GREATER CLEVELAND
HABITAT FOR HUMANITY, INC. AND
GCHFH FUNDING COMPANY, LLC

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

TABLE OF CONTENTS

zinner&co.
Certified Public Accountants
Management Consultants
Since 1938

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greater Cleveland Habitat for Humanity, Inc.
and GCHFH Funding Company, LLC
Cleveland, Ohio

We have audited the accompanying consolidated financial statements of **Greater Cleveland Habitat for Humanity, Inc. and GCHFH Funding Company, LLC** (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

3201 Enterprise Parkway, Suite 410 • Beachwood, OH 44122
P: 216.831.0733 • F: 216.765.7118 • zinnerco.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Greater Cleveland Habitat for Humanity, Inc. and GCHFH Funding Company, LLC** as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Zinner & Co. LLP

Beachwood, Ohio

June 1, 2020

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 1,219,087	$ 291,232
Cash designated for home builds and other operational costs	33,786	402,888
Investments	2,916,835	2,125,432
Receivables		
Mortgages receivable	6,137,533	4,886,758
Escrows receivable	114,424	96,960
Discount and reserves for mortgages and escrows receivables	(1,589,372)	(2,106,921)
Unconditional promises to give - Without donor restrictions, net	186,000	88,621
Unconditional promises to give - With donor restrictions, net	488,095	200,000
Other receivables	91,714	72,317
Prepaid expenses and deposits	42,080	34,861
Inventories		
Materials inventory	84,000	99,000
ReStore inventory	450,474	422,776
Construction in progress		
New homes	749,808	0
Rehab homes	663,630	1,081,626
Anticipated loss on home builds	(299,726)	(18,709)
Property and equipment, net	216,435	235,124
Assets to be placed in service	0	10,000
Assets held for resale	9,400	9,400
Total Assets	$ 11,514,203	$ 7,931,365
Liabilities		
Accounts payable	$ 132,331	$ 110,027
Accrued expenses	161,497	99,944
Capital leases payable	104,170	129,047
Notes payable	3,081,049	1,214,767
Total Liabilities	3,479,047	1,553,785
Net Assets		
Without Donor Restrictions		
Available for programs and services	4,734,027	2,950,745
Allocated to affordable housing programs	2,779,248	2,823,947
Total Net Assets Without Donor Restrictions	7,513,275	5,774,692
With Donor Restrictions	521,881	602,888
Total Net Assets	8,035,156	6,377,580
Total Liabilities and Net Assets	$ 11,514,203	$ 7,931,365

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

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ 2,117,071	$ 488,970	$ 2,606,041
Grants	119,997	0	119,997
Home sales, net	1,797,500	0	1,797,500
ReStore sales activity			
Gross sales	2,342,690	0	2,342,690
Donated inventory	2,232,080	0	2,232,080
Less: Cost of sales	(2,368,897)	0	(2,368,897)
Special events			
Gross revenue	71,070	0	71,070
Less: Direct expenses	(7,577)	0	(7,577)
Rental income	4,800	0	4,800
Investment income	201,763	0	201,763
Service fees and other income	39,987	0	39,987
	6,550,484	488,970	7,039,454
Net assets released from restrictions:			
Satisfaction of program restrictions	569,977	(569,977)	0
Total Reclassifications	569,977	(569,977)	0
Total Support and Revenues	7,120,461	(81,007)	7,039,454
Expenses			
Program services	4,737,622	0	4,737,622
General and administrative	321,660	0	321,660
Fundraising and development	322,596	0	322,596
Total Expenses	5,381,878	0	5,381,878
Change in Net Assets	1,738,583	(81,007)	1,657,576
Net Assets at Beginning of Year	5,774,692	602,888	6,377,580
Net Assets at End of Year	7,513,275	521,881	8,035,156
Net Assets With Donor Restrictions	0	(521,881)	(521,881)
Net Assets Without Donor Restrictions Allocated to Affordable Housing Programs	(2,779,248)	0	(2,779,248)
Net Assets Without Donor Restrictions Available for Programs and Services	$ 4,734,027	$ 0	$ 4,734,027

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

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ 1,868,667	$ 602,888	$ 2,471,555
Gain on sale of mortgages	(2,708)	0	(2,708)
Gain on the purchase of mortgages	96,313	0	96,313
Home sales, net	1,224,100	0	1,224,100
ReStore sales activity			
Gross sales	2,178,871	0	2,178,871
Donated inventory	2,133,218	0	2,133,218
Less: Cost of sales	(2,141,299)	0	(2,141,299)
Other donated goods and services	1,620	0	1,620
Special events			
Gross revenue	42,050	0	42,050
Less: Direct expenses	(8,979)	0	(8,979)
Rental income	1,271	0	1,271
Investment Income	14,561	0	14,561
Service fees and other income	103,635	0	103,635
	5,511,320	602,888	6,114,208
Net assets released from restrictions:			
Satisfaction of program restrictions	17,187	(17,187)	0
Total Reclassifications	17,187	(17,187)	0
Total Support and Revenues	5,528,507	585,701	6,114,208
Expenses			
Program services	4,689,342	0	4,689,342
General and administrative	383,542	0	383,542
Fundraising and development	353,196	0	353,196
Total Expenses	5,426,080	0	5,426,080
Change in Net Assets	102,427	585,701	688,128
Net Assets at Beginning of Year	5,672,266	17,187	5,689,453
Net Assets at End of Year	5,774,692	602,888	6,377,580
Net Assets With Donor Restrictions	0	(602,888)	(602,888)
Net Assets Without Donor Restrictions Allocated to Affordable Housing Programs	(2,823,947)	0	(2,823,947)
Net Assets Without Donor Restrictions Available for Programs and Services	$ 2,950,745	$ 0	$ 2,950,745

