



LEXINGTON HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

LEXINGTON HABITAT FOR HUMANITY, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Lexington Habitat for Humanity, Inc.
Lexington, Kentucky

We have audited the accompanying financial statements of Lexington Habitat for Humanity, Inc. ("Habitat"), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Lexington Habitat for Humanity, Inc.
Lexington, Kentucky

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2019, Habitat adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to this matter.

Blue & Co., LLC

Lexington, Kentucky
November 24, 2020

LEXINGTON HABITAT FOR HUMANITY, INC.STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS		
	2020	2019
Cash	\$ 460,144	\$ 64,888
Accounts and grants receivable	24,586	19,612
Inventory	9,228	6,585
Prepaid expenses	83,808	100,175
Non-interest bearing mortgage loans, net	4,656,640	4,939,152
Construction in progress	387,016	591,915
Land and property held for sale or development	491,462	376,109
Building and equipment, net	1,219,008	1,387,511
Investments at fair value	985,067	989,638
Total assets	<u>\$ 8,316,959</u>	<u>\$ 8,475,585</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 87,499	\$ 217,983
Accrued liabilities	134,666	187,454
Refundable advance	149,625	334,805
Deferred lease incentive	-0-	14,167
Line of credit	264,554	265,000
Notes payable	1,088,231	892,810
Total liabilities	<u>1,724,575</u>	<u>1,912,219</u>
Net assets		
Without donor restrictions	5,493,482	5,576,258
With donor restrictions		
Purpose restricted for the Love Your Neighborhood program	113,835	-0-
Endowment fund	985,067	987,108
Total net assets with donor restrictions	<u>1,098,902</u>	<u>987,108</u>
Total net assets	<u>6,592,384</u>	<u>6,563,366</u>
Total liabilities and net assets	<u>\$ 8,316,959</u>	<u>\$ 8,475,585</u>

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
ReStore sales, net	\$ 1,651,460	\$ -0-	\$ 1,651,460
Transfers to homeowners	737,901	-0-	737,901
Program sponsorship revenue	582,582	132,269	714,851
Contributions and fundraising	586,851	2,149	589,000
Grants	461,639	-0-	461,639
Interest income from mortgage discount amortization	358,380	-0-	358,380
Special events, net of donor benefits	69,231	26,698	95,929
Gifts in-kind	74,739	-0-	74,739
Gain from early payoff of mortgages	54,500	-0-	54,500
Other income	16,678	-0-	16,678
Investment return, net	-0-	16,895	16,895
Income from repair-program recipients	4,556	-0-	4,556
Released from restrictions and used for programs	66,217	(66,217)	-0-
Total revenues and other support	4,664,734	111,794	4,776,528
Expenses			
Program	3,837,457	-0-	3,837,457
Management and general	602,684	-0-	602,684
Fundraising	307,369	-0-	307,369
Total expenses	4,747,510	-0-	4,747,510
Change in net assets	(82,776)	111,794	29,018
Net assets, beginning of year	5,576,258	987,108	6,563,366
Net assets, end of year	\$ 5,493,482	\$ 1,098,902	\$ 6,592,384

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
ReStore sales, net	\$ 2,255,332	\$ -0-	\$ 2,255,332
Program sponsorship revenue	880,315	-0-	880,315
Transfers to homeowners	681,151	-0-	681,151
Interest income from mortgage discount amortization	469,213	-0-	469,213
Grants	454,725	-0-	454,725
Contributions and fundraising	203,540	1,834	205,374
Gifts in-kind	92,802	-0-	92,802
Gain from early payoff of mortgages	58,357	-0-	58,357
Special events, net of donor benefits	39,839	17,355	57,194
Other income	39,494	-0-	39,494
Investment return, net	-0-	26,578	26,578
Gain on equipment dispositions	5,053	-0-	5,053
Released from restrictions and used for programs	46,500	(46,500)	-0-
Total revenues and other support	5,226,321	(733)	5,225,588
Expenses			
Program	4,555,351	-0-	4,555,351
Management and general	384,088	-0-	384,088
Fundraising	399,596	-0-	399,596
Total expenses	5,339,035	-0-	5,339,035
Change in net assets	(112,714)	(733)	(113,447)
Net assets, beginning of year	5,688,972	987,841	6,676,813
Net assets, end of year	\$ 5,576,258	\$ 987,108	\$ 6,563,366

