**HABITAT FOR HUMANITY GREATER ORLANDO AND OSCEOLA COUNTY, INC. AND SUBSIDIARY**
**Consolidated Financial Statements**
**June 30, 2023 and 2022**
**With Independent Auditor's Report**

withum
ADVISORY TAX AUDIT

**Habitat for Humanity Greater Orlando and**
**Osceola County, Inc. and Subsidiary**
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ADVISORY TAX AUDIT

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2023 and 2022, and the related consolidated statements of activities, cash flows, and functional expenses 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, 2023 and 2022, 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 1, 2023

**Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary**
**Consolidated Statements of Financial Position**
**June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 6,472,603 | $ 7,905,881 |
| Restricted cash | 478,606 | 478,606 |
| Grants receivable | 127,790 | 376,984 |
| Contributions receivable, net | 60,000 | 90,000 |
| Home inventory | 618,509 | 149,186 |
| Homes in process | 1,314,468 | 930,009 |
| Land held for development | 841,666 | 1,002,731 |
| Property and equipment, net | 1,775,701 | 1,789,246 |
| Other assets | 269,125 | 270,420 |
| Mortgage loans receivable, net of discounts, at fair value | 10,185,443 | 10,912,305 |
| Other receivables - Employee Retention Tax Credit | 464,632 | - |
| Right-of-use assets - financing | 22,376 | - |
| Total assets | $ 22,630,919 | $ 23,905,368 |
| **Liabilities and Net Assets** | | |
| Liabilities | | |
| Accounts payable | $ 244,819 | $ 392,628 |
| Accrued expenses | 51,349 | 61,796 |
| Lines of credit | 99,532 | 119,477 |
| Notes payable, net | 1,723,952 | 2,094,520 |
| Secured borrowings, net | 6,122,101 | 6,775,772 |
| Deferred revenue | 45,000 | 105,000 |
| Right-of-use lease liabilities - financing | 22,480 | - |
| Total liabilities | 8,309,233 | 9,549,193 |
| Net assets | | |
| Without donor restrictions | 14,061,686 | 13,849,175 |
| With donor restrictions | 260,000 | 507,000 |
| Total net assets | 14,321,686 | 14,356,175 |
| Total liabilities and net assets | $ 22,630,919 | $ 23,905,368 |

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, 2023 and 2022

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | 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 | $ 3,106,902 | $ - | $ 3,106,902 | $ 3,421,297 | $ - | $ 3,421,297 |
| Contributions | 2,355,077 | 102,000 | 2,457,077 | 6,237,988 | 412,000 | 6,649,988 |
| Grants | 810,359 | - | 810,359 | 1,827,149 | - | 1,827,149 |
| In-kind contributions | 769,698 | - | 769,698 | 749,649 | - | 749,649 |
| Amortization of mortgage loan discounts | 355,904 | - | 355,904 | 419,232 | - | 419,232 |
| Other income | 492,324 | - | 492,324 | 323,915 | - | 323,915 |
| Interest income | 192,599 | - | 192,599 | 6,653 | - | 6,653 |
| Net assets released from restrictions | 349,000 | (349,000) | - | 116,000 | (116,000) | - |
| Total revenue, support and gains | 8,431,863 | (247,000) | 8,184,863 | 13,101,883 | 296,000 | 13,397,883 |
| **Expenses** | | | | | | |
| Program services | 6,432,462 | - | 6,432,462 | 5,720,414 | - | 5,720,414 |
| Supporting services | | | | | | |
| Fundraising | 766,874 | - | 766,874 | 702,970 | - | 702,970 |
| Management and general | 1,020,016 | - | 1,020,016 | 898,339 | - | 898,339 |
| Total expenses | 8,219,352 | - | 8,219,352 | 7,321,723 | - | 7,321,723 |
| **Net change in net assets** | 212,511 | (247,000) | (34,489) | 5,780,160 | 296,000 | 6,076,160 |
| **Net assets** | | | | | | |
| Beginning of year | 13,849,175 | 507,000 | 14,356,175 | 8,069,015 | 211,000 | 8,280,015 |
| End of year | $ 14,061,686 | $ 260,000 | $ 14,321,686 | $ 13,849,175 | $ 507,000 | $ 14,356,175 |

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Operating activities** | | |
| Change in net assets | $ (34,489) | $ 6,076,160 |
| 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 | 76,392 | 68,801 |
| Amortization of debt issuance costs to interest expense | 21,155 | 32,806 |
| Discounts on mortgage sold | 71,271 | 72,967 |
| Amortization of mortgage loan discounts | (355,904) | (419,232) |
| Mortgage foreclosure (originations) | (30,806) | 14,643 |
| Discounts on mortgage originations | 871 | 42,496 |
| Amortization of right-of use assets - financing | 1,518 | - |
| Forgiveness of debt | - | (461,000) |
| (Increase) decrease in operating assets | | |
| Grants and contributions receivable | 279,194 | (88,183) |
| Home inventory | (469,323) | 261,762 |
| Homes in process | (384,459) | (383,662) |
| Land held for development | 161,065 | 364,711 |
| Other assets | 1,295 | (57,493) |
| Other receivable - Employee Retention Tax Credit | (464,632) | - |
| Increase (decrease) in operating liabilities | | |
| Accounts payable and accrued expenses | (158,256) | 134,155 |
| Deferred revenue | (60,000) | 20,000 |
| Net cash (used in) provided by operating activities | (1,345,108) | 5,742,931 |
| **Investing activities** | | |
| Purchases of property and equipment | (62,847) | (47,130) |
| Principal payments received on mortgage loans receivable | 1,112,701 | 1,036,886 |
| Net cash provided by investing activities | 1,049,854 | 989,756 |
| **Financing activities** | | |
| Principal payments on financing lease obligations | (1,414) | - |
| Proceeds from notes payable and secured borrowings | - | 686,177 |
| Repayments on notes payable and secured borrowings | (1,121,522) | (1,116,755) |
| Debt issuance costs paid | - | (18,199) |
| Borrowings on line of credit | 912,357 | 572,034 |
| Repayments on line of credit | (932,302) | (639,034) |
| Loans transferred to secure mortgages | 4,857 | 30,406 |
| Net cash used in financing activities | (1,138,024) | (485,371) |
| Net change in cash and restricted cash | (1,433,278) | 6,247,316 |
| **Cash and restricted cash** | | |
| Beginning of year | 8,384,487 | 2,137,171 |
| End of year* | $ 6,951,209 | $ 8,384,487 |
| *Cash and restricted cash at end of year are comprised of the following | | |
| Cash | $ 6,472,603 | $ 7,905,881 |
| Restricted cash | 478,606 | 478,606 |
| | $ 6,951,209 | $ 8,384,487 |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest | $ 153,412 | $ 191,140 |
| **Noncash investing and financing activities** | | |
| Right-of-use assets obtained in exchange for financing right-of-use lease liabilities | $ 23,894 | $ - |
| 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, 2023