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

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

		Supporting Services		
	Program Services	General and Administrative	Fundraising and Development	Total
Salaries and Related Expenses				
Salaries	$ 1,510,782	$ 178,170	$ 198,977	$ 1,887,929
Payroll taxes	73,866	8,711	9,728	92,306
Employee benefits	232,948	27,472	30,680	291,100
Total Salaries and Related Expenses	1,817,596	214,353	239,386	2,271,335
Other Operating Expenses				
Advertising	53,560	0	0	53,560
Banking fees and charges	31,804	2,612	0	34,416
Costs of home construction	2,289,548	0	0	2,289,548
Depreciation, net of redistribution to CIP	25,506	0	0	25,506
Mortgage portfolio costs				
Present value discount on new loans	(166,735)	0	0	(166,735)
Imputed interest	(102,488)	0	0	(102,488)
Other portfolio costs	(153,328)	0	0	(153,328)
Dues and subscriptions	2,603	89	1,509	4,201
Equipment rental	14,882	2,055	514	17,451
Gifts and awards	8,105	0	0	8,105
Insurance	47,546	3,245	2,160	52,951
Interest	3,300	686	0	3,986
Miscellaneous operating expenses	2,978	2,446	58	5,483
Office and computer supplies	31,638	1,067	4,494	37,199
Postage and delivery	4,441	952	951	6,344
Printing and publications	12,817	0	11,496	24,313
Professional fees and contract services	162,634	27,982	14,875	205,491
Rent and insurance	372,507	23,925	23,925	420,357
Repairs and maintenance	54,019	4,635	4,635	63,289
Security	20,587	1,102	1,102	22,791
Telephone	26,625	3,743	3,743	34,110
Travel, mileage and lodging	27,860	18,012	6,780	52,652
Meetings and events	10,451	9,264	2,695	22,410
Utilities	94,996	5,493	4,274	104,764
Vehicle expense	44,166	0	0	44,166
Total Other Operating Expenses	2,920,026	107,307	83,210	3,110,543
Total Expenses	$ 4,737,622	$ 321,660	$ 322,596	$ 5,381,878
	88%	6%	6%	100%

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

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

		Supporting Services		
	Program Services	General and Administrative	Fundraising and Development	Total
Salaries and Related Expenses				
Salaries	$ 1,512,992	$ 163,935	$ 234,477	$ 1,911,404
Payroll taxes	132,408	14,347	20,520	167,275
Employee benefits	255,702	27,703	39,628	323,033
Total Salaries and Related Expenses	1,901,102	205,985	294,625	2,401,712
Other Operating Expenses				
Advertising	41,085	0	0	41,085
Banking fees and charges	25,064	1,526	0	26,590
Costs of home construction	1,990,256	0	0	1,990,256
Depreciation, net of redistribution to CIP	56,959	0	0	56,959
Mortgage portfolio costs				
Present value discount on new loans	38,182	0	0	38,182
Imputed interest	(113,386)	0	0	(113,386)
Other portfolio costs	(11,616)	0	0	(11,616)
Dues and subscriptions	10,272	597	1,170	12,039
Equipment rental	17,563	2,417	604	20,584
Gifts and awards	4,810	0	0	4,810
Insurance	41,249	3,079	2,054	46,382
Interest	3,325	13,268	0	16,593
Miscellaneous operating expenses	1,798	537	5	2,340
Office and computer supplies	22,485	2,783	2,937	28,205
Postage and delivery	5,121	1,097	1,097	7,315
Printing and publications	7,820	0	15,426	23,246
Professional fees and contract services	57,923	93,796	13,066	164,785
Rent and insurance	331,405	24,166	14,500	370,071
Repairs and maintenance	33,278	2,097	524	35,899
Security	19,531	207	52	19,790
Telephone	25,166	3,338	2,070	30,574
Travel, mileage and lodging	20,447	16,613	1,563	38,623
Meetings and events	6,399	779	67	7,245
Utilities	96,491	11,257	3,436	111,184
Vehicle Expense	56,613	0	0	56,613
Total Other Operating Expenses	2,788,240	177,557	58,571	3,024,368
Total Expenses	$ 4,689,342	$ 383,542	$ 353,196	$ 5,426,080
	87%	7%	6%	100%

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

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 1,657,576	$ 688,128
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,817	74,180
Loss on disposal of fixed assets	0	2,708
Reserves for mortgages and escrows receivable	(172,600)	(47,500)
Amortization of mortgage loan discount	(178,214)	(125,844)
Donated assets	0	28,097
Net gain on AAR mortgage loans purchases and sales	0	(96,313)
Discount on mortgages issued	(166,735)	38,182
Cash provided (used) by changes in certain assets and liabilities:		
Cash designated for home builds and other operational costs	369,102	(385,701)
Mortgage receivable - New mortgages issued	(1,807,141)	(1,248,547)
Mortgage receivable - Payments received	593,014	463,485
Escrow receivable	(17,464)	21,054
Unconditional promises to give	(385,474)	(50,729)
Other receivables	(19,397)	403,984
Materials Inventory	15,000	51,745
ReStore inventory	(27,698)	(36,554)
Homes under construction	(331,812)	767,236
Anticipated loss on future home sales	281,017	(214,464)
Prepaid expenses and deposits	(7,219)	2,984
Accounts payable	22,304	(39,110)
Accrued expenses	61,553	29,347
Net Cash Provided (Used) by Operating Activities	(46,371)	326,368
Cash Flows from Investing Activities		
Investment activity, net	(791,403)	(1,108,124)
Purchase of fixed assets	(14,000)	(76,321)
Net Cash Used by Investing Activities	(805,403)	(1,184,445)
Cash Flows from Financing Activities		
Net payments on accelerated asset recovery loans	(36,648)	(65,380)
Net proceeds on long-term debt	1,866,285	924,101
Net payments under capitalized lease obligations	(50,008)	(50,680)
Net payments on line of credit agreement	0	(83,423)
Net Cash Provided by Financing Activities	1,779,629	724,618
Net Increase (Decrease) in Cash and Cash Equivalents	927,855	(133,459)
Cash and Cash Equivalents at Beginning of Year	291,232	424,692
Cash and Cash Equivalents at End of Year	$ 1,219,087	$ 291,232

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

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(CONTINUED FROM PREVIOUS PAGE)

	2019		2018	
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	$	3,986	$	16,593
Supplemental Disclosure of Non-Cash Transactions:				
Vehicles acquired under capital lease obligations	$	25,129	$	59,733
Non-cash contributions of inventory received at fair market value		2,232,080		2,133,218
Non-cash cost of sales recognized		2,368,897		2,141,299

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

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Greater Cleveland Habitat for Humanity, Inc. (GCHFH), a not-for-profit organization, is an affiliate of Habitat for Humanity International, Inc., a non-denominational Christian not-for-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience for people everywhere. While Habitat for Humanity International, Inc. assists with informational resources, training, publications, prayer, support, and in other ways, GCHFH is primarily and directly responsible for its own operations.

GCHFH, through its many volunteers, constructs and rehabilitates affordable housing and transfers the homes to qualified families at appraised value and provides non-interest bearing mortgage loans. GCHFH is primarily responsible for the legal, organizational, fundraising, family selection and nurture, financial and construction aspects of the work.