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,266,611	\$ 356,512	\$ 211,043	\$ 1,834,166
Building materials and supplies	1,228,181	-0-	-0-	1,228,181
Employee fringe benefits and payroll taxes	338,352	73,777	51,078	463,207
Rent expense	301,238	-0-	-0-	301,238
Depreciation expense	66,966	74,478	-0-	141,444
Repairs and maintenance	113,306	9,915	5,864	129,085
Office	71,824	13,962	26,201	111,987
Utilities	97,980	910	728	99,618
ReStore cost of goods sold	86,130	-0-	-0-	86,130
Loss on asset dispositions	78,823	-0-	-0-	78,823
Insurance	52,660	9,880	28	62,568
Interest expense	24,028	22,188	-0-	46,216
Special events, donor benefits	-0-	-0-	42,317	42,317
Professional fees	3,255	33,461	952	37,668
Vehicle expense	36,575	32	88	36,695
Habitat for Humanity International, Inc. fees and tithes	35,250	-0-	-0-	35,250
Bank and merchant account charges	31,861	63	2,996	34,920
Partner family expenses	28,825	-0-	-0-	28,825
Advertising	22,331	-0-	1,906	24,237
Post sale home repairs	12,616	-0-	-0-	12,616
Telephone	9,867	775	398	11,040
Travel and meals	6,301	2,456	1,286	10,043
Postage	3,687	1,265	3,738	8,690
Seminars and conferences	3,791	1,328	1,063	6,182
Equipment rental	3,129	1,682	-0-	4,811
Total expenses	3,923,587	602,684	349,686	4,875,957
Less expenses included with revenues in the statement of activities	(86,130)	-0-	(42,317)	(128,447)
Total expenses included in the expense section of the statement of activities	\$ 3,837,457	\$ 602,684	\$ 307,369	\$ 4,747,510

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,511,197	\$ 175,859	\$ 283,691	\$ 1,970,747
Building materials and supplies	1,625,522	-0-	-0-	1,625,522
Employee fringe benefits and payroll taxes	348,427	35,263	58,875	442,565
Rent expense	332,988	-0-	-0-	332,988
Office	110,160	21,357	28,719	160,236
Repairs and maintenance	118,508	11,808	5,097	135,413
Depreciation expense	77,194	58,073	-0-	135,267
Utilities	118,072	827	662	119,561
ReStore cost of goods sold	85,472	-0-	-0-	85,472
Insurance	51,337	9,124	27	60,488
Professional fees	18,478	35,293	3,738	57,509
Interest expense	24,441	25,229	-0-	49,670
Vehicle expense	49,493	-0-	63	49,556
Special events, donor benefits	-0-	-0-	53,562	53,562
Bank and merchant account charges	40,687	82	2,784	43,553
Habitat for Humanity International, Inc. fees and tithes	42,000	-0-	-0-	42,000
Advertising	25,429	500	4,991	30,920
Telephone	21,703	1,149	972	23,824
Travel and meals	9,394	3,736	4,504	17,634
Partner family expenses	17,509	-0-	-0-	17,509
Seminars and conferences	6,729	3,386	2,942	13,057
Equipment rental	3,768	1,474	-0-	5,242
Postage	1,700	928	1,370	3,998
Unfulfilled pledges	-0-	-0-	1,161	1,161
Post sale home repairs	615	-0-	-0-	615
Total expenses	4,640,823	384,088	453,158	5,478,069
Less expenses included with revenues in the statement of activities	(85,472)	-0-	(53,562)	(139,034)
Total expenses included in the expense section of the statement of activities	\$ 4,555,351	\$ 384,088	\$ 399,596	\$ 5,339,035

