
Future principal payments	4,462,698	1,742,015
Less: Current portion	(423,619)	(283,708)
Notes Payable, Net of current portion	\$ 4,039,079	\$ 1,458,307

Habitat has various funding agreements with Habitat International identified as SHOP notes. Of the funding, 75% is in the form of a grant to Habitat and the other 25% is in the form of a note payable to Habitat International. The promissory note portion is non-interest-bearing and provides for interest at a rate of 10% per annum upon default by Habitat of any of the terms of the note. The notes are payable in monthly installments ranging from \$74 to \$859 and are scheduled to mature at various times between July 2019 and June 2026. The average total monthly payment approximated \$4,246 during the year ended June 30, 2019.

SHOP notes at June 30, 2019 are made up of the following:

SHOP Year	Award	June 30, 2018 Outstanding	Draws	Repayments	June 30, 2019 Outstanding
2009	\$ 32,122	\$ 1,198	-	\$ (1,198)	-
2010	65,716	28,720	-	(16,860)	\$ 11,860
2011	53,750	33,608	-	(13,428)	20,180
2012	35,250	24,242	-	(8,810)	15,432
2013	17,812	14,261	-	(4,440)	9,821
2014	25,000	21,886	-	(6,228)	15,658
2015	45,774	21,250	\$ 24,524	-	45,774
2016	22,500	17,753	4,747	-	22,500
Total	\$ 297,924	\$ 162,918	\$ 29,271	\$ (50,964)	\$ 141,225



HABITAT FOR HUMANITY - MIDOHIO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 11 - NOTES PAYABLE (Continued)

Aggregate minimum annual principal payments required on notes payable are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 423,619
2021	425,745
2022	417,769
2023	395,823
2024	265,638
Thereafter	<u>2,538,726</u>
	<u>\$ 4,467,320</u>

Interest expense on notes payable approximated \$52,000 and \$51,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 12 - FACILITY LEASE

Habitat leases a facility for a ReStore location under an operating lease agreement that originally expired in June 2017. During 2017, the lease was renewed for an additional five-year period, expiring in June 2022. Rent expense approximated \$114,000 for the years ended June 30, 2019 and 2018.

Future minimum lease obligations due subsequent to the year ended June 30, 2019 are as follows:

<u>June 30,</u>	<u>Amount</u>
2020	\$ 114,480
2021	114,480
2022	<u>114,480</u>
	<u>\$ 343,440</u>

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018 are available for the construction of homes and the Habitat Housing Initiative (HHI) capital campaign.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

A summary of assets held pertaining to net assets with donor restrictions as of June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Contributions/grants receivable	\$ 855,775	\$ 1,567,418
Cash	<u>344,431</u>	<u>826,513</u>
Total	<u>\$ 1,200,206</u>	<u>\$ 2,393,931</u>

Donor restrictions pertaining to restricted net assets as of June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Construction of homes	\$ 137,150	\$ 167,000
HHI capital campaign	<u>1,063,056</u>	<u>2,226,931</u>
Total	<u>\$ 1,200,206</u>	<u>\$ 2,393,931</u>

Net assets released from restrictions primarily by the completion of home construction and identifiable HHI capital campaign activities during the years ended June 30, 2019 and 2018 amounted to \$1,682,875 and \$675,533, respectively.

NOTE 14 - TRANSACTIONS WITH AFFILIATES

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat International in an annual tithing. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2019 and 2018, Habitat contributed approximately \$20,000 and \$18,000, respectively, to Habitat International.

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat International for the SOSI fee (U.S. Stewardship and Organizational Sustainability Fee). For the years ended June 30, 2019 and 2018, Habitat contributed \$25,000 to Habitat International for this fee.