| | 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 | $ - | $ 2,268,017 | $ - | $ - | $ 2,268,017 | $ - | $ - | $ - | $ 2,268,017 |
| Payroll expenses | 672,345 | 1,100,217 | 20,533 | 238,467 | 2,031,562 | 525,061 | 768,173 | 1,293,234 | 3,324,796 |
| Discounts on mortgages issued | - | - | 35,663 | - | 35,663 | - | - | - | 35,663 |
| Professional fees | 456,027 | 147,617 | 12,169 | 2,757 | 618,570 | 70,133 | 147,073 | 217,206 | 835,776 |
| Supplies expenses | 11,726 | 14,015 | - | 214 | 25,955 | 1,826 | 4,577 | 6,403 | 32,358 |
| Home repairs and property maintenance | - | - | - | 531,012 | 531,012 | - | - | - | 531,012 |
| Fees and donations to affiliates | - | 25,000 | - | - | 25,000 | - | - | - | 25,000 |
| Interest and borrowing expenses | 3,770 | 28,983 | 126,307 | - | 159,060 | 4,737 | 10,770 | 15,507 | 174,567 |
| Other | 30,899 | 225,358 | 213 | 119,329 | 375,799 | 100,636 | 45,854 | 146,490 | 522,289 |
| Utilities | 1,737 | 13,738 | - | - | 15,475 | 2,280 | 3,555 | 5,835 | 21,310 |
| Depreciation and amortization | 4,757 | 56,205 | - | - | 60,962 | 5,942 | 11,152 | 17,094 | 78,056 |
| Promotional expenses | 34,455 | 1,155 | - | 2,500 | 38,110 | 11,878 | 13,481 | 25,359 | 63,469 |
| Transportation and vehicle | - | 42,971 | - | - | 42,971 | - | - | - | 42,971 |
| Insurance | 7,196 | 52,903 | - | - | 60,099 | 6,828 | 11,532 | 18,360 | 78,459 |
| Equipment and maintenance | 587 | 17,006 | - | 644 | 18,237 | 685 | 1,132 | 1,817 | 20,054 |
| Printing and postage | 1,657 | 4,031 | - | - | 5,688 | 32,791 | 949 | 33,740 | 39,428 |
| Closing and mortgage service costs | - | 2,372 | 94,731 | - | 97,103 | - | - | - | 97,103 |
| Telephone and internet | 894 | 5,950 | - | - | 6,844 | 2,186 | 1,613 | 3,799 | 10,643 |
| Property tax | 613 | 6,528 | - | - | 7,141 | 561 | (1,966) | (1,405) | 5,736 |
| Rent | 1,062 | 8,132 | - | - | 9,194 | 1,330 | 2,121 | 3,451 | 12,645 |
| | $ 1,227,725 | $ 4,020,198 | $ 289,616 | $ 894,923 | $ 6,432,462 | $ 766,874 | $ 1,020,016 | $ 1,786,890 | $ 8,219,352 |

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, 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 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.

## 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, 2023 and 2022, 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.

**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. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

**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, 2023, all contributions receivable were considered collectible and accordingly, no allowance for uncollectible pledges was recorded at June 30, 2023. For the year ended June 30, 2022, the Organization determined that $64,000 of the contributions receivable were uncollectible, which was charged to bad debt expense in the accompanying consolidated statement of activities for the year ended June 30, 2022.

**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, 2023 and 2022. Deferred revenue represents costs associated with undeveloped lots of land (with costs ranging from $14,000 to $24,000) 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, 2023 and 2022, deferred revenue related to undeveloped plots of land totaled $45,000 and $105,000, 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, impairment recorded during the years ended June 30, 2023 and 2022 totaled approximately $41,000 and zero, respectively.

**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 2023 or 2022.

**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, 2023 and 2022.

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, 2023 and 2022, the Organization transferred mortgage loans receivable that qualified as secured borrowings (see Note 8).

**Leases**

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the balance sheet.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the applicable treasury rate at adoption. Right of use assets are recognized based on the initial present value of the fixed lease payments plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

**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. There were no contract assets or liabilities related to home sales as of June 30, 2023 or 2022.

**In-Kind Contributions**

During fiscal years 2023 and 2022, the Organization received $428,865 and $669,448, respectively, of donated construction materials and related labor for its home building projects. In addition, during fiscal years 2023 and 2022, the Organization received $42,621 and $17,581, 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 2023 and 2022, the Organization also received in-kind contributions for fundraising events and marketing in the amounts of $298,212 and $62,620, 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 $63,469 and $32,648 for the years ended June 30, 2023 and 2022, 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.

**Accounting Pronouncements Adopted in the Current Year**

*Leases*

In February 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") amending the accounting for leases. The Organization adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the pack of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of indirect direct costs. The implementation of this standard did not have a material impact on the consolidated statements of activities and changes in net assets or cash flows for the year ended June 30, 2023. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

**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 impending adoption of ASU 2016-13 on its consolidated financial statements.

**Subsequent Events**

Management has evaluated subsequent events through November 1, 2023, 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, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Amounts due in | | |
| Less than one year | $ 30,000 | $ 30,000 |
| One to five years | 30,000 | 60,000 |
| Contributions receivable, net | $ 60,000 | $ 90,000 |

U.S. GAAP requires unconditional contributions due in more than one year to be discounted to net present value using prevailing interest rates. At June 30, 2023 and 2022, 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, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Building | $ 1,524,156 | $ 1,524,156 |
| Land | 289,250 | 289,250 |
| Transportation equipment | 193,447 | 141,946 |
| Fixtures and office equipment | 65,423 | 54,077 |
| Warehouse equipment | 90,330 | 90,330 |
| Software | 22,179 | 22,179 |
| Total property and equipment, at cost | 2,184,785 | 2,121,938 |
| Accumulated depreciation and amortization | (409,084) | (332,692) |
| Total property and equipment, net | $ 1,775,701 | $ 1,789,246 |

Depreciation and amortization expense on property and equipment totaled $76,392 and $68,801 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, as follows:

| | 2023 | 2022 |
|---|---|---|
| Mortgages receivable (face value) | $ 13,442,350 | $ 14,489,453 |
| Unamortized discounts | (3,256,907) | (3,577,148) |
| Mortgage loans receivable, net of discounts | $ 10,185,443 | $ 10,912,305 |

Contractual maturities of mortgage loans receivable on June 30, 2023 are as follows:

| | |
|---|---|
| 2024 | $ 1,642,094 |
| 2025 | 1,609,101 |
| 2026 | 1,523,602 |
| 2027 | 1,417,972 |
| 2028 | 1,288,499 |
| Thereafter | 5,961,082 |
| | $ 13,442,350 |

## 7. LINES OF CREDIT

The Organization has an unsecured revolving line of credit with Seaside Bank. 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, 2023 and 2022, the outstanding balance on the line of credit was zero and $119,477, respectively.

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. 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 of credit was secured by the related land. 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). The line matured on August 29, 2022.

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 was secured by real property in Orange County, Florida. On September 28, 2021, the line was paid in full with proceeds from a note with Habitat Mortgage Solutions, LLC (see note 8). There was no outstanding balance on the line at June 30, 2022 and the line matured on September 30, 2022.

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.

On May 27, 2022, the Organization entered into a revolving line of credit with the Florida Community Loan Fund in the amount 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 is secured by the land and buildings owned by the Organization On June 30,2023, the outstanding balance on the note was $99,532.

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, 2023 and 2022.

## 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, 2023 and 2022, the outstanding balance due on Note 1, net of unamortized debt discounts of $574,253 and $598,432, respectively, is $897,300 and $989,383, 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, 2023 and 2022, the outstanding balance due on Secured Note 2, net of unamortized debt discounts of $439,402 and $457,903, respectively, is $1,018,632 and $1,103,002, 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, 2023 and 2022, the outstanding balance due to Iberia, net of unamortized debt discounts of $440,187 and $495,565, respectively, is $3,653,282 and $4,095,871, 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, 2023 and 2022 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. At June 30, 2023 and 2022, the balance of the promissory note was $483,110 and $808,110, respectively.

**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. 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 February 2021, the Organization obtained an unsecured promissory note ("PPP Loan") for $461,000 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 with 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 matured in February 2023. 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 September 2021, the Organization received notification of full forgiveness of its 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, 2023. 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, 2023, future maturities on the lines of credit, notes payable, and secured borrowings, are as follows:

| | Lines of Credit | Notes Payable | Secured Borrowings | Total |
|---|---|---|---|---|
| 2024 | $ - | $ 394,737 | $ 785,105 | $ 1,179,842 |
| 2025 | 99,532 | 230,328 | 785,105 | 1,114,965 |
| 2026 | - | 74,786 | 783,757 | 858,543 |
| 2027 | - | 177,446 | 778,460 | 955,906 |
| 2028 | - | 80,201 | 772,550 | 852,751 |
| Thereafter | - | 826,712 | 3,682,394 | 4,509,106 |
| Total future maturities | 99,532 | 1,784,210 | 7,587,371 | 9,471,113 |
| Less: Unamortized discounts | - | - | (1,465,270) | (1,465,270) |
| Less: Unamortized loan costs | - | (60,258) | - | (60,258) |
| | $ 99,532 | $ 1,723,952 | $ 6,122,101 | $ 7,945,585 |