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 29,018	\$ (113,447)
Adjustments to reconcile change in net assets to net change from operating activities:		
Depreciation	141,444	135,267
Transfers to homeowners - financed by Habitat	(94,901)	(169,351)
Imputed interest income from non-interest bearing mortgage loans	(358,380)	(469,213)
Realized and unrealized losses (gains) on investments	9,140	(19,514)
Loss (gain) on disposal of assets	78,823	(5,053)
Unfulfilled pledges	-0-	1,161
Special event revenue restricted for long-term investment	(26,698)	(17,355)
Donated equipment	-0-	(10,069)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(4,974)	91,536
Pledges receivable, net	-0-	(161)
Inventory	(2,643)	6,429
Prepaid expenses	16,367	(11,665)
Construction in progress	204,899	(34,408)
Land and property held for sale or development	(115,353)	62,860
Accounts payable	(130,484)	(136,908)
Accrued liabilities	(52,788)	2,831
Refundable advance	(185,180)	76,194
Deferred lease incentive	(14,167)	(56,666)
Net cash flows from operating activities	(505,877)	(667,532)

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Investing Activities		
Proceeds from sales of property and equipment	-0-	5,053
Purchases of property and equipment	(51,764)	(256,688)
Non-interest bearing mortgage loan payments received	735,793	865,429
Proceeds from sales of investments	1,182,868	1,258,249
Purchases of investments	(1,187,437)	(1,239,681)
Net cash flows from investing activities	679,460	632,362
Financing Activities		
Special events revenue restricted for endowment	26,698	17,355
Net proceeds from (payments on) line of credit	(446)	65,000
Proceeds from note payable	275,000	-0-
Payments on notes payable	(79,579)	(94,513)
Net cash flows from financing activities	221,673	(12,158)
Net change in cash	395,256	(47,328)
Cash, beginning of year	64,888	112,216
Cash, end of year	<u>\$ 460,144</u>	<u>\$ 64,888</u>
Supplemental disclosures		
In-kind contributions of equipment	<u>\$ -0-</u>	<u>\$ 10,069</u>
Cash paid for interest during the year	<u>\$ 46,216</u>	<u>\$ 49,670</u>
Discount on current year non-interest bearing mortgage loans	<u>\$ 120,599</u>	<u>\$ 220,949</u>

See accompanying notes to financial statements.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lexington Habitat for Humanity, Inc. (Habitat), a nonprofit corporation, was incorporated on November 26, 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. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Habitat operates a discount home improvement outlet called ReStore. ReStore sells donated new and gently used furniture, home accessories, building supplies, and appliances. All ReStore proceeds benefit Habitat. ReStore gross revenues were approximately 35% and 43% of total revenues for the years ended June 30, 2020 and 2019, respectively.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Accordingly, revenues are recognized when they are earned and expenses are recognized when they are incurred. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of Habitat are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Cash

Habitat maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash. At June 30, 2020, the amount of cash in excess of federally insured limits totaled \$240,450.

Investments

Investments in equity and debt securities that have a readily determinable fair value are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable

Accounts receivable primarily consists of grants earned, but not yet received. Grants are recorded at the amount Habitat expects to collect on outstanding balances. Habitat has not recorded an allowance for uncollectible grant receivables, as historically, they have not experienced materially uncollectible amounts.

Receivables are considered past due based on contractual terms and Habitat does not accrue finance charges on its past due receivables. Receivables deemed to be uncollectible are written off in the period in which the determination is made. Management believes there is no significant risk of loss associated with the receivables recorded at June 30, 2020 and 2019, and accordingly no provision for bad debts has been provided in the accompanying financial statements.

Non-Interest Bearing Mortgage Loans, Net

Habitat records and accounts for non-interest bearing loans using the discounted cash flow method based on Habitat's current incremental borrowing rates for similar types of borrowing arrangements. These rates vary from 7.38% to 8.48% based upon the prevailing market rate at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. The discounted carrying amount of these loans approximates their fair value. An expense is recorded upon the sale of the houses for the difference between the face value of the mortgage loans receivable and the present value of the loans. The mortgages are secured by the real estate and due in monthly installments over the life of the mortgages, which range from 15 to 40 years. Some homeowners are able to borrow the full appraised value of the home via one Habitat non-interest bearing loan. For other homeowners, two notes are issued: one being the amount the board has set (the first note), the other being the difference between the amount of the first note and the appraised value of the home. After

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

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a period of time designated in the mortgage, the second note, which is not recorded by Habitat, is forgiven, annually, at a prorated amount designated in the mortgage such that before or at the maturity date of the first note, the second note would be forgiven in full. Habitat's policy is to work closely with homeowners to avoid defaulted mortgages.