Habitat International facilitates a staffing program referred to as AmeriCorps VISTA. VISTA-related staffing expense approximated \$198,000 and \$221,000 for the years ended June 30, 2019 and 2018, respectively. In connection with the AmeriCorps VISTA program, Habitat paid 41% of the compensation and Habitat International contributed 59%, or approximately \$117,000 and \$130,000 for the years ended June 30, 2019 and 2018, respectively, which was recorded as in-kind contribution revenue and salary expense.

Habitat International also provides grants and loans as described in Note 11.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 15 - IN-KIND CONTRIBUTIONS

Habitat receives various in-kind contributions, including the services of construction contractors and other professionals as well as donations of office rent, furniture, residential lots, building materials and tools. The estimated fair value of in-kind contributions included in the statements of activities and change in net assets was approximately \$404,000 and \$469,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 16 - RETIREMENT PLAN

Habitat has a defined contribution retirement plan. To participate in the plan, individuals must be employed full-time for six months. Habitat matches employee contributions at the rate of 50% for each dollar contributed up to 6% of the employee's eligible compensation. Habitat recognized expense for employer contributions of approximately \$44,000 and \$45,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 17 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses that are specific to location of the building and offices are allocated based on full-time equivalent (FTE) at 6665 Busch Boulevard or square footage utilized between ReStore and Construction at 3140 Westerville Road. Otherwise, expenses are allocated based on FTE for the department utilizing the expense.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Habitat is involved in various claims and legal proceedings arising from the ordinary course of business. While the ultimate liability, if any, incurred as a result of these proceedings is presently indeterminable, in the opinion of management, these matters should not have a material adverse effect on Habitat's financial position, and no amounts have been recorded in the financial statements.

Habitat has entered into agreements for financing transactions that involve the sale of mortgages to financial institutions. In the event that a mortgage that was sold becomes non-performing (those past due more than 90 days) Habitat has agreed to substitute a performing mortgage or may repurchase the non-performing mortgage. The face value of outstanding sold mortgages as of June 30, 2019 is \$1,470,213, which is collateralized by the properties securing the mortgages.

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SUPPLEMENTARY INFORMATION



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

Board of Directors  
Habitat for Humanity - MidOhio  
Columbus, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity - MidOhio (Habitat), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
December 20, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Habitat for Humanity - MidOhio  
Columbus, Ohio

We have audited Habitat for Humanity - MidOhio's (Habitat) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity - MidOhio's (Habitat) major federal programs for the year ended June 30, 2019. Habitat's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Habitat's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Habitat complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***Report on Internal Control over Compliance***

Management of Habitat is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
December 20, 2019

HABITAT FOR HUMANITY - MIDOHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>FEDERAL GRANTOR/SUB-GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR'S ID NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass through City of Columbus:			
Home Investment Partnership Program	14.239	31-6400223	\$ 619,946
Self-Help Homeownership Opportunity Program	14.247	91-1914868	117,084
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>737,030</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Independence Demonstration Program	93.602	31-6025986	21,000
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>21,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 758,030</u>

See notes to the schedule of expenditures of federal awards.

HABITAT FOR HUMANITY - MIDOHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Habitat for Humanity - MidOhio (Habitat) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, change in net assets or cash flows of the Organization.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICY

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Habitat has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

HABITAT FOR HUMANITY - MIDOHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of report the auditor issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America:

Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes

X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes

X  none reported

Noncompliance material to financial statements notes \_\_\_\_\_ yes

X  no

Federal Awards:

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes

X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes

X  none reported

Type of auditor's report on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes

X  no

Identification of major federal programs:

CFDA Numbers  
14.239

Name of Federal Program or Cluster  
Home Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes

X  no

The independent auditors' report on compliance should be read with this schedule.

HABITAT FOR HUMANITY - MIDOHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, grant agreements and abuse related to the financial statements for which Government Auditing Standards require reporting.

There were no findings noted in the current year that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and material abuse).

There were no findings noted in the current year that are required to be reported in accordance with 2 CFR 200.516(a).

The independent auditors' report on compliance should be read with this schedule.