During 2018 Habitat established the GCHFH Funding Company, LLC (Funding Company) under common control of the Habitat Board of Directors. Funding Company was formed to engage in the activity of acquiring and holding mortgage loans originated by Greater Cleveland Habitat for Humanity, Inc., the sole member, which are acquired and held in compliance with note purchase agreements between Greater Cleveland Habitat for Humanity, Inc. and financial institutions (See Note E).

The accompanying consolidated financial statements of GCHFH include the operations of GCHFH and Funding Company and are collectively referred to as GCHFH, unless specifically noted. All significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, GCHFH is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

ASC 958-205 requires board-designated funds to be reported as part of net assets without donor restrictions; accordingly, GCHFH reports designations of voluntary board-approved segregations of net assets without donor restrictions for specific purposes as a classification of net assets without donor restrictions.

Basis of Accounting

The consolidated financial statements of GCHFH have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents
For purposes of the Statement of Cash Flows, GCHFH considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the Statement of Cash Flows.

Unconditional Promises to Give
Contributions are recognized when the donor makes a promise to give to GCHFH that is, in substance, unconditional. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. GCHFH uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance deemed necessary for uncollectible promises to give as of December 31, 2019 and 2018.

Mortgages Receivable, Discounts, and Allowances
As constructed and completed homes are transferred to qualified families, GCHFH allows qualified families to purchase the homes at appraised value subject to mortgages which bear no interest. Mortgages receivable consist of non-interest bearing mortgages secured by real estate and payable in monthly installments over the life of the mortgage. These mortgages are for terms generally between 15 and 30 years.

The mortgages are recorded at the gross amount of payments to be received over the life of the mortgage and are discounted at various rates ranging from 7.39% to 9.00% based on the prevailing market rates at the inception of the mortgage as established by Habitat for Humanity International, Inc. A discount on the mortgages is recorded to reflect the economic benefit of the zero-interest-mortgage to the qualified families. Discounts are amortized over the life of the mortgage using the effective interest method. Mortgages receivable are periodically reviewed for uncollectibility based on past history and current economic conditions. GCHFH also holds a second mortgage on some properties that represents the difference between the estimated fair market value of the house and the first mortgage balance as of the transfer date.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgages Receivable, Discounts, and Allowances (Continued)
The second mortgage is in place to mitigate the risk of the homeowner selling the home for a profit. In the event that a homeowner sells the home in less than ten years from the initial sale, GCHFH will receive the prorated portion of the mortgage amount from the proceeds of the sale. Due to the uncertainty regarding the potential for collection related to second mortgages, no amounts have been recorded in these consolidated financial statements. Proceeds from second mortgages would be recorded as income in the period collected.

GCHFH has established several reserves to account for the risk of mortgage default. The reserve for loan loss is based on prior collection history of mortgages receivable. As of December 31, 2019 and 2018, GCHFH estimates that 3% and 7%, respectively, of the loans issued will fall into foreclosure. The reserve balance is based on the total mortgages receivable less the present value discount and less the value of the mortgages that have fallen into pre-foreclosure as of year-end multiplied by the aforementioned percentage. As of December 31, 2019 and 2018, the reserve for loan loss was $155,000 and $210,000, respectively. The anticipated loss on foreclosed properties reserve has been established for delinquent mortgages that have entered the pre-foreclosure stage. GCHFH estimates that the resale value of a foreclosed home is $25,000. The anticipated loss on foreclosed properties reserve is the difference between the balance due on the mortgage in pre-foreclosure, any escrow receivable and the sum of the present-value reserve for that home and the $25,000 expected resale value as estimated by GCHFH. As of December 31, 2019, there were 2 homes in pre-foreclosure with a balance of $92,338. As of December 31, 2018, there were 8 homes in pre-foreclosure with a balance due of $319,667. As of December 31, 2019 and 2018, the reserve for anticipated loss on foreclosed properties was $10,250 and $125,000, respectively.

Escrow Receivables and Liabilities
GCHFH uses a third party service provider to both collect and remit escrow amounts on behalf of qualified families for the payments of taxes and insurance. At times, GCHFH, will make advance payments for certain escrows due, such as forced placement insurance resulting in receivables from the applicable qualified families. During the closing process GCHFH, will receive escrow amounts from the title company that are then remitted to the third party service provider for the payments of taxes and insurance. Any amounts temporarily held at year end are recorded as liabilities.

Homes Held for Rehab
If a partner family has difficulty making their mortgage payments, GCHFH will reclaim their home. In doing so, the value of the home when it is reclaimed is based on the mortgage receivable and escrow receivable balances due as of the date the home was reclaimed. A reclaimed home is considered construction in progress. While a home is held for rehab, GCHFH may incur costs associated with real estate tax, insurance, and securing the home.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist of purchased and donated raw materials used in the construction of partner-family homes. The value of in-kind donations included in inventory is recorded at an estimated fair market value, as determined by management, at the time of receipt. All other inventory items are valued at the lower of cost or market. Purchased inventory is recorded at cost. ReStore (retail stores for sale of donated goods) inventory consists of contributed inventory, small furnishings, and tools. The value of the donated goods is determined based on the sales price received by GCHFH. At year end, the ReStore inventory value is determined based on management's estimation of the value of the inventory on hand.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at estimated fair market value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Expenditures for replacements and improvements are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are expensed currently.

GCHFH's capitalization threshold varies based on the type of expense incurred. Depreciation is computed using the straight-line method, utilizing the following lives:

Class	Years
Office furniture	3 - 5
Equipment	5
Vehicles	5
Building and improvements	20 - 40

Investments

Investments are valued at fair value.

Donated investments are reflected as contributions at their fair values at date of receipt. Dividend and interest income and gains and losses on investments are reflected in current activities without donor restrictions unless restricted by the donor, either by law or explicit donor stipulation, in which case they would be reported in activities with donor restrictions.

Anticipated Loss on Future Home Builds

Losses are accrued on homes that GCHFH has committed to build for qualified families. This loss is determined by estimating the difference between the sale price of the homes and the total cost of construction.

Vacation Pay

Vacation pay is expensed when paid. Any accrual of vacation pay as of December 31, 2019 and 2018 is not material to the consolidated financial statements.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. GCHFH report gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restrictions. In situations where GCHFH meets all donor-imposed restrictions on amounts contributed for a specific purpose in the same reporting period in which the contribution was received, the contribution is reported as without donor restrictions support.