Habitat has not recorded an allowance for uncollectible mortgages because it can reclaim houses through foreclosure. Though some of these mortgages may be foreclosed, Habitat believes that losses on foreclosure, if any, are immaterial in relation to these financial statements.

Inventory

Inventory consists of construction materials that were donated or purchased by Habitat. Inventory is valued at the market value of the donation or cost of the asset on the first in, first out method.

Construction in Progress

Construction in progress includes the direct and indirect costs of construction, land, and the estimated fair market value of donated materials and professional services used in construction of homes. Transfer to homeowners is recorded when the home is occupied and title is transferred.

Land and Property Held for Sale or Development

Land or property held for sale or development includes the cost of land and improvements to land or, if donated, the approximate fair value of the land at the date of the donation, held for sale or future development and properties previously transferred by Habitat which have been reclaimed in foreclosure, which are recorded at the outstanding first note balance at the date of foreclosure.

ReStore Inventory

Most of the store's merchandise has been donated by building supply stores and by individuals in the community. Because many of the donations are the result of overstocked items or are used items, the value of the donations is not readily determinable until such merchandise is sold. Therefore, retail inventory of the store has not been recorded in these financial statements. Retail sales are recorded at the point of sale.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

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Sales Taxes

Habitat operates two ReStore locations in the state of Kentucky, which imposes a sales tax on Habitat's sales. Habitat collects sales tax from customers and remits the entire amount to the State. Habitat's accounting policy is to deduct the tax collected and remitted to the State from revenues.

Building and Equipment

Building and equipment consist of land, construction in progress, leasehold improvements, and furniture and equipment which are stated at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 40 years. Acquisitions of property and equipment in excess of \$500 are capitalized. The cost of repairs and maintenance is expensed as incurred.

Revenue Recognition

Unconditional contributions are recorded when received as increases to net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as released from restrictions used for programs.

Conditional contributions are recorded when explicit conditions are met. Homebuyer sponsorships are conditional contributions where Habitat must complete the construction of sponsored homes. If the sponsored home builds are not fully constructed, any contributions received in advance would be returned to the sponsors. Therefore, homebuyer sponsorships received in advance of completion of the sponsored home builds are recorded as a refundable advance on the statement of financial position. After a sponsored home is fully constructed and transferred to the homebuyer, the amounts previously recorded as a refundable advance are recognized as revenue in the statement of activities.

Gifts In-kind

Property, equipment, land, materials, and supplies, which are donated as support, are recorded at estimated fair values on the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the contributions to a specific purpose. Assets donated with explicit restrictions as to their use are reported as net assets with donor restrictions. Habitat reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. Habitat reclassifies net assets with donor restrictions to net assets without donor restrictions when the donor's restriction is satisfied. During the years ended June 30, 2020 and 2019, Habitat received approximately \$70,400 and \$79,800 of donated property, equipment, land, materials, and supplies.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

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The values of professional services are recorded at estimated fair values when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Habitat received approximately \$4,300 and \$13,000 of donated professional services for the years ended June 30, 2020 and 2019, respectively.

A substantial number of volunteers have made significant contributions of time to assist Habitat's program and supporting services. No amounts have been recognized in the accompanying statements of activities for these volunteer services because accounting standards criteria for recognition have not been satisfied.

Transfers to Homeowners

Traditionally, all Habitat homebuyers obtained financing from Habitat via non-interest bearing mortgage loans. However, beginning in July 2018, most Habitat homebuyers finance their homes through interest-bearing first mortgage loans from an external lending institution, and a forgivable second mortgage loan from Habitat for the difference between the amount of the first mortgage and the appraised value of the home. The proceeds from the first mortgage loan are paid to Habitat upon closing of the loan. The remaining homebuyers continue to obtain financing from Habitat via non-interest bearing mortgage loans. In both situations, transfers to homeowners are recorded at the first mortgage amount. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages, as provided by Habitat International. Utilizing the effective interest method, this discount will be recognized as interest income over the term of the mortgage.

Advertising Costs

Advertising costs are expensed when incurred.

Functional Allocation of Expenses

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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Habitat. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Certain expenses not directly benefiting a certain program are allocated, including certain salaries and benefits, which are allocated based on employees' job responsibilities, and utilities and other facilities-related costs, which are allocated to each respective function based on square footage. While the methods of allocation are considered appropriate, other methods could produce different results.