## 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 the years ended June 30, 2023 and 2022, the Organization contributed $10,000 and $7,000, respectively, to Habitat International. Stewardship and sustainability fees and other costs paid to Habitat International totaled approximately $25,000 for each of the years ended June 30, 2023 and 2022. The Organization also receives donations from Habitat International, which totaled $8,000 and $29,909 for the years ended June 30, 2023 and 2022, respectively, and are included in contributions on the accompanying 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 at June 30, 2023 and 2022, 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, 2023 and 2022, net assets with donor restrictions consist of contributions restricted by purpose or time and due in future periods as follows:

| | 2023 | 2022 |
|---|---|---|
| For periods subsequent to year end | $ 60,000 | $ 107,000 |
| Homeowner education | 200,000 | 100,000 |
| Silver pines construction and restoration | - | 300,000 |
| | $ 260,000 | $ 507,000 |

## 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, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash, cash equivalents, and restricted cash | $ 6,951,209 | $ 8,384,488 |
| Grants and contributions receivable due within one year | 157,790 | 406,984 |
| Total financial assets available within one year | 7,108,999 | 8,791,472 |
| Less: Amounts unavailable for general expenditures within one year | | |
| Donor restricted for time or specific purposes | (260,000) | (520,500) |
| Board designated for operating reserves | (478,606) | (478,606) |
| Total financial assets available to management for general expenditures within one year | $ 6,370,393 | $ 7,792,366 |

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. LEASES

The Organization is obligated under financing lease agreements for certain office equipment that expire on various dates through June 2028, with total combined payments of approximately $460 per month. A June 30, 2023, equipment under financing leases in the consolidated statement of financial position consists of the following:

| | |
|---|---|
| Right-of-use assets for equipement under financing leases | $ 23,894 |
| Accumulated amortization | (1,518) |
| | $ 22,376 |

Total amortization expense of right-of-use assets for equipment under financing leases for the year ended June 30, 2023 was $1,518 and is included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses. Interest expense related to financing leases totaled $508 and is included in interest and borrowing expenses on the consolidated statement of functional expenses for the year ended June 30, 2023.

Weighted average discount rate related to the financing leases is 7.5%. At June 30, 2023, the weighted average remaining life of the Organization's leases is 4.92 years. Cash paid for financing leases for the year ended June 30, 2023 totaled $1,922, of which $508 was attributable to interest.

The following represents the future lease payments due under the Organization's financing lease obligations as of June 30, 2023:

| | |
|---|---|
| 2024 | $ 5,520 |
| 2025 | 5,520 |
| 2026 | 5,520 |
| 2027 | 5,520 |
| 2028 | 4,902 |
| | 26,981 |
| Less: Imputed interest | (4,501) |
| Right-of-use liabilities - financing | $ 22,480 |

## 15. EMPLOYEE RETENTION TAX CREDIT

During the year ended June 30, 2023, the Organization filed for the Employee Retention Tax Credit ("ERTC"), which is a refundable tax credit akin to a government grant for eligible entities. The Organization is following the guidance of ASC 958-605, *Not for Profit Entities* in recognition of the ERTC, by which revenue is recognized over time as qualifying expenses that give rise to the credit are incurred. Accordingly, the full amount of the ERTC of $464,632 is included in other assets on the accompanying consolidated statement of financial position and other income in the accompanying consolidated statement of activities for the year ended June 30, 2023.

## 16. 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, 2023 and 2022 totaled $101,449 and $62,504, respectively, and are included in payroll expenses in the accompanying consolidated statements of functional expenses.

## 17. MAJOR CUSTOMER

The Organization has one donor that accounted for 28% of total contribution revenue for the year ended June 30, 2023. For the year ended June 30, 2022, one donor accounted for 87% of total contribution revenue. There was no receivable balance related to these donors at June 30, 2023 or 2022.