HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORTS

JUNE 30, 2023

HABITAT FOR HUMANITY OF COLILER COUNTY, INC.

CONSOLIDATED FINANCIAL REPORTS
JUNE 30, 2023

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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Collier County, Inc.
Naples, Florida

Opinion

We have audited the accompanying consolidated financial statements of **Habitat for Humanity of Collier County, Inc. and Subsidiary** (a nonprofit organization) (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2022 were audited by other auditors whose report dated October 12, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the 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 within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- 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 audit 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
October 25, 2023

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents		
Operating	**$ 1,506,472**	$ 4,962,227
Escrow funds	**1,830,739**	1,120,534
Grants receivable	**50,000**	750,000
Unconditional promises to give	**1,999,000**	1,550,000
Beneficial interest in assets held by Community Foundation	**3,511,358**	2,870,662
Inventory - ReStores	**89,939**	117,143
Other assets	**203,861**	244,226
Mortgage notes receivable, net	**63,845,060**	60,614,156
Houses under construction	**8,840,453**	5,728,945
Houses held or available for sale	**562,312**	1,050,429
Land held for development	**39,651,096**	37,095,607
Remainder interest in life estate	**2,900,000**	2,900,000
Property and equipment, net	**3,363,690**	3,495,208
Right of use assets	**2,036,769**	-
Total assets	**$ 130,390,749**	$ 122,499,137
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 4,114,995**	$ 2,753,990
Escrow deposits from homeowners	**2,016,547**	1,101,583
Due to homeowner associations	**35,496**	57,946
Long-term debt	**2,940,602**	3,084,791
Line of credit	**2,800,000**	-
Lease liabilities	**2,065,499**	-
Total liabilities	**13,973,139**	6,998,310
Net assets		
Without donor restrictions		
Undesignated	**107,181,755**	106,960,773
Board designated for future projects	**2,900,232**	2,704,431
With donor restrictions		
Time	**2,900,000**	2,900,000
Purpose	**3,435,623**	2,935,623
Total net assets	**116,417,610**	115,500,827
Total liabilities and net assets	**$ 130,390,749**	$ 122,499,137

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Restrictions	With Donor Restrictions	Total
Changes in net assets			
Revenue and support			
Contributions			
Cash and pledge contributions	$ 12,962,587	$ 500,000	$ 13,462,587
Materials and services	564,011	-	564,011
Goods contributed - ReStores	1,854,652	-	1,854,652
Amortization of mortgage discounts	4,829,766	-	4,829,766
Retail store sales	1,064,888	-	1,064,888
Gain on sale of mortgages	1,542,705	-	1,542,705
Investment income, net	494,967	-	494,967
Miscellaneous revenue	130,575	-	130,575
Releases from restictions	-	-	-
	23,444,151	500,000	23,944,151
Transfers to homeowners for mortgage loans	7,249,201	-	7,249,201
Total revenue and support	30,693,352	500,000	31,193,352
Expenses			
Program services			
Construction	26,982,230	-	26,982,230
ReStores	1,881,612	-	1,881,612
Total program service expenses	28,863,842	-	28,863,842
Management and general	515,139	-	515,139
Fundraising	897,588	-	897,588
Total management and general and fundraising expenses	1,412,727	-	1,412,727
Changes in net assets	416,783	500,000	916,783
Net assets, beginning of year	109,665,204	5,835,623	115,500,827
Net assets, end of year	$ 110,081,987	$ 6,335,623	$ 116,417,610

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Restrictions	With Donor Restrictions	Total
Changes in net assets			
Revenue and support			
Contributions			
Cash and pledge contributions	$ 13,244,492	$ 2,500,000	$ 15,744,492
Materials and services	290,553	-	290,553
Goods contributed - ReStores	1,802,938	-	1,802,938
Grants and subsidies	797,711	-	797,711
Amortization of mortgage discounts	4,595,799	-	4,595,799
Retail store sales	1,194,220	-	1,194,220
Gain on sale of mortgages	1,921,500	-	1,921,500
Investment loss, net	(474,519)	-	(474,519)
Miscellaneous revenue	119,582	-	119,582
Releases from restictions	8,173,411	(8,173,411)	-
	31,665,687	(5,673,411)	25,992,276
Transfers to homeowners for mortgage loans	5,387,701	-	5,387,701
Total revenue and support	37,053,388	(5,673,411)	31,379,977
Expenses			
Program services			
Construction	18,357,250	-	18,357,250
ReStores	1,772,076	-	1,772,076
Total program service expenses	20,129,326	-	20,129,326
Management and general	508,905	-	508,905
Fundraising	834,585	-	834,585
Total management and general and fundraising expenses	1,343,490	-	1,343,490
Changes in net assets	15,580,572	(5,673,411)	9,907,161
Net assets, beginning of year as originally stated	91,534,632	11,509,034	103,043,666
Prior period adjustment	2,550,000	-	2,550,000
Net assets, end of year as adjusted	$ 109,665,204	$ 5,835,623	$ 115,500,827