LEXINGTON HABITAT FOR HUMANITY, INC.

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Income Taxes

Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, Habitat has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Habitat and recognize a tax liability if Habitat has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Habitat, and has concluded that as of June 30, 2020 and 2019 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Habitat has filed its federal information returns for periods through June 30, 2019. These information returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Going Concern

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. Specifically, Habitat reclassified approximately \$190,000 and \$25,000 from program expenses and fundraising expenses, respectively, to management and general expenses. Total net assets and change in net assets are unchanged due to these reclassifications.

Subsequent Events

Habitat has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through, November 24, 2020, the date which the financial statements were available to be issued.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2019, Habitat adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance about whether a transfer of assets (or reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of a promisor's obligation to transfer assets.

Habitat applied the modified prospective approach when adopting ASU 2018-08. The adoption of ASU 2018-08 changed the accounting treatment for donations to the Love Your Neighborhood (LYN) program. Amounts received under the LYN program are now recorded as purpose restricted contributions and released from restriction in the year in which funds are expended according to the purpose restrictions of the LYN program. In prior fiscal years, these donations were recorded as a refundable advance, and then recognized as revenue once the funds were expended.

The impact of adopting ASU 2018-08 on Habitat's net assets and changes in net assets as of and for the year ended June 30, 2020, is as follows:

	Amounts that Would Have Been Reported	Effects of Applying New Guidance	As Reported
Statement of Financial Position			
at June 30, 2020:			
Refundable advance	\$ 263,460	\$ (113,835)	\$ 149,625
Net assets with donor restrictions, purpose restricted for the Love Your Neighborhood program	-0-	113,835	113,835
Statement of Activities for the year ended June 30, 2020:			
Program sponsorship revenue without donor restrictions	\$ 601,016	\$ (18,434)	\$ 582,582
Program sponsorship revenue with donor restrictions	-0-	132,269	132,269
Released from restrictions and used for programs	47,783	18,434	66,217
Change in net assets without donor restrictions	(82,776)	-0-	(82,776)
Change in net assets with donor restrictions	(2,041)	113,835	111,794

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

3. NON-INTEREST BEARING MORTGAGE LOANS, NET

Maturities of non-interest bearing mortgage loans receivable as of June 30, 2020 are as follows:

<u>Year ended June 30:</u>		
2021	\$	754,880
2022		630,832
2023		596,090
2024		568,765
2025		544,340
2026 and thereafter		5,240,805
		<u>8,335,712</u>
Less discount		<u>(3,679,072)</u>
	\$	<u>4,656,640</u>

As of June 30, 2019, non-interest bearing mortgage loans receivable, net of unamortized discounts, totaled \$4,939,152.

4. CONSTRUCTION IN PROGRESS AND LAND AND PROPERTY HELD FOR SALE OR DEVELOPMENT

A summary of activity in construction in progress and land and property held for sale or development for the year ended June 30, 2020:

	Construction in progress	Land and property held for sale or development
Balance at June 30, 2019	\$ 591,915	\$ 376,109
Gifts in-kind and donations	27,506	45,400
Purchases and additional cost incurred	746,820	332,406
Transfers of land	248,956	(248,956)
Property transfers (sold)	-0-	(13,497)
Cost of completed repair projects transferred out	(90,867)	-0-
Cost of completed homes transferred out	(1,137,314)	-0-
Balance at June 30, 2020	<u>\$ 387,016</u>	<u>\$ 491,462</u>

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

A summary of activity in construction in progress and land and property held for sale or development for the year ended June 30, 2019:

	Construction in progress	Land and property held for sale or development
Balance at June 30, 2018	\$ 557,507	\$ 438,969
Gifts in-kind and donations	55,013	13,346
Purchases and additional cost incurred	1,325,263	203,448
Transfers of land	279,654	(279,654)
Cost of completed repair projects transferred out	(170,067)	-0-
Cost of completed homes transferred out	(1,455,455)	-0-
Balance at June 30, 2019	<u>\$ 591,915</u>	<u>\$ 376,109</u>

5. BUILDING AND EQUIPMENT, NET

Building and equipment, net consist of the following at June 30:

