HABITAT FOR HUMANITY GREATER ORLANDO AND OSCEOLA COUNTY, INC. AND SUBSIDIARY

Consolidated Financial Statements

June 30, 2022 and 2021

With Independent Auditor's Report

withum

ADVISORY TAX AUDIT

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
Table of Contents
June 30, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Habitat for Humanity Greater Orlando
and Osceola County, Inc. and Subsidiary:

Opinion

We have audited the consolidated financial statements of Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

WithumSmith+Brown, PC

November 14, 2022

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 7,905,882	$ 1,658,768
Restricted cash	478,606	478,403
Grants receivable	376,984	231,801
Contributions receivable	90,000	211,000
Home inventory	149,186	410,948
Homes in process	930,009	546,347
Land held for development	1,002,731	1,367,442
Property and equipment, net	1,789,246	1,810,917
Other assets	270,420	212,927
Mortgage loans receivable, net of discounts	10,912,305	11,587,098
Total assets	$ 23,905,369	$ 18,515,651
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 392,629	$ 229,368
Accrued expenses	61,796	90,902
Lines of credit	119,477	1,363,592
Notes payable	2,094,520	1,817,266
Secured borrowings, net	6,775,772	6,649,508
Deferred revenue	105,000	85,000
Total liabilities	9,549,194	10,235,636
Net assets		
Without donor restrictions	13,849,175	8,069,015
With donor restrictions	507,000	211,000
Total net assets	14,356,175	8,280,015
Total liabilities and net assets	$ 23,905,369	$ 18,515,651

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains						
Sales to homeowners, net of mortgage origination discounts	$ 3,421,297	$ -	$ 3,421,297	$ 2,640,062	$ -	$ 2,640,062
Contributions	6,237,988	412,000	6,649,988	883,166	120,000	1,003,166
Grants	1,827,149	-	1,827,149	1,230,963	-	1,230,963
In-kind contributions	749,649	-	749,649	375,612	-	375,612
Amortization of mortgage loan discounts	419,232	-	419,232	443,636	-	443,636
Other income	323,915	-	323,915	115,746	-	115,746
Interest income	6,653	-	6,653	16,461	-	16,461
Net assets released from restrictions	116,000	(116,000)	-	29,000	(29,000)	-
Total revenue, support and gains	13,101,883	296,000	13,397,883	5,734,646	91,000	5,825,646
Expenses						
Program services	5,720,414	-	5,720,414	3,830,958	-	3,830,958
Supporting services						
Fundraising	702,970	-	702,970	536,483	-	536,483
Management and general	898,339	-	898,339	748,571	-	748,571
Total expenses	7,321,723	-	7,321,723	5,116,012	-	5,116,012
Net change in net assets	5,780,160	296,000	6,076,160	618,634	91,000	709,634
Net assets						
Beginning of year	8,069,015	211,000	8,280,015	7,450,381	120,000	7,570,381
End of year	$ 13,849,175	$ 507,000	$ 14,356,175	$ 8,069,015	$ 211,000	$ 8,280,015

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating activities		
Change in net assets	$ 6,076,160	$ 709,634
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Uncollectible contributions receivable	64,000	-
Depreciation and amortization of property and equipment	68,801	64,365
Amortization of debt issuance costs to interest expense	32,806	38,416
Discounts on mortgage sold	72,967	-
Amortization of mortgage loan discounts	(419,232)	(443,636)
Mortgage foreclosure (originations)	14,643	(165,391)
Discounts on mortgage originations	42,496	68,280
Gain on disposal of property and equipment	-	(21,453)
Forgiveness of debt	(461,000)	(461,544)
(Increase) decrease in operating assets		
Grants and contributions receivable	(88,183)	(148,885)
Home inventory	261,762	737,400
Homes in process	(383,662)	(182,966)
Land held for development	364,711	219,026
Other assets	(57,493)	(31,681)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	134,155	58,494
Deferred revenue	20,000	(125,000)
Net cash provided by operating activities	5,742,931	315,059
Investing activities		
Purchases of property and equipment	(47,130)	(121,634)
Principal payments received on mortgage loans receivable	1,036,886	877,619
Net cash provided by investing activities	989,756	755,985
Financing activities		
Proceeds from notes payable and secured borrowings, net	686,177	790,129
Repayments on notes payable and secured borrowings	(1,116,755)	(459,064)
Debt issuance costs paid	(18,199)	-
Borrowings on line of credit	572,034	480,787
Repayments on line of credit	(639,034)	(1,504,406)
Loans tranferred to secure mortgages	30,406	-
Net cash used in financing activities	(485,371)	(692,554)
Net change in cash and restricted cash	6,247,316	378,490
Cash and restricted cash		
Beginning of year	2,137,171	1,758,681
End of year*	$ 8,384,487	$ 2,137,171
*Cash and restricted cash at end of year are comprised of the following		
Cash	$ 7,905,882	$ 1,658,768
Restricted cash	478,606	478,403
	$ 8,384,488	$ 2,137,171
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 191,140	$ 145,662
Noncash investing and financing activities		
Repayments of lines of credit and notes payable financed through an additional line of credit	$ 1,177,115	$ -
Notes payable refinanced through issuance of additional note.	$ 1,262,493	$ -
Debt issuances costs financed through notes payable	$ 72,059	$ -

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando
and Osceola County, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services					Supporting Services			
	Community Education & Engagement	Creating Homeownership	Financing Homeownership	Perserving Homeownership	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Cost of building materials and supplies sold	$ -	$ 2,844,258	$ -	$ -	$ 2,844,258	$ -	$ -	$ -	$ 2,844,258
Payroll expenses	268,579	776,774	14,003	188,412	1,247,768	507,542	608,661	1,116,203	2,363,971
Discounts on mortgages issued	-	-	42,496	-	42,496	-	-	-	42,496
Professional fees	76,976	45,426	41,281	3,163	166,846	71,416	153,138	224,554	391,400
Supplies expenses	2,110	43,456	-	180	45,746	3,467	3,211	6,678	52,424
Home repairs and property maintenance	-	-	-	630,700	630,700	-	-	-	630,700
Fees and donations to affiliates	-	25,000	-	-	25,000	-	-	-	25,000
Interest and borrowing expenses	2,396	47,651	151,721	-	201,768	12,482	11,570	24,052	225,820
Other	20,791	180,578	5,318	1,639	208,326	49,890	27,505	77,395	285,721
Utilities	877	12,343	-	-	13,220	3,070	3,070	6,140	19,360
Depreciation and amortization	2,593	48,058	-	-	50,651	9,075	9,075	18,150	68,801
Promotional expenses	13,231	5,517	-	-	18,748	10,604	3,297	13,901	32,649
Transportation and vehicle	-	27,551	-	3,059	30,610	-	-	-	30,610
Insurance	2,333	24,917	-	2,573	29,823	6,379	7,819	14,198	44,021
Equipment lease and maintenance	252	11,539	-	575	12,366	884	884	1,768	14,134
Printing and postage	572	3,558	-	18	4,148	22,568	516	23,084	27,232
Closing and mortgage service costs	-	2,726	112,819	-	115,545	-	-	-	115,545
Telephone and internet	1,136	16,022	-	-	17,158	3,976	3,976	7,952	25,110
Property tax	129	10,066	-	-	10,195	450	450	900	11,095
Rent	333	4,238	-	471	5,042	1,167	1,167	2,334	7,376
Uncollectible contributions receivable	-	-	-	-	-	-	64,000	64,000	64,000
	$ 392,308	$ 4,129,678	$ 367,638	$ 830,790	$ 5,720,414	$ 702,970	$ 898,339	$ 1,601,309	$ 7,321,723

The Notes to Consolidated Financial Statements are an integral part of this statement.

Habitat for Humanity Greater Orlando
and Osceola County, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					Supporting Services			
	Community Education & Engagement	Creating Homeownership	Financing Homeownership	Perserving Homeownership	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Cost of building materials and supplies sold	$ -	$ 1,928,777	$ -	$ -	$ 1,928,777	$ -	$ -	$ -	$ 1,928,777
Payroll expenses	166,681	391,067	167,283	296,926	1,021,957	447,493	413,393	860,886	1,882,843
Discounts on mortgages issued	-	-	68,280	-	68,280	-	-	-	68,280
Professional fees	-	18,078	15,185	52,919	86,182	37,600	213,518	251,118	337,300
Supplies expenses	-	3,376	-	-	3,376	475	949	1,424	4,800
Home repairs and property maintenance	-	1,227	-	127,626	128,853	-	-	-	128,853
Fees and donations to affiliates	-	30,000	-	-	30,000	-	-	-	30,000
Interest and borrowing expenses	16,192	16,192	189,770	16,192	238,346	9,106	23,204	32,310	270,656
Other	842	65,600	841	1,646	68,929	17,030	58,360	75,390	144,319
Utilities	-	10,885	-	-	10,885	1,531	3,059	4,590	15,475
Depreciation and amortization	-	48,226	-	-	48,226	5,382	10,758	16,140	64,366
Promotional expenses	150	11,688	-	-	11,838	7,510	4,628	12,138	23,976
Transportation and vehicle	-	26,144	-	-	26,144	-	-	-	26,144
Insurance	-	31,634	-	-	31,634	4,448	8,891	13,339	44,973
Equipment lease and maintenance	-	9,962	-	-	9,962	423	846	1,269	11,231
Printing and postage	-	19,017	-	-	19,017	2,674	5,345	8,019	27,036
Closing and mortgage service costs	-	36,216	30,895	-	67,111	-	-	-	67,111
Telephone and internet	-	19,994	-	-	19,994	2,811	5,620	8,431	28,425
Property tax	-	11,447	-	-	11,447	-	-	-	11,447
	$ 183,865	$ 2,679,530	$ 472,254	$ 495,309	$ 3,830,958	$ 536,483	$ 748,571	$ 1,285,054	$ 5,116,012

The Notes to Consolidated Financial Statements are an integral part of this statement.

1. ORGANIZATION AND PURPOSE

Habitat for Humanity Greater Orlando and Osceola County, Inc. ("Habitat") (a nonprofit corporation) was incorporated on May 20, 1986 under the laws of the state of Florida. 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.

On October 20, 2015, Habitat formed a Florida single member limited liability corporation, HFHGO Funding Company I, LLC ("Funding Company"), the sole member of which is Habitat (collectively, the "Organization"). Funding Company was formed for the purpose of entering into certain business transactions related to its mortgage loans on behalf and for the benefit of Habitat.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of Presentation

The Organization prepares its consolidated financial statements under the guidance of Financial Accounting Standards Board ("FASB") Accounting Statements Codification ("ASC") 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board of Directors ("Board") designation and unavailable for use at management's discretion.

Net assets with donor restrictions: Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net assets permanently, generally permitting all or part of the income earned on related assets be used for general or specific purposes or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2022 and 2021, the Organization does not have any assets that are required to be maintained permanently.

Basis of Consolidation

The consolidated financial statements include the accounts of Habitat and its wholly owned subsidiary, Funding Company. All significant intercompany balances and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements Adopted in the Current Year

Gifts-in-Kind

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). ASU 2020-07 provides new guidance on the treatment and disclosure for reporting nonprofit gifts-in-kind. The ASU is effective for nonpublic entities for fiscal years beginning after June 15, 2021. The Organization adopted the requirements of the new guidance as of July 1, 2021. Adoption of the new guidance resulted in minimal changes to the Organization's accounting policies for contributions and gifts-in-kind.

Accounting Pronouncements Issued But Not Yet Adopted

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which provides guidance on how an entity should measure credit losses on financial instruments. The ASU is effective for nonpublic entities for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of its pending adoption of ASU 2016-13 on its consolidated financial statements.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash consists of Board designated amounts held in a separate reserve account maintained to fund operations upon approval of the Board during times of financial hardship.

At times, the Organization had a concentration of credit risk arising from cash deposits at financial institutions in excess of federally insured limits. On June 30, 2022, approximately $8,130,000 of cash, cash equivalents, and restricted cash was uninsured.

Contributions Receivable

Contributions receivable, net of discounts, are unconditional promises to give and are recorded when the promises to give are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. When applicable, the Organization provides an allowance for uncollectible pledges at the time contributions are recorded based on historical write-offs. For the year ended June 30, 2022, the Organization determined that $64,000 of the contributions receivable at June 30, 2021 were no longer collectible. These amounts were charged to bad debt expense in the accompanying consolidated statement of activities.

Grant Revenue, Grants Receivable and Deferred Revenue

The majority of the Organization's grants received for home construction are exchange transactions in which each party receives and sacrifices commensurate value. Funds and land received from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards their designated purpose. Grants receivable consist of amounts due under these grants and the Organization considers all amounts to be fully collectible as of June 30, 2022 and 2021. Deferred revenue represents costs associated with undeveloped lots of land (with costs ranging from $14,000 to $20,000) granted to the Organization to be used for home construction. The costs associated with each lot are recognized at the time the completed home on the respective lot is sold. On June 30, 2022 and 2021, deferred revenue included costs associated with zero and 5 unsold lots, respectively. During fiscal year 2020, the Organization received ten plots (as described above) of land from an affiliated organization for the development of single-family homes in Orange County, Florida, with an appraised value of $182,000. During fiscal year 2021, the Organization received five plots of land from the Government for the development of single-family homes in Orange County, Florida, with an appraised value of $105,000. On June 30, 2022 and 2021, deferred revenue related to undeveloped plots of land totaled $105,000 and $85,000, respectively.

Land Held for Development, Home Inventory and Homes In Process

Land held for development, home inventory and homes in process are stated at lower of cost or fair value and consist of undeveloped land and completed and in-process homes which have not yet been sold or transferred to homeowners.

The Organization reviews these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amount of an asset to its fair value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Based on this review, there were no impairments recorded on these assets during fiscal years 2022 or 2021.

Property and Equipment

Land is stated at cost; other property and equipment is stated at cost less accumulated depreciation and amortization. Material purchases of property and equipment and significant repairs and additions, which extend the useful life of existing assets, are capitalized in accordance with the Organization's adopted policy. Depreciation and amortization are calculated using the straight-line method for specific assets, using the following estimated useful lives:

Description	Estimated Life (Years)
Building	39
Transportation equipment	5
Fixtures and office equipment	3-5
Warehouse equipment	5-10
Software	3

Mortgage Loans Receivable

Mortgage loans receivable represent non-interest-bearing loans upon the sale of a home and have been discounted based upon prevailing market rates at the inception of the mortgage obligations. The original discount is recorded as discounts on mortgages issued within program services on the consolidated statements of functional expenses at the date the mortgage is originated. Discounts are amortized to revenue using the effective interest method over the lives of the mortgage loans and are recorded as amortization of mortgage loan discounts within revenue and support in the consolidated statements of activities.

Mortgage loans receivable are collateralized by the underlying homes. The Organization reviews each mortgage for collectability, the fair value of the respective collateralized home, and based on actual and anticipated losses, records an impairment if the carrying value of the mortgage loan exceeds the fair value of the underlying collateral. Mortgages that become over 90 days delinquent are turned over to an attorney for collection. If the homeowner does not cure the default, the Organization forecloses on the home, at which time the mortgage loan receivable is written off and the home is put back into inventory for resale at a value equal to costs to foreclose on the home and the carrying value of the defaulted mortgage.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets, including mortgage loans receivable, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Based on this review, there were no impairments recorded on these assets during fiscal years 2022 or 2021.

Transfers of Mortgage Loans Receivable

The Organization accounts for transfers of mortgage loans receivable as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Organization’s continuing involvement with the mortgage loans receivable transferred. Gains and losses stemming from transfers reported as sales are included in net gain on sale of mortgage loans receivable in the accompanying consolidated statements of activities. Assets obtained and liabilities incurred in connection with transfers reported as sales, if any, are initially recognized in the consolidated statements of financial position at fair value. There were no transfers of mortgage loans receivable that qualified as sales during the years ended June 30, 2022 and 2021.

Transfers of mortgage loans receivable that do not qualify for sale accounting are reported as secured borrowings. Accordingly, the related assets remain on the Organization’s consolidated statements of financial position and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions. During the years ended June 30, 2022 and 2021, the Organization transferred mortgage loans receivable that qualified as secured borrowings (see Note 8).

Debt Issuance Costs

Debt issuance costs are amortized using the effective interest method over the term of the debt into interest expense. Upon the early extinguishment of the related debt, any unamortized deferred financing costs are immediately expensed and included in change in net assets.

Debt issuance costs related to a recognized debt liability are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Organization is therefore presenting debt issuance costs net against notes payable on the accompanying consolidated statements of financial position.

Sales to Homeowners

Sales to homeowners are recorded at the gross mortgage amount plus down payment received. The sale constitutes a single performance obligation which is satisfied at the time of closing. Noninterest bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Imputed interest revenue is recognized over the life of the mortgage as the monthly payments are received and processed.

In-Kind Contributions

During fiscal years 2022 and 2021, the Organization received $669,448 and $313,195, respectively, of donated construction materials and related labor for its home building projects. In addition, during fiscal years 2022 and 2021, the Organization received $17,581 and $24,203, respectively, of donated appliances installed in its home inventory. These amounts were recorded as in-kind contributions in the accompanying consolidated statements of activities and either to homes in process on the accompanying consolidated statements of financial position or cost of building materials and supplies sold in the accompanying consolidated statements of functional expenses depending on the nature of the item.

During fiscal years 2022 and 2021, the Organization also received in-kind contributions for fundraising events in the amounts of $62,620 and $38,214, respectively, which are recorded at estimated fair value of items and services donated and are included in in-kind contributions in the accompanying consolidated statements of activities and promotional expenses in the consolidated statements of functional expenses.

Advertising

Advertising costs are expensed as incurred. Advertising costs totaled $32,648 and $23,976 for the years ended June 30, 2022 and 2021, respectively, and are included in promotional expenses on the consolidated statements of functional expenses.

Income Taxes

Habitat is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Funding Company was incorporated under the Florida Revised Limited Liability Company Act and is considered a disregarded entity for federal and state income tax purposes. Therefore, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statements of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Subsequent Events

Management has evaluated subsequent events through November 14, 2022, the date which the consolidated financial statements were available to be issued. The Organization has determined that no subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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; and
- 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 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mortgage loans receivable are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the home was sold with an equivalent term equal to the term of the mortgage, which approximates fair value.

The Organization has no Level 1 or Level 3 financial assets or liabilities. The Organization's Level 2 financial assets include mortgage loans receivable (see Note 6).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net of discounts, on June 30, 2022 and 2021 are as follows:

	2022	2021
Amounts due in		
Less than one year	$ 30,000	$ 59,000
One to five years	60,000	152,000
Contributions receivable, net	$ 90,000	$ 211,000

U.S. GAAP requires unconditional contributions due in more than one year to be discounted to net present value using prevailing interest rates (1% on June 30, 2022). At June 30, 2022 and 2021, the Organization has determined that the effect of discounting these contributions receivable would not have a material impact on the results of operations and accordingly has recorded them at their net carrying value.

5. PROPERTY AND EQUIPMENT, NET

The components of property and equipment on June 30, 2022 and 2021 are as follows:

	2022	2021
Building	$ 1,524,156	$ 1,524,156
Land	289,250	289,250
Transportation equipment	141,946	94,816
Fixtures and office equipment	54,077	54,077
Warehouse equipment	90,330	90,330
Software	22,179	22,179
Total property and equipment, at cost	2,121,938	2,074,808
Accumulated depreciation and amortization	(332,692)	(263,891)
Total property and equipment, net	$ 1,789,246	$ 1,810,917

Depreciation and amortization expense on property and equipment totaled $68,801 and $64,365 for the years ended June 30, 2022 and 2021, respectively.

6. MORTGAGE LOANS RECEIVABLE, NET OF DISCOUNTS

Mortgage loans receivable consist entirely of non-interest-bearing mortgage notes, secured by residential real estate, payable in monthly installments with maturities ranging from 15 to 40 years. These mortgages are originated through the Organization's home building program.

The amounts presented in the consolidated statements of financial position are net of unamortized discounts arising from imputed interest on June 30, 2022 and 2021, as follows:

	2022	2021
Mortgages receivable (face value)	$ 14,489,453	$ 15,540,981
Unamortized discounts	(3,577,148)	(3,953,883)
Mortgage loans receivable, net of discounts	$ 10,912,305	$ 11,587,098

Contractual maturities of mortgage loans receivable on June 30, 2022 are as follows:

2023	$ 1,583,141
2024	1,563,168
2025	1,522,844
2026	1,427,931
2027	1,368,000
Thereafter	7,024,369
	$ 14,489,453

7. LINES OF CREDIT

On August 25, 2018, the Organization entered into an unsecured revolving line of credit with a bank which originally provided for borrowings up to $2,000,000 at the 1-month London Interbank Offering Rate ("LIBOR") plus 3%, subject to a floor of 4.75%. Interest-only payments are due monthly on the outstanding principal balance. The line of credit originally matured on August 25, 2018 and was modified to mature in August 2020. The renewal restricts borrowings to $1,500,000 for the life of the $3,000,000 line of credit described below. In August 2020, the Organization renewed this line of credit for a maximum indebtedness of $2,000,000. In January 2022, the Organization renewed this line of credit with interest accrued monthly at prime, with a floor of 3.75%. Interest only payments are due monthly with the entire principal balance due at maturity in January 2024. On June 30, 2022 and 2021, the outstanding balance on the line of credit was $119,477 and zero, respectively.

On August 29, 2018, the Organization entered into a non-revolving line of credit with Seaside Bank and Trust for up to $3,000,000, of which $1,500,000 was used to refinance the original purchase of certain parcels of land with U.S. Development of Orlando, Inc. and $1,500,000 was designated for development financing to construct single family homes and a community clubhouse on that land. On September 26, 2019, the agreement was amended and no longer permitted additional borrowings. Under the amended terms, interest accrued at a rate equal to 1-month LIBOR plus 2.50%, with a floor of 3.50% (3.50% of June 30, 2021) and was due monthly. An initial principal curtailment of $111,245 was paid upon closing of the $550,000 revolving line of credit (described below) and additional principal curtailments ranging from $76,490 to $229,470 was due quarterly with a final payment of all unpaid principal and interest due July 2022. The line matured on August 29, 2022. The line of credit was secured by the related land. On June 30, 2021, the outstanding balance on the line of credit was $1,144,727. On September 28, 2021, the line of credit was paid in full with proceeds from a note with Habitat Mortgage Solutions, LLC (see Note 8).

On September 21, 2018, the Organization entered into a revolving promissory note with Orange County Housing Finance Authority for up to $2,000,000 to be used for construction of single-family homes built for low and very low-income homebuyers. Interest accrued at a fixed rate of 1.5% per annum. Commencing October 1, 2018, monthly interest-only payments was due and principal payments of $80,000 were due upon the closing of each home. The note matured at the earliest of the date at which the last home under the agreement is sold or September 21, 2021. The note is secured by the land and homes to be constructed and the completed but not yet sold homes. The note was fully repaid during the year ended June 30, 2021.

On September 26, 2019, the Organization entered into a revolving line of credit with Seaside Bank and Trust for up to $550,000. Interest was payable monthly commencing on October 26, 2019 at a rate of 1-month LIBOR plus 2.50%, with a floor of 3.50% (3.50% on June 30, 2021). The note originally matured September 30, 2022 at which time the full balance of all unpaid principal and interest was due. The note was secured by real property in Orange County, Florida. On June 30, 2021, the outstanding balance on the note was $32,388. On September 28, 2021, the line was paid in full with proceeds from a note with Habitat Mortgage Solutions, LLC (see note 8).

On January 6, 2020, the Organization entered into a revolving line of credit with the Florida Community Loan Fund for up to $500,000 for the purpose of constructing single family homes. Interest accrues at a fixed rate of 4.75% and is due monthly. The remaining unpaid principal and interest was due and matured on January 6, 2022. The line of credit was secured by the land and buildings owned by the Organization. On June 30, 2021, the outstanding balance on the note was $186,477. On May 27, 2022, the Organization entered into a revolving construction line of credit with a maximum principal balance of $1,250,000. Interest accrues at 4.75% and is payable monthly with all unpaid principal due at maturity on January 31, 2025.

The line of credit agreements require certain financial covenants be met. The Organization was in compliance with these financial covenants as of and for the years ended June 30, 2022 and 2021.

8. NOTES PAYABLE AND SECURED BORROWINGS, NET

PNC Community Development Company, LLC

On October 22, 2015, Funding Company and PNC Community Development Company, LLC (“PNC”) entered into a Note Purchase Agreement whereby Funding Company will sell to PNC a note at a purchase price equal to the present value of the scheduled principal payments of twenty-four outstanding mortgages held by Habitat discounted at a rate of 3% per year. Funding Company acquired from Habitat all of its rights, title, and interest in the related mortgages. In order to finance the purchase of the acquisition of these mortgages from Habitat, Funding Company entered into a Secured Note (“Secured Note 1”) with PNC in the amount of $1,364,929 whereby it received cash in the amount of $1,059,131, which was subsequently transferred to Habitat. On March 31, 2017, Secured Note 1 was amended to remove three mortgages and add sixteen. This modification resulted in additional cash being paid to Funding Company, which brought the principal amount borrowed to $2,279,086. The difference of $725,372 between the cash proceeds and the modified Secured Note 1 amount was recorded as a discount and will be amortized over the life of Secured Note 1. Installment payments on Secured Note 1 are due monthly in accordance with an amortization schedule with the entire principal balance due and payable on March 1, 2047. As security for Secured Note 1, Funding Company pledged all of its rights, title, and interest in the related mortgage loans. As of June 30, 2022 and 2021, the outstanding balance due on Note 1, net of unamortized debt discounts of $598,432 and $622,611, respectively, is $989,383 and $1,139,566, respectively.

On March 31, 2017, Funding Company and PNC entered into an additional Note Purchase Agreement whereby Funding Company will sell to PNC a note at a purchase price equal to the present value of the scheduled principal payments of thirty-one outstanding mortgages held by Habitat discounted at a rate of 3% per year. Funding Company acquired from Habitat all of its rights, title, and interest in the related mortgages. In order to finance the purchase of the acquisition of these mortgages from Habitat, Funding Company entered into a Secured Note ("Secured Note 2") with PNC in the amount of $2,170,717 whereby it received cash in the amount of $1,615,683, which was subsequently transferred to Habitat. The difference of $555,034 between the cash proceeds and Secured Note 2 amount was recorded as a discount and will be amortized over the life of Secured Note 2. Installment payments on Secured Note 2 are due monthly in accordance with an amortization schedule with the entire principal balance due and payable on March 1, 2047. As security for Secured Note 2, Funding Company pledged all of its rights, title, and interest in the related mortgage loans. As of June 30, 2022 and 2021, the outstanding balance due on Secured Note 2, net of unamortized debt discounts of $457,903 and $476,405, respectively, is $1,103,002 and $1,187,372, respectively.

Notes 1 and 2 were accounted for as secured borrowings in accordance with Accounting Standards Codification Topic 860, *Transfers and Servicing*.

IberiaBank

On October 20, 2017, Habitat entered into a Loan Purchase Agreement ("Agreement") with IberiaBank ("Iberia"), whereby Habitat will sell certain residential mortgage loans. Each loan shall be secured by a mortgage creating a first lien or, if approved by Iberia, a second lien on a residential dwelling.

In accordance with the Agreement, all loans are sold without recourse; however, if a loan sold under the Agreement defaults after the closing date and becomes a nonperforming loan, as defined, Habitat shall repurchase the loan at a repurchase price, as defined, and Iberia will be required to purchase another loan. On the same date, the parties entered into a Loan Purchase Commitment Letter whereby Habitat sold eighteen loans to Iberia for $1,469,333. As of the closing date, these loans had an aggregate unpaid principal balance of $1,728,628. On April 17, 2018, the parties entered into a second Loan Purchase Commitment Letter whereby Habitat sold nine loans to Iberia for $728,800. As of the closing date, these loans had an aggregate unpaid principal balance of $827,627. The difference between the cash proceeds and the aggregate unpaid principal balance of both loans of $358,122 was recorded as a debt discount and will be amortized over the life of the mortgage loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold.

On November 4, 2020, the Organization entered into an additional Loan Purchase Agreement with Iberia for the sale of two residential mortgage loans for proceeds totaling $229,129. Total aggregate unpaid principal balances related to these mortgages was $229,129 as of the closing date. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold.

On various dates during the years ended June 30, 2020, the Organization entered into three additional Loan Purchase Agreements with Iberia for the sale of eight residential mortgage loans for proceeds totaling $868,826. Total aggregate unpaid principal balances related to these mortgages was $965,362 as of the closing date. The difference between the cash proceeds and the aggregate unpaid principal balance of the loans of $96,536 was recorded as a debt discount and will be amortized over the life of the loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold. Also, during fiscal year 2020, the Organization assigned two mortgages with total unpaid principal balances of $176,745 to Iberia in exchange for certain nonperforming mortgages with total unpaid principal balances of $174,798 and $10,315 in cash consideration. The difference of $8,368 was recorded as a reduction to the mortgage discount in the accompanying consolidated statement of financial position.

On various dates during the year ended June 30, 2019, the Organization entered into four additional Loan Purchase Agreements with Iberia for the sale of eighteen residential mortgage loans for proceeds totaling $1,867,990. Total aggregate unpaid principal balance related to these mortgages was $2,092,623 as of the closing date. The difference between the cash proceeds and the aggregate unpaid principal balance of the loans of $224,633 was recorded as a debt discount and will be amortized over the life of the loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgages sold.

As of June 30, 2022 and 2021, the outstanding balance due to Iberia, net of unamortized debt discounts of $495,565 and $555,898, respectively, is $4,095,871 and $4,322,570, respectively.

In connection with the Agreement, the parties also entered into a Loan Servicing Agreement, whereby Habitat will continue to be responsible for servicing the loans sold. Habitat will receive a servicing fee of $10 per loan per month, which will be netted against monthly loan payments collected by Habitat and remitted to Iberia. Servicing fees for the years ended June 30, 2022 and 2021 were immaterial.

The transactions with Iberia were accounted for as secured borrowings in accordance with Accounting Standards Codification Topic 860, *Transfers and Servicing*.

Habitat Mortgage Solutions, LLC

On September 28, 2021, the Organization entered into a refinancing agreement with a related party, consolidating various debt agreements held with Seaside Bank and Trust (see Note 7) into a single promissory note in the amount of $1,300,000. The terms of the promissory note require annual principal payments due on June 30th of each year, calculated as the greater of (i) $325,000 or (ii) $35,135 multiplied by the number of homes sold during the previous fiscal year. Interest accrues at a fixed rate of 3.75% and is payable in quarterly installments beginning December 31, 2021. The promissory note matures on September 28, 2025, at which time the balance of all outstanding principal and interest becomes due. The promissory note requires the Organization to adhere to various financial and construction related covenants and is collateralized by real property located in Orange County, Florida.

LC Realty Associates, LLC

On July 25, 2017, the Organization entered into two separate promissory notes with LC Realty Associates, LLC to finance the purchase of a certain parcel of land and a building. The first note of $1,100,000 required monthly payments of $7,881, accrues interest at a fixed rate of 6% per annum, and matured July 25, 2037. The second note of $350,000 required monthly payments of $2,508, accrued interest at a fixed rate of 6% per annum, and matured July 25, 2037. The outstanding balance on these notes on June 30, 2021 was $1,280,227. These notes were secured by the Organization's land and building. On February 22, 2022, the two promissory notes with LC Realty Associates were refinanced through a promissory note with Seaside Bank and Trust (above).

Paycheck Protection Program

In May 2020, the Organization obtained an unsecured promissory note (the "PPP Loan") for $461,544 through the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 8 or 24-week period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements. The PPP Loan had a two-year term, bears interest at 1.00% per annum, and originally mature in May 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until ten months after the end of the Covered Period. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties.

In March 2021, the Organization received notification of full forgiveness of its PPP Loan. Accordingly, the Organization recorded the forgiveness of debt of $461,544 plus accrued interest of $4,476 as grant revenue in the accompanying consolidated statement of activities for the year ended June 30, 2021.

In February 2021, the Organization obtained a second PPP Loan in the amount of $461,000 under the same terms and conditions as previously described. At June 30, 2021, the second PPP Loan is included in notes payable in the accompanying consolidated statements of financial position. In September 2021, the Organization received notification of full forgiveness of its second PPP Loan and accordingly, the Organization recorded the forgiveness of debt of $461,000 as grant revenue in the accompanying consolidated statement of activities for the year ended June 30, 2022.

City of Orlando Community Development Block Grant Loan

During the year ended June 30, 2021, the Organization expended $100,000 of federal funding awarded through the City of Orlando (the "City") for rehabilitation of its office location in Orange County, Florida. The grant agreement constitutes a non-interest-bearing promissory note containing various restrictive covenants, including that the Organization retain ownership of the rehabilitated property for a period of five years.

The promissory note matures on September 30, 2025, at which time full balance becomes due. The note is eligible for full forgiveness by the City if the Organization maintains compliance with all loan covenants during the five-year period. Accordingly, this amount is recorded as long-term debt on the consolidated statement of financial position at June 30, 2022. Grant revenue will be recognized in the period in which the conditions under the grant are met and legal release of the promissory note is received.

On June 30, 2022, future maturities on the lines of credit, notes payable, and secured borrowings, are as follows:

	Lines of Credit	Notes Payable	Secured Borrowings	Total
2023	$ -	$ 392,342	$ 796,406	$ 1,188,748
2024	119,477	394,737	796,406	1,310,620
2025	-	230,328	796,406	1,026,734
2026	-	174,786	792,871	967,657
2027	-	77,446	791,599	869,045
Thereafter	-	906,294	4,366,033	5,272,327
Total future maturities	119,477	2,175,933	8,339,721	10,635,131
Less: Unamortized discounts	-	-	(1,563,949)	(1,563,949)
Less: Unamortized loan costs	-	(81,413)	-	(81,413)
	$ 119,477	$ 2,094,520	$ 6,775,772	$ 8,989,769

9. TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization remits a portion of its revenues to Habitat International, its affiliate, as further discussed in Note 1. These funds are used to construct homes in economically depressed areas around the world, and therefore these amounts are included as fees and donations to affiliates within the Organization's program services on the consolidated statements of activities. For each of the years ended June 30, 2022 and 2021, the Organization contributed $7,000 and $5,000, respectively, to Habitat International. No amounts were contributed during the year ended June 30, 2022. Stewardship and sustainability fees and other costs paid to Habitat International totaled approximately $25,000 for each of the years ended June 30, 2022 and 2021. The Organization also receives donations from Habitat International, which were $29,909 and $33,978 for the years ended June 30, 2022 and 2021, respectively, and are included in contributions on the consolidated statements of activities.

10. FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. Other general and administrative expenses, including depreciation and amortization and rent, are allocated based on employee head count and estimated square footage prorated compared to total space used.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions are comprised of undesignated amounts to be used for program and operating expenditures at management's discretion and Board designated amounts of $478,606 and $478,403 at June 30, 2022 and 2021, respectively, which may not be spent by management without the approval of the Board of Directors. The Board designated amounts were established as a reserve account to fund operations upon approval of the Board during times of financial hardship.

12. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions consist of contributions restricted by purpose or time and due in future periods.

13. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures on June 30, 2022 and 2021 are as follows:

	2022	2021
Cash, cash equivalents, and restricted cash	$ 8,384,488	$ 2,137,171
Grants and contributions receivable	406,984	290,801
Total financial assets available within one year	8,791,472	2,427,972
Less: Amounts unavailable for general expenditures within one year		
Donor restricted for time or specific purposes	(520,500)	(211,000)
Board designated for operating reserves	(478,606)	(478,403)
Total financial assets available to management for general expenditures within one year	$ 7,792,366	$ 1,738,569

As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. Additionally, the Organization has access to revolving credit lines as described in Note 7. Amounts due on long-term debt obligations have not been reflected in the above table.

14. EMPLOYEE BENEFIT PLAN

The Organization has a qualified 403(b) savings plan for all eligible employees. Employees may contribute to the plan from 1% to 92% of their compensation, as defined. The Organization is permitted to make discretionary non-elective and discretionary matching contributions. Non-elective and matching contributions made by the Organization for the years ended June 30, 2022 and 2021 totaled $62,504 and $54,470, respectively, and are included in payroll expenses in the accompanying consolidated statements of functional expenses.

15. MAJOR CUSTOMER

The Organization has one donor that accounted for 87% of total contributions revenues for the year ended June 30, 2022. There was no balance in contributions receivable related to this customer at June 30, 2022.