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services		Total Program	Management		Total
	Construction	ReStores	Services	and General	Fund Raising	Expenses
Cost of homes sold	$ 21,924,381	$ -	$ 21,924,381	$ -	$ -	$ 21,924,381
Total salaries	2,775,441	857,897	3,633,338	158,843	519,302	4,311,483
Payroll taxes	199,424	59,500	258,924	10,131	38,942	307,997
Employee benefits	431,542	120,793	552,335	82,970	65,882	701,187
Occupancy	288,042	425,962	714,004	23,584	6,691	744,279
Office expenses	332,796	132,002	464,798	88,561	78,151	631,510
Habitat International	231,000	-	231,000	-	-	231,000
Insurance	193,406	19,272	212,678	97,047	27,531	337,256
Auto	221,626	121,276	342,902	1,872	2,907	347,681
Professional fees	178,737	15,512	194,249	14,847	17,288	226,384
Advertising and events	9,760	68,856	78,616	314	69,836	148,766
Printing and postage	25,486	3,322	28,808	6,458	54,713	89,979
Telephone	28,970	2,859	31,829	14,201	3,960	49,990
Taxes, real estate	6,358	634	6,992	3,191	905	11,088
Interest, line of credit	26,385	-	26,385	-	-	26,385
Total functional expenses before depreciation	26,873,354	1,827,885	28,701,239	502,019	886,108	30,089,366
Depreciation	108,876	53,727	162,603	13,120	11,480	187,203
Total functional expenses	$ 26,982,230	$ 1,881,612	$ 28,863,842	$ 515,139	$ 897,588	$ 30,276,569

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services		Total Program	Management		Total
	Construction	ReStores	Services	and General	Fund Raising	Expenses
Cost of homes sold	$ 13,692,945	$ -	$ 13,692,945	$ -	$ -	$ 13,692,945
Total salaries	2,591,253	796,927	3,388,180	198,986	482,278	4,069,444
Payroll taxes	176,979	55,794	232,773	11,664	33,710	278,147
Employee benefits	455,973	116,039	572,012	76,305	54,409	702,726
Occupancy	183,318	388,208	571,526	16,049	3,153	590,728
Office expenses	268,586	127,284	395,870	68,029	59,968	523,867
Habitat International	308,000	-	308,000	-	-	308,000
Insurance	181,854	10,568	192,422	80,678	15,852	288,952
Auto	153,213	121,207	274,420	2,538	1,908	278,866
Professional fees	108,522	37,978	146,500	11,691	30,607	188,798
Advertising and events	13,015	46,886	59,901	-	78,598	138,499
Printing and postage	30,513	6,814	37,327	7,557	56,904	101,788
Telephone	37,604	2,611	40,215	13,683	2,846	56,744
Taxes, real estate	15,469	899	16,368	6,863	1,348	24,579
Interest, line of credit	16,673	-	16,673	-	-	16,673
Total functional expenses before depreciation	18,233,917	1,711,215	19,945,132	494,043	821,581	21,260,756
Depreciation	123,333	60,861	184,194	14,862	13,004	212,060
Total functional expenses	$ 18,357,250	$ 1,772,076	$ 20,129,326	$ 508,905	$ 834,585	$ 21,472,816