	2020	2019
Office building and improvements	\$ 1,485,329	\$ 1,563,771
Land	89,250	89,250
Office furniture	139,026	136,457
Warehouse equipment	138,518	138,518
Vehicles	245,143	222,844
	<u>2,097,266</u>	<u>2,150,840</u>
Less accumulated depreciation	878,258	763,329
	<u>\$ 1,219,008</u>	<u>\$ 1,387,511</u>

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

6. INVESTMENTS

Investments consist of the following at June 30:

	2020	2019
Cash	\$ 99,823	\$ 36,443
U.S. treasury note	-0-	94,148
Equities, common stocks, exchange-traded funds, and closed-end funds:		
International	339,975	95,843
Large cap	194,735	92,951
Small cap	138,562	13,267
Fixed income	66,939	-0-
U.S. government	64,942	-0-
Other	42,037	34,643
Real estate	38,054	196,856
Utilities	-0-	86,150
Consumer goods	-0-	98,198
Communications	-0-	45,139
Financial services	-0-	22,468
Technology	-0-	143,326
Healthcare	-0-	16,207
Industrials	-0-	13,999
	<u>\$ 985,067</u>	<u>\$ 989,638</u>

7. FAIR VALUE MEASUREMENT

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Habitat has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Habitat's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers between levels during 2020 and 2019.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- Money market mutual funds: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- U.S. Treasury note: Valued using pricing models maximizing the use of observable inputs for similar securities.
- Common stock: Valued at the closing price reported on the active market on which the securities are traded.
- Mutual funds, exchange-traded, and closed-end funds: Valued at the daily closing price as reported by the respective funds. These funds are registered with the Securities and Exchange Commission, publish their daily NAV, and transact at that price. These funds are deemed to be actively traded.

Fair Value Measurements at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Exchange-traded and				
closed-end funds	\$ 885,244	\$ -0-	\$ -0-	\$ 885,244
Total assets at fair value	<u>\$ 885,244</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	885,244
Cash				99,823
Total investments				<u>\$ 985,067</u>

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Fair Value Measurements at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Treasury note	\$ -0-	\$ 94,148	\$ -0-	\$ 94,148
Common stocks	602,192	-0-	-0-	602,192
Exchange-traded and closed-end funds	256,855	-0-	-0-	256,855
Total assets at fair value	<u>\$ 859,047</u>	<u>\$ 94,148</u>	<u>\$ -0-</u>	<u>\$ 953,195</u>
Cash				36,443
Total investments				<u>\$ 989,638</u>

8. LINE OF CREDIT

At June 30, 2020 and 2019, Habitat has available a secured line of credit, which provides for borrowing up to \$600,000. Interest is payable monthly and is fixed at the prime rate, which was 3.25% and 5.50%, respectively, at June 30, 2020 and 2019. The current agreement expires in March 2021. The line of credit is secured by the assignment of mortgages of properties located in Lexington, Kentucky with an aggregate carrying value of approximately \$468,000 at June 30, 2020. The outstanding balance on the line of credit as of June 30, 2020 and 2019 was approximately \$265,000.

9. NOTES PAYABLE

Notes payable as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Various non-interest bearing notes payable to Habitat International. The notes are payable in 48 monthly installments with maturity dates through December 2021. The notes are unsecured full recourse obligations of Habitat. If the loans default, they become payable on demand plus interest at 10% from the date of the loan's inception.	\$ 18,478	\$ 27,250
1% installment note payable to Kentucky Housing Corporation in 30 annual installments of principal and interest in the amount of \$5,812. The note is unsecured. Final payment due in June 2034.	75,580	80,587
Various 1% installment notes payable, unsecured, to Bluegrass Affordable Housing Association. Interest is due quarterly and principal is due annually. The notes mature through October 2030.	140,657	171,638

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

	2020	2019
Construction note payable to bank dated December 20, 2016. Principal and interest payments due monthly at a fixed rate of 4.5% through December 2021, and a variable rate equal to the prime rate through maturity at June 2033. Secured by land and improvements thereon located at 700 Loudon Avenue, Lexington, Kentucky with a net book value of approximately \$927,043 at June 30, 2020.	144,600	152,476
Installment note payable to bank dated March 19, 2015. Original amount of \$541,500. Principal and interest payments due in monthly installments that vary based on prime with a final payment due March 19, 2035. The note bears interest at a rate equal to prime, with a maximum rate of 4.75% through March 2022 (3.25% at June 30, 2020), and is secured by property and land located at 700 East Loudon Avenue, Lexington, Kentucky with a net book value of approximately \$927,043 at June 30, 2020.	433,916	454,427
Installment note payable to bank dated March 19, 2015. Original amount of \$45,000. Principal and interest payments due in monthly installments of \$729 with a final payment due March 19, 2020. The note bore interest at a rate equal to prime, with a maximum rate of 4.75% , and was secured by property and land located at 700 East Loudon Avenue, Lexington, Kentucky with a net book value of approximately \$927,043 at June 30, 2020.	-0-	6,432
Installment note payable to bank dated May 1, 2020 and issued under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). PPP loan is unsecured, bears interest at 1% and funds advanced are subject to forgiveness, if certain criteria are met, with the remaining balance repayable within two years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic (Note 18), and submit adequate documentation of such expenditures to qualify for loan forgiveness. Habitat has elected to account for this loan as debt, and will recognize any forgiveness when it has been legally forgiven by the SBA.	275,000	-0-
Total	<u>\$ 1,088,231</u>	<u>\$ 892,810</u>

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

The following is a summary of debt maturities as of June 30, 2020:

<u>Year ended June 30:</u>	
2021	\$ 68,089
2022	260,912
2023	136,445
2024	56,524
2025	55,690
2026 and thereafter	510,571
	<u>\$ 1,088,231</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment fund:		
Restricted in perpetuity	\$ 1,018,028	\$ 989,181
Accumulated investment gains subject to satisfaction of donor purpose restrictions	(32,961)	(2,073)
Restricted for the Love Your Neighborhood program	<u>113,835</u>	<u>-0-</u>
	<u>\$ 1,098,902</u>	<u>\$ 987,108</u>

11. ENDOWMENT FUND

Habitat's endowment funds consist of a donor-restricted endowed fund that supports local and international service projects. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, Habitat retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Habitat in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Habitat considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Habitat and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Habitat
- (7) The investment policies of Habitat

Habitat has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Habitat must use for a donor-specified purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. Habitat expects its endowment fund to provide an average rate of return to outperform, over the long term (defined as rolling five-year periods), a blended custom benchmark based on a current asset allocation policy of 70% MSCI All Country World Index and 30% Barclays US Aggregate Bond Index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, Habitat relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

Habitat has a policy of appropriating for distribution each year between 5 and 7 percent of its endowment funds' average fair value over the prior 12 quarters, or a greater percentage as voted upon by the Board of Directors for special circumstances. In establishing this policy, Habitat considered the long-term expected return on its endowment.

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor or the UPMIFA requires Habitat to retain as a fund of perpetual duration. A deficiency of this nature exists in the endowment fund, which has an original gift value of \$1,018,028, a current fair value of \$985,067, and a deficiency of \$32,961 as of June 30, 2020. This deficiency resulted from unfavorable market fluctuations following the onset of the Coronavirus pandemic (Note 18), which occurred after the appropriation that was deemed prudent by the Board of Directors.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Changes in endowment net assets for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Endowment fund with donor restrictions:		
Endowment net assets,		
beginning of year	\$ 987,108	\$ 987,841
Contributions	2,149	1,834
Special events revenues	39,275	32,944
Special events expenses	(12,577)	(15,589)
Investment return, net	16,895	26,578
Amount appropriated	(47,783)	(46,500)
Endowment net	<u>\$ 985,067</u>	<u>\$ 987,108</u>

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

At June 30, 2020, Habitat had approximately \$1,240,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of approximately \$460,000, accounts and grants receivable of approximately \$25,000, and principal payments on non-interest bearing mortgage loans in the next year of approximately \$755,000. At June 30, 2019, Habitat had approximately \$817,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of approximately \$65,000, accounts and grants receivable of approximately \$20,000 and principal payments on non-interest bearing mortgage loans in the next year of approximately \$732,000. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Habitat has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 8, Habitat also has a committed line of credit in the amount of \$600,000, which it could draw upon in the event of an unanticipated liquidity need. The amount available under the line of credit is dependent on any outstanding balance at the time of the draw.

13. GRANTS AWARDED

Habitat receives financial assistance from various sources, such as corporations and local governments. Habitat recognizes the award as grant revenue when the conditions stipulated in the grant agreement have been met. Funds by the grantors for the following programs may be requested for future program expenditures as of June 30:

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Grant award	2020	2019
FHLB Affordable Housing Program award 201801-0042	376,300	500,000
Self-Help Homeownership Program award 2017	38,800	38,800
Self-Help Homeownership Program award 2018	65,000	-0-
Kentucky Housing Corporation Affordable Housing Trust Fund HB18-0096-01	32,500	200,000
Kentucky Housing Corporation Affordable Housing Trust Fund HB19-0096-01	100,000	-0-
Kentucky Housing Corporation Affordable Housing Trust Fund HR19-0096-01	65,451	-0-
Kentucky Housing Corporation Affordable Housing Trust Fund HB20-0096-01	200,000	-0-
Kentucky Housing Corporation Affordable Housing Trust Fund HR20-0096-01	107,500	-0-
Lexington-Fayette Urban County Government HOME Funds	55,627	-0-
	<u>\$ 1,041,178</u>	<u>\$ 738,800</u>

14. RETIREMENT

Habitat maintains a 401(k) defined contribution pension plan (the Plan) for employees 18 years of age and over who are enrolled in the Plan in the first day of the month after twelve months from the date of employment. Employee benefits are immediately vested. Habitat will contribute five percent (5%) of the eligible employees' gross wages. The Plan permits eligible employees to make voluntary contributions. During the years ended June 30, 2020 and 2019, Habitat contributed approximately \$68,000 and \$69,000, respectively.

15. LEASE AGREEMENTS

Habitat maintains a building lease under a non-cancelable operating lease that expires September 30, 2022, with options to renew through September 2032. During the year ended June 30, 2017, Habitat signed an addendum to the original building lease adding additional space to the leased premises. As an inducement for Habitat to enter into the addendum, the landlord paid Habitat \$100,000 as a lease incentive. The lease incentive was recorded as a liability and was being amortized into rent expense over the life of the lease. Effective September 30, 2019, Habitat early terminated the addendum for the additional leased space. Therefore, there was no liability for the deferred lease incentive at June 30, 2020.

On December 29, 2017, Habitat entered into another building lease under a non-cancelable operating lease that expires June 30, 2028. As an incentive for Habitat to enter into the lease, the landlord provided free rent during the initial six months of the lease agreement.

Rent expense related to these leases totaled approximately \$301,000 and \$333,000 for the years ending June 30, 2020 and 2019, respectively.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

As of June 30, 2020, future minimum lease payments under these noncancelable operating lease agreements are as follows:

<u>Year ended June 30:</u>	
2021	\$ 294,540
2022	307,301
2023	147,836
2024	101,191
2025	101,191
2026 and thereafter	303,573
	<u>\$ 1,255,632</u>

16. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, Habitat paid tithes and fees to Habitat for Humanity International, Inc. (HFHI) of \$35,250 and \$42,000, respectively. Additionally, Habitat received support from HFHI of approximately \$181,000 and \$150,000 during the years ended June 30, 2020 and 2019, respectively. Amounts paid to HFHI during the years ended June 30, 2020 and 2019, apart from tithes, fees, and principal payments (Note 9) were approximately \$8,300 and \$12,000, respectively.

17. CONCENTRATIONS

During the year ended June 30, 2020, Habitat received a donation from the estate of a single donor representing approximately 38% of the total contributions and fundraising revenue.

18. CONTINGENCIES

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. In response to measures taken by Federal, state and local governments to contain the virus, Habitat temporarily closed the ReStore outlets. Although the temporary closure resulted in lower facility-related expenses, and certain employees were furloughed in order to contain personnel costs, Habitat experienced a significant reduction to ReStore sales for the year ended June 30, 2020. Further, as discussed in Note 11, the adverse impact to the market caused by the pandemic resulted in a loss of value of the endowment investments. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts Habitat's future operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict.

LEXINGTON HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Management believes Habitat is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available for issuance.

19. RECENTLY ISSUED ACCOUNTING STANDARDS

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On June 9, 2020, the FASB further amended this guidance and issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date for all private entities by another year. These new standards, which Habitat is not required to adopt until its year ending June 30, 2021, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position. Habitat is not required to adopt this standard until its year ending June 30, 2023.

Habitat is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.