Revenue and Support With and Without Donor Restrictions

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Funds received related to conditional grants are classified as refundable advances until expended for the purposes of the grants.

Donated Services

GCHFH receives various non-construction related services each year. These services do not meet the criteria for recognition under ASC 958-605 and are not reflected in the statements.

Pervasiveness of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and equivalents and promises to give. The Organization maintains its cash and equivalents with financial institutions and although at times they may have invested amounts in excess of any federal insurance limits, management does not feel that it is exposed to any substantial credit risk. Concentrations with respect to promises to give are limited due to the large number of donors comprising the Organization's donor base and the variety of the Organization's funding sources. As of December 31, 2019 and 2018, the Organization had no other significant concentrations of credit risk.

Functional Allocation of Expenses

Costs of providing various programs and supporting services are allocated based on specific identification, if practical. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include insurance, rent, repairs and maintenance, security, and depreciation, which are allocated on a square-footage basis. As well as, salaries, payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

Description of Functional Expenses

Program Services:

GCHFH strives to eliminate sub-standard housing through family development, neighborhood development and raising awareness of housing issues and solutions. GCHFH constructs affordable housing, transfers the homes to qualified families at appraisal value, and provides non-interest bearing mortgage loans. These homes serve as a catalyst for comprehensive neighborhood development projects that are supported by family and volunteer educational activities.

In addition, the ReStore Program's (retail store for sale of donated goods) primary goal is to raise money for GCHFH, while reducing the amount of building materials deposited in landfills. This will also provide materials and products at a reduced cost to local contractors and do-it-yourselfers.

General and Administrative:

Expenses are incurred in the day-to-day operations of GCHFH.

Fundraising and Development:

Expenses are incurred in raising additional funds for GCHFH.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred. During the year ended December 31, 2019 and 2018, advertising costs were $53,560 and $41,085, respectively.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the current reporting model for not-for-profit organizations and requires enhanced disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring that all not-for-profit organizations present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (e) presenting investment returns net of external and direct expenses, and (f) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of the consolidated financial statements. The ASU was effective for the Organization's financial statements for fiscal years beginning after December 15, 2017. The provisions of the ASU were applied on a retrospective basis for all years presented.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The objective of this statement is to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance and determining whether a contribution is conditional. For resource recipients, this new standard was effective for annual periods beginning after December 15, 2018. The adoption of this standard did not have a material impact on the financial statements.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standards will replace most existing revenue recognition guidance within the accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. In May 2020 the FASB voted on a one-year deferral of the revenue rules for all private companies and not-for-profit organizations that have not yet adopted the change. Management has not yet selected a transition method and is evaluating the impact of adopting this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by leases for those leases classified as operating leases under previous generally accepted accounting principles (GAAP). ASU 2016-02 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption of ASU 2016-02 is permitted. In May 2020, the FASB voted on a one-year deferral from 2021 to 2022 on lease accounting rules for private companies and not-for-profit organizations. Lease rules will now be applied for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact the pending adoption of the new standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Changes to Disclosure Requirements for Fair Value Measurement. The objective of this statement is to modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The statement is effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is currently evaluating the impact the pending adoption of the new standard will have on its consolidated financial statements.

NOTE A - NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events applicable to the year ended December 31, 2019 have been evaluated through June 1, 2020, the date the consolidated financial statements were available to be issued. The COVID-19 outbreak has caused business disruption through mandated and voluntary closings of many of the GCHFH's facilities, ReStore locations, donors and other business partners. The extent of the impact of COVID-19 on GCHFH's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on GCHFH's facilities, ReStore locations, partner families, donors, other business partners, employees and vendors, all of which are uncertain and cannot be predicted. Paycheck Protection Program funding was obtained by GCHFH. At this point, the extent to which COVID-19 may impact GCHFH's financial condition or results of operations is uncertain.

NOTE B - PROMISES TO GIVE

Unconditional promises to give as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Promises to give without donor restrictions	$ 186,000	$ 89,500
Restricted for Partner Family staffing	0	200,000
Restricted for the Building Skills collaboratic	500,000	0
Total unconditional promises to give	686,000	289,500
Less: Unamortized discount	(11,905)	(879)
Net Unconditional Promises to Give	$ 674,095	$ 288,621

	2019	2018
Amounts due in:		
Less than one year	$ 436,000	$ 263,500
One to five years	250,000	26,000
Total Amounts Due	$ 686,000	$ 289,500

NOTE C - CONSTRUCTION IN PROGRESS

Costs incurred relating to homes under construction but not completed at the end of each year are recorded as construction in progress. Construction costs include the cost of labor and materials purchased by GCHFH. Donated materials are recorded based on their estimated value at the time of receipt.

No amounts have been recorded in construction in progress for donated services, as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the construction of the homes.

Construction in progress on New homes as December 31, 2019 and 2018 consist of the following:

	Number	Costs
New homes - January 1, 2019	0	$ 0
Additional costs incurred on beginning homes	0	0
New homes started during the year	10	749,808
New homes transferred out during the year	0	0
New homes December 31, 2019	10	$ 749,808

	Number	Costs
New homes - January 1, 2018	0	$ 0
Additional costs incurred on beginning homes	0	0
New homes started during the year	0	0
New homes transferred out during the year	0	0
New homes December 31, 2018	0	$ 0

NOTE C - CONSTRUCTION IN PROGRESS (CONTINUED)

Construction in progress on Rehab homes as December 31, 2019 and 2018 consist of the following:

Rehab homes under construction - January 1, 2019	27	$ 1,081,626
Additional costs incurred on beginning homes	27	1,043,304
Rehab homes started during the year	4	383,788
Rehab homes transferred out during the year	(24)	(1,845,088)
Rehab homes under construction - December 31, 2019	7	$ 663,630

Rehab homes under construction - January 1, 2018	42	$ 1,848,862
Additional costs incurred on beginning homes	0	852,415
Rehab homes started during the year	15	315,406
Rehab homes transferred out during the year	(30)	(1,935,057)
Rehab homes under construction - December 31, 2018	27	$ 1,081,626

NOTE D - MORTGAGES RECEIVABLE

As homes are transferred to qualified families, GCHFH allows qualified families to purchase homes at appraised value subject to mortgages which bear no interest. These mortgages are for terms generally between 15 and 30 years. A discount on the mortgages is recorded in order to reflect the economic benefit of the zero-interest mortgage to the qualified families.

The discount recorded has been estimated based on the prevailing interest, as determined by Habitat for Humanity, International, Inc., at the point of inception. A portion of the discount is amortized as interest each year that the mortgage is outstanding. The discounted mortgages receivable balance is considered to be representative of fair value.

NOTE D - MORTGAGES RECEIVABLE (CONTINUED)

The mortgage receivable balance as of December 31, 2019 and 2018 is comprised of the following items:

	2019		
	Total	Current Portion	Long-Term Portion
Mortgage receivable - Gross	$ 6,137,533	$ 445,742	$ 5,691,791
Less:			
Discount on mortgages receivable	(1,406,472)	(213,024)	(1,193,448)
Allowance for foreclosure risk	(10,250)	0	(10,250)
Allowance for loan loss on non-AAR loans	(155,000)	0	(155,000)
Allowance for substitutions on AAR loans	(17,650)	0	(17,650)
Mortgage receivable - Net	$ 4,548,161	$ 232,718	$ 4,315,443

	2018		
	Total	Current Portion	Long-Term Portion
Mortgage receivable - Gross	$ 4,886,758	$ 364,872	$ 4,521,886
Less:			
Discount on mortgages receivable	(1,751,421)	(138,303)	(1,613,118)
Allowance for foreclosure risk	(125,000)	0	(125,000)
Allowance for loan loss on non-AAR loans	(210,000)	0	(210,000)
Allowance for substitutions on AAR loans	(20,500)	0	(20,500)
Mortgage receivable - Net	$ 2,779,837	$ 226,569	$ 2,553,268

During the year ended December 31, 2019, 24 homes were sold to qualified families recognizing $1,914,000 of revenue from the sales. During the year ended December 31, 2018, 20 homes were sold to qualified families recognizing $1,555,000 of revenue from the sale.

As discussed in Note E, GCHFH entered into agreements with several local banks through which certain mortgages receivable were sold by GCHFH to the banks.

NOTE E - ACCELERATED ASSET RECOVERY LOANS

As discussed in Note D, in prior years, certain mortgage receivables were sold by GCHFH to banks at discounted rates ranging from 51% to 70% of the outstanding balance. As a term of the agreements, GCHFH agreed to service the loans for the banks at no additional cost. Additionally, if any mortgage becomes more than 60 days delinquent, GCHFH has agreed to substitute the delinquent mortgage for a current mortgage. As such, an allowance for substitutions has been established as of December 31, 2019 and 2018 in the amount of $17,650 and $20,500, respectively.

During 2018, Habitat purchased 2 loans from this bank for $17,500 and recognized a gain on the purchase of mortgages for $96,313.

As of December 31, 2019 and 2018, there are 11 and 16 mortgages, respectively, funding the portfolio balance with these financial institutions. The balance the banks expect GCHFH to collect and subsequently remit to them over the life of these sold mortgages amounted to $220,619 and $257,266, respectively, as of December 31, 2019 and 2018. Once these outstanding balances to the banks are fulfilled, any future mortgage collections on these mortgages will be retained by GCHFH. During the years ended December 31, 2019 and 2018 no banks exercised rights of recourse.

During 2018, the Funding Company issued and sold a secured note to an institutional purchaser pursuant to a note purchase agreement (see Note K) in the amount of $1,204.938 and used the proceeds to purchase 27 homeowner notes from GCHFH. The homeowner notes are owned by Funding Company and were pledged to the note purchaser as security for the secured note. A gain of $62,020 was recognized on the transaction. The mortgage notes are still being serviced by GCHFH, who also provides credit support.

During 2019, the Funding Company issued and sold a secured note to an institutional purchaser pursuant to a note purchase agreement (see Note K) in the amount of $1,985,230 and used the proceeds to purchase 35 homeowner notes from GCHFH. The homeowner notes are owned by Funding Company and were pledged to the note purchaser as security for the secured note. The mortgage notes are still being serviced by GCHFH, who also provides credit support.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment, as of the year ended December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Office equipment	$ 148,673	$ 136,173
Leasehold improvements	78,303	68,303
Vehicles under capital lease	362,966	337,837
Vehicles	31,994	31,994
Construction equipment	110,857	109,358
	732,793	683,665
Less: Accumulated depreciation	516,358	448,541
	$ 216,435	$ 235,124

Depreciation expense, net of redistribution to CIP for the years ended December 31, 2019 and 2018 totaled $25,506 and $56,959, respectively.

NOTE G - INVESTMENTS

The following is a summary of costs and fair values of assets held in GCHFH's investment portfolio as of December 31, 2019 and 2018.

	2019		
	Cost	Fair Value	Unrealized Gain (Loss)
Cash equivalents	$ 25,809	$ 25,809	$ 0
Mutual funds	871,682	898,507	26,825
Exchange traded funds	1,934,638	1,992,519	57,881
	$ 2,832,129	$ 2,916,835	$ 84,706

	2018		
	Cost	Fair Value	Unrealized Gain (Loss)
Cash equivalents	$ 1,368,497	$ 1,368,497	$ 0
Mutual funds	261,628	253,810	(7,818)
Exchange traded funds	510,925	503,125	(7,800)
	$ 2,141,050	$ 2,125,432	$ (15,618)

NOTE H -FAIR VALUE MEASUREMENTS

GCHFH uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC 820-10, GCHFH has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy:

NOTE H -FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that GCHFH has the ability to access. These include investments that are recorded at fair value on a recurring basis and fair value measurement is based upon quoted prices, if available. Securities valued using Level 1 inputs include those traded on an active exchange and other exchange trade securities.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for subsequently the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents GCHFH's fair value hierarchy by level for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018.

	2019			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$ 25,809	$ 25,809	$ 0	$ 0
Mutual funds	898,507	898,507	0	0
Exchange traded	1,992,519	1,992,519	0	0
Total investments at fair vaue	2,916,835	2,916,835	0	0
Donated inventory at fair value	450,474	0	0	450,474
Assets held for sale (Note I)	9,400	0	0	9,400
Total assets at fair value	$ 3,376,709	$2,916,835	$ 0	$ 459,874

	2018			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$ 1,368,497	$1,368,497	$ 0	$ 0
Mutual funds	253,810	253,810	0	0
Exchange traded	503,125	503,125	0	0
Total investments at fair vaue	2,125,432	2,125,432	0	0
Donated inventory at fair value	422,776	0	0	422,776
Assets held for sale (Note I)	9,400	0	0	9,400
Total assets at fair value	$ 2,557,608	$2,125,432	$ 0	$ 432,176

NOTE H -FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents a reconciliation of all Level 3 assets measured at fair value for the years ended December 31, 2019 and 2018:

	2019	2018
Balance at beginning of year	$ 432,176	423,719
Donated house held for resale (Sold)	0	(28,097)
Inventory donations and sales, net	27,698	36,554
Balance at end of year	$ 459,874	$ 432,176

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. GCHFH receives donated goods which are recorded at fair value (level 3) which is determined by a calculation which values donated materials using a method which estimates inventory based on factors such as net sales and inventory turnover. There have been no changes in valuation techniques and related inputs during the current periods.

NOTE I - ASSETS HELD FOR RESALE

Property and land donated to GCHFH for the purpose of resale are recorded on the balance sheet at their estimated market value. GCHFH reviews all assets held for resale (as well as property and equipment) for impairment whenever changes in circumstances indicate that the carrying value of the assets may not be recoverable. Assets held for resale, as of December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Donated land	$ 9,400	$ 9,400
Total assets held for resale	$ 9,400	$ 9,400

NOTE J - LINE OF CREDIT

GCHFH had a line of credit with a bank. The line of credit bore interest at the Wall Street Journal Prime Rate plus .50% (6.00% as of December 31, 2018). The line of credit was collateralized by the ReStore inventory. This line of credit was created in 2012 when GCHFH combined an existing line of credit with a mortgage loan. During 2019 this line of credit was closed and on March 25, 2019, GCHFH entered into a new line of credit agreement with a bank in the amount of $250,000. The line of credit bears interest at the Wall Street Journal Prime Rate (4.75% as of December 31, 2019) and is collateralized by essentially all the assets of GCHFH. Amounts outstanding under both agreements were $0 as of both the years ended December 31, 2019 and 2018.

NOTE K - NOTES PAYABLE

Long-term debt as of December 31, 2019 and 2018 is comprised of the following:

	2019	2018
Note payable to a bank, secured by 27 homeowner mortgages (See Note E). Payments due in monthly installments of $6,408, without interest until October 2024 at which time payments decrease to $6,104 per month through February 2029. Commencing in March 2029, the monthly payments decline gradually until the maturity date of June 2042.	$ 1,137,874	$ 1,214,767
Note payable to a bank, secured by 35 homeowner mortgages (See Note E). Payments due in monthly installments of $10,514, without interest until January 2024 at which time payments decrease to $10,167 per month until February 2029. Commencing in August 2028, the monthly payments decline gradually until the maturity date of December 2043.	1,943,175	0
Total Notes Payable	3,081,049	1,214,767
Less: Current maturities	203,066	76,894
	$ 2,877,983	$ 1,137,873

Required annual principal payments for the next five years as of December 31, 2019 are as follows:

2020	$ 203,066
2021	203,066
2022	203,066
2023	203,066
2024	198,207
Thereafter	2,070,578
Total	$ 3,081,049

NOTE L – CAPITAL AND OPERATING LEASES

As of December 31, 2019 and 2018, GCHFH has capital lease agreements to finance the purchase of various vehicles used in operations. The property is capitalized at the present value of the minimum lease payments.

NOTE L – CAPITAL AND OPERATING LEASES (CONTINUED)

The original capitalized cost of the property under lease purchase agreements amounted to \$362,966 and \$337,837 as of December 31, 2019 and 2018, respectively. Accumulated depreciation on the property amounted to \$244,176 and \$190,547 as of December 31, 2019 and 2018, respectively.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2019:

2020	\$ 47,903
2021	27,240
2022	19,670
2023	11,048
2024	3,145
	109,007
Less: Amount representing interest	4,837
Present value of minimum lease payments	\$ 104,170

GCHFH leases land, office space, copiers, vehicles and warehouse space through operating lease agreements which expire through July 2028.

Rental expense under these operating lease agreements was \$403,314 and \$372,480 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, the future minimum lease commitments under operating leases are as follows:

2020	\$ 427,930
2021	423,506
2022	418,991
2023	414,170
2024	277,175
Thereafter	770,000
	\$ 2,731,773

NOTE M – BOARD DESIGNATED FUNDS AND RESTRICTIONS ON NET ASSETS

It is the policy of the Board of Directors of GCHFH to designate appropriate sums of net assets without donor restrictions to ensure timely payment of certain liabilities. Since the board-designated funds resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

NOTE M – BOARD DESIGNATED FUNDS AND RESTRICTIONS ON NET ASSETS (CONTINUED)

Net assets with donor restrictions as of December 31, 2019 and 2018 are available for the following purposes:

	2019	2018
Restricted for future home rehabs	$ 501,881	$ 582,888
Restricted for Neighborhood Revitalization Program staffing	20,000	20,000
Total Net Assets With Donor Restrictions	$ 521,881	$ 602,888

NOTE N – RELATED PARTY TRANSACTIONS

GCHFH is an affiliate of Habitat for Humanity International. As an affiliate, GCHFH is encouraged to contribute a portion of its revenue to Habitat for Humanity International, for use in carrying out its mission across the world and as of 2014 is required to pay an annual affiliate fee.

During both the years ended December 31, 2019 and 2018, a sustainability fee of $25,000 was charged by Habitat for Humanity International and paid by GCHFH.

NOTE O - DONATED GOODS AND SEVICES

The value of donated goods and services included in the financial statements for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Inventory contributed for sale at *ReStore*	$ 2,232,080	$2,133,218
Donated construction materials	0	1,620
	$ 2,232,080	$2,134,838

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific projects and administration. These services do not meet the criteria for recognition under ASC 958-605.

NOTE P – RETIREMENT PLAN

GCHFH adopted a 401(k) retirement plan effective January 1, 2016, covering all employees except those who work less than 1,000 hours in the relevant Eligibility Computation Period, as defined in the Plan Agreement. Participating employees may elect to contribute, on a tax-deferred basis or to an In-Plan Roth IRA, a portion of their compensation in accordance with section 401(k) of the Internal Revenue Code. Employees must have completed 6 months of service and be at least 21 years of age to be eligible on the entry date, which is the first date of each quarter. GCHFH provides matching contributions of 100% of each participant's elected deferral, not to exceed 3% of an employee's compensation, plus 50% of each employee's elective deferral in excess of 3% but not in excess of 5% of the participant's compensation. For the years ended December 31, 2019 and 2018, GCHFH's contributions, net of forfeitures, amount to $70,650 and $73,441, respectively.

NOTE Q - INCOME TAXES

GCHFH qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code, under a group exemption granted by Habitat for Humanity International, Inc. and operates as a public charity and accordingly, is exempt from income taxes. Funding Company was formed with a single member with the intent that it be a disregarded entity for the purpose of the Internal Revenue Code.

As of January 1, 2018 and for the year ended December 31, 2019 and 2018, GCHFH had not engaged in any activity which management considers to be activity that could result in a loss of its 501(c)(3) IRS designation.

Additionally, management does not consider any of the activity of GCHFH to be considered unrelated business income that could result in income tax. For the years ended December 31, 2019 and 2018, there was no tax interest or penalties reflected in the statement of activities or in the statement of financial position. GCHFH is no longer subject to U.S. federal, state, and local tax examinations by taxing authorities for years before 2016.

NOTE R – LIQUIDITY

GCHFH's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 1,219,087	$ 291,232
Accounts Receivable	91,714	72,317
Mortgages Receivable		
Current portion of mortgages receivable	445,742	364,872
Less: Current portion of discount on mortgages receivable	(213,024)	(138,303)
Unconditional promises to give - Without donor restrictions, due within one year	186,000	63,500
Investments	2,916,835	2,125,432
	$ 4,646,354	$2,779,050

In addition to the financial assets noted above, Habitat has $33,786 of cash that is board designated for home builds and other operational costs, which may be used with consent of the board at any time. Habitat currently maintains two ReStore locations in which inventory is readily sold for unrestricted cash to be used for operations. Net assets with donor restrictions will generally be used in the next fiscal year on various purposes closely related to home builds and other operational costs. As described in Note J, Habitat has a line of credit in the amount of $250,000; which may be utilized for general expenditures.

zinner&co.
Certified Public Accountants
Management Consultants
Since 1938

Board of Directors
Greater Cleveland Habitat for Humanity, Inc. and GCHFH Funding Company, LLC
Cleveland, Ohio

We have audited the consolidated financial statements of **Greater Cleveland Habitat for Humanity, Inc. and GCHFH Funding Company, LLC** as of and for the year ended December 31, 2019, and our report thereon dated June 1, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Zinner & Co. LLP

Beachwood, Ohio

June 1, 2020

3201 Enterprise Parkway, Suite 410 • Beachwood, OH 44122
P: 216.831.0733 • F: 216.765.7118 • zinnerco.com

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	GCHFH	Funding Company	Eliminations	Total
Assets				
Cash and cash equivalents	$ 219,357	$ 999,730	$ 0	$ 1,219,087
Cash designated for home builds and other operational costs	33,786	0	0	33,786
Investments	1,136,735	1,780,100	0	2,916,835
Receivables				
Mortgages receivable	3,065,385	3,072,148	0	6,137,533
Escrows receivable	114,424	0	0	114,424
Discount and reserves for mortgages and escrows receivables	(1,589,372)	0	0	(1,589,372)
Unconditional promises to give - Without donor restrictions, net	186,000	0	0	186,000
Unconditional promises to give - With donor restrictions	488,095	0	0	488,095
Other receivables	91,714	0	0	91,714
Prepaid expenses and deposits	42,080	0	0	42,080
Investment in subsidiary	2,789,628	0	(2,789,628)	0
Inventories				
Materials inventory	84,000	0	0	84,000
ReStore inventory	450,474	0	0	450,474
Construction in progress				
New homes	749,808			749,808
Rehab homes	663,630	0	0	663,630
Anticipated loss on home builds	(299,726)	0	0	(299,726)
Property and equipment, net	216,435	0	0	216,435
Intercompany Receivable	0	4,476	(4,476)	0
Assets held for resale	9,400	0	0	9,400
Total Assets	$ 8,451,853	$ 5,856,454	$(2,794,104)	$11,514,203
Liabilities				
Accounts payable	$ 132,331	$ 0	$ 0	$ 132,331
Intercompany payable	4,476	0	(4,476)	0
Accrued expenses	161,497	0	0	161,497
Capital leases payable	104,170	0	0	104,170
Notes payable	0	3,081,049	0	3,081,049
Total Liabilities	402,474	3,081,049	(4,476)	3,479,047
Net Assets				
Without Donor Restrictions				
Donated capital	0	2,792,306	(2,792,306)	0
Available for programs and services	4,735,645	(4,296)	2,678	4,734,027
Allocated to affordable housing programs	2,788,149	(8,901)	0	2,779,248
Total Net Assets Without Donor Restrictions	7,523,794	2,779,109	(2,789,628)	7,513,275
With Donor Restrictions	521,881	0	0	521,881
Total Net Assets	8,045,675	2,779,109	(2,789,628)	8,035,156
Total Liabilities and Net Assets	$ 8,448,149	$ 5,860,158	$ (2,794,104)	$11,514,203

See accompanying independent auditor's report on consolidating information.

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	GCHFH	Funding Company	Eliminations	Total
Assets				
Cash and cash equivalents	$ 291,232	$ 0	$ 0	$ 291,232
Cash designated for home builds and other operational costs	402,888	0	0	402,888
Investments	1,174,527	950,905	0	2,125,432
Receivables				
Mortgages receivable	3,675,695	1,211,063	0	4,886,758
Escrows receivable	96,960	0	0	96,960
Discount and reserves for mortgages and escrows receivables	(2,106,921)	0	0	(2,106,921)
Unconditional promises to give - Without donor restrictions, net	88,621	0	0	88,621
Unconditional promises to give - With donor restrictions, net	200,000	0	0	200,000
Other receivables	72,317	0	0	72,317
Prepaid expenses and deposits	34,861	0	0	34,861
Investment in subsidiary	984,401	0	(984,401)	0
Inventories				
Materials inventory	99,000	0	0	99,000
ReStore inventory	422,776	0	0	422,776
Construction in progress				
Rehab homes	1,081,626	0	0	1,081,626
Anticipated loss on home builds	(18,709)	0	0	(18,709)
Property and equipment, net	235,124	0	0	235,124
Intercompany Receivable	0	39,876	(39,876)	0
Assets to be placed in service	10,000	0	0	10,000
Assets held for resale	9,400	0	0	9,400
Total Assets	$6,753,798	$2,201,844	$(1,024,277)	$7,931,365
Liabilities				
Accounts payable	$ 110,027	$ 0	$ 0	$ 110,027
Intercompany payable	39,876	0	(39,876)	0
Accrued expenses	99,944	0	0	99,944
Capital leases payable	129,047	0	0	129,047
Notes payable	0	1,214,767	0	1,214,767
Total Liabilities	378,894	1,214,767	(39,876)	1,553,785
Net Assets				
Without Donor Restrictions				
Donated capital	0	984,401	(984,401)	0
Available for programs and services	2,944,365	6,380	0	2,950,745
Allocated to affordable housing programs	2,827,651	(3,704)	0	2,823,947
Total Net Assets Without Donor Restrictions	5,772,016	987,077	(984,401)	5,774,692
With Donor Restrictions	602,888	0	0	602,888
Total Net Assets	6,374,904	987,077	(984,401)	6,377,580
Total Liabilities and Net Assets	$6,753,798	$2,201,844	$(1,024,277)	$7,931,365

See accompanying independent auditor's report on consolidating information.

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATING STATEMENT OF ACTIVITIES – WITHOUT DONOR RESTRICTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	GCHFH	Funding Company	Eliminations	Total
Support and Revenues				
Contributions	$ 2,117,071	$ 0	$ 0	$ 2,117,071
Grants	119,997	0	0	119,997
Home sales, net	1,797,500	0	0	1,797,500
ReStore sales activity				
Gross sales	2,342,690	0	0	2,342,690
Donated inventory	2,232,080	0	0	2,232,080
Less: Cost of sales	(2,368,897)	0	0	(2,368,897)
Special events				
Gross revenue	71,070	0	0	71,070
Less: Direct expenses	(7,577)	0	0	(7,577)
Rental income	4,800	0	0	4,800
Investment income	136,234	65,529	0	201,763
Service fees and other income	39,987	0	0	39,987
	6,484,955	65,529	0	6,550,484
Net assets released from restrictions:				
Satisfaction of program restrictions	569,977	0	0	569,977
Total Reclassifications	569,977	0	0	569,977
Total Support and Revenues	7,054,932	65,529	0	7,120,461
Expenses				
Program services	4,737,622	0	0	4,737,622
General and administrative	239,232	82,428	0	321,660
Fundraising and development	322,596	0	0	322,596
Total Expenses	5,299,450	82,428	0	5,381,878
Change in Net Assets	1,755,482	(16,899)	0	1,738,583
Net Assets at Beginning of Year	5,768,312	6,380	0	5,774,692
Net Assets at End of Year	7,523,794	(10,519)	0	7,513,275
Net Assets Without Donor Restrictions Allocated to Affordable Housing Programs	(2,779,248)	0	0	(2,779,248)
Net Assets Without Donor Restrictions Available for Programs and Services	$ 4,744,546	$ (10,519)	$ 0	$ 4,734,027

See accompanying independent auditor's report on consolidating information.

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATING STATEMENT OF ACTIVITIES –
WITHOUT DONOR RESTRICTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	GCHFH	Funding Company	Eliminations	Total
Support and Revenues				
Contributions	$ 1,868,667	$ 0	$ 0	$ 1,868,667
Gain on sale of mortgages	(2,708)	0	0	(2,708)
Home sales, net	1,224,100	0	0	1,224,100
ReStore sales activity				
Gross sales	2,178,871	0	0	2,178,871
Donated inventory	2,133,218	0	0	2,133,218
Less: Cost of sales	(2,141,299)	0	0	(2,141,299)
Other donated goods and services	1,620	0	0	1,620
Special events				
Gross revenue	42,050	0	0	42,050
Less: Direct expenses	(8,979)	0	0	(8,979)
Rental income	1,271	0	0	1,271
Investment income	14,561	0	0	14,561
Service fees and other income	34,710	68,925	0	103,635
Gain on the purchase of mortgages	96,313	0	0	96,313
	5,442,395	68,925	0	5,511,320
Net assets released from restrictions:				
Satisfaction of program restrictions	17,187	0	0	17,187
Total Reclassifications	17,187	0	0	17,187
Total Support and Revenues	5,459,582	68,925	0	5,528,507
Expenses				
Program services	4,689,342	0	0	4,689,342
General and administrative	317,293	66,249	0	383,542
Fundraising and development	353,196	0	0	353,196
Total Expenses	5,359,831	66,249	0	5,426,080
Change in Net Assets	99,751	2,676	0	102,427
Net Assets at Beginning of Year	5,672,266	0	0	5,672,266
Net Assets at End of Year	5,772,016	2,676	0	5,774,692
Net Assets Without Donor Restrictions Allocated to Affordable Housing Programs	(2,823,947)	0	0	(2,823,947)
Net Assets Without Donor Restrictions Available for Programs and Services	$ 2,948,069	$ 2,676	$ 0	$ 2,950,745

See accompanying independent auditor’s report on consolidating information.

GREATER CLEVELAND HABITAT FOR HUMANITY, INC.
AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATING STATEMENT OF ACTIVITIES – WITH DONOR RESTRICTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	GCHFH	Funding Company	Eliminations	Total
Support and Revenues				
Contributions	$ 488,970	$ 0	$ 0	$ 488,970
	488,970	0	0	488,970
Net assets released from restrictions:				
Satisfaction of program restrictions	(569,977)	0	0	(569,977)
Total Reclassifications	(569,977)	0	0	(569,977)
Total Support and Revenues	(81,007)	0	0	(81,007)
Expenses				
Program services	0	0	0	0
General and administrative	0	0	0	0
Fundraising and development	0	0	0	0
Total Expenses	0	0	0	0
Change in Net Assets	(81,007)	0	0	(81,007)
Net Assets at Beginning of Year	602,888	0	0	602,888
Net Assets at End of Year	$ 521,881	$ 0	$ 0	$ 521,881

See accompanying independent auditor's report on consolidating information.

GREATER CLEVELAND HABITAT FOR HUMANITY, INC. AND GCHFH FUNDING COMPANY, LLC

CONSOLIDATING STATEMENT OF ACTIVITIES – WITH DONOR RESTRICTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	GCHFH	Funding Company	Eliminations	Total
Support and Revenues				
Contributions	$ 602,888	$ 0	$ 0	$ 602,888
	602,888	0	0	602,888
Net assets released from restrictions:				
Expiration of time restrictions				
Satisfaction of program restrictions	(17,187)	0	0	(17,187)
Total Reclassifications	(17,187)	0	0	(17,187)
Total Support and Revenues	585,701	0	0	585,701
Change in Net Assets	585,701	0	0	585,701
Net Assets at Beginning of Year	17,187	0	0	17,187
Net Assets at End of Year	$ 602,888	$ 0	$ 0	$ 602,888

See accompanying independent auditor's report on consolidating information.