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 916,783	$ 9,907,161
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	187,203	212,060
Amortization of right of use asset	28,730	-
Realized and unrealized (gains)/losses	(382,489)	-
Gain on sale of mortgages	(1,257,629)	(1,503,513)
Gain on paid-off and foreclosed mortgages	(215,076)	(394,987)
Amortization of mortgage discount	(4,829,766)	(4,574,634)
Face value of mortgages issued	(20,159,933)	(14,511,087)
Discounts on mortgages issued	13,311,337	9,883,526
Repossessed homes	421,225	754,202
(Increase) decrease in:		
Grants receivable	700,000	(600,000)
Unconditional promises to give	(449,000)	(327,500)
Inventories - ReStores	27,204	63,093
Other assets	40,365	-
Houses available for sale	488,117	(408,084)
Houses under construction	(3,111,508)	(3,022,194)
Land held for development	(2,555,489)	(9,563,281)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,361,005	(66,494)
Deferred income	-	577,500
Due to homeowner associations	(22,450)	(20,775)
Escrow deposits from homeowners	914,964	(457,262)
Net cash (used in) operating activities	(14,586,407)	(14,052,269)
Cash flows from investing activities		
Proceeds from sale of investments	-	3,013,052
Increase in beneficial interest in assets held by Community Foundation	(258,207)	(687,468)
Purchases of property and equipment	(55,685)	(10,506)
Mortgage loan collections	6,872,930	5,930,821
Proceeds from sales of mortgage loans, net	2,626,008	2,862,431
Net cash provided by investing activities	9,185,046	11,108,330
Cash flows from financing activities		
Line of credit borrowings	2,800,000	-
Principal payments on notes payable	(144,189)	(146,782)
Net cash provided by financing activities	2,655,811	(146,782)
Decrease in cash and cash equivalents	(2,745,550)	(3,090,721)
Cash and cash equivalents, beginning of year	6,082,761	9,173,482
Cash and cash equivalents, end of year	$ 3,337,211	$ 6,082,761
Supplemental disclosure for cash flow information		
Cash paid for interest	$ 26,385	$ 16,673
Noncash investing and financing actitivites		
Initial recognition of operating lease right of use asset, at adoption	$ 2,157,949	$ -
Initial recognition of operating lease liability, at adoption	2,157,949	-
Current year additions of operating lease right of use assets	139,202	-
Current year additions of operating lease liabilities	139,202	-

See Notes to Consolidated Financial Statements.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity of Collier County, Inc. (the "Organization"), was incorporated in 1978 as an interdenominational organization. It is part of a global, nonprofit housing entity operating on Christian principles that seeks to put God's love into action by building homes, communities and hope. The Organization is dedicated to eliminating substandard housing locally and worldwide through constructing, rehabilitating and maintaining owner occupied homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions. The Organization pursues its mission by building and rehabilitating homes, using contributed funds, donated supplies, volunteer labor, and both purchased and donated properties. The contributions of supplies, labor, cash and properties enable the Organization to also provide buyer families, who are income qualified, with no-interest financing of their purchased home. The families also provide volunteer hours of time as part of their investment in the home.

In providing housing to income qualified families, some homeowners may require additional funding to cover the difference between the final value of the home constructed and the homeowners' maximum allowed mortgage indebtedness ("Subsidies"). The Organization funds Subsidies through a variety of sources including federal, state, and local grants and/or programs. Additionally, when the need determined exceeds the funds received from the outside Organization, the Organization will provide its own funds to fulfill The Organization's mission and to make the homes affordable to those in need.

The Organization is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. The Organization has chosen to contribute a tithe on undesignated revenue received to Habitat International, as part of the affiliation.

Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include all of the accounts and activity of Habitat for Humanity of Collier County, Inc. and its wholly owned subsidiary, HFHCC Funding Company I, LLC. All transactions between the above entities have been eliminated in consolidation and the above entities are collectively referred to as the "Organization."

HFHCC Funding Company I, LLC was incorporated under the laws of the State of Florida in 2015, for the purpose of securitizing mortgage notes.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Basis of Presentation

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

The accompanying consolidated financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, net assets are reported in each of the following two classes:

> Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Board has designated $2,900,232 for future projects.
>
> Net assets with donor restriction – Net assets with donor restrictions are created only by donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met either by actions of the Organization and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same accounting period are reported as net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments are initially recorded at cost, if purchased, or, if donated at fair market value on the date received. Investment securities are reflected at market value and realized and unrealized gains and losses are recognized as changes in net assets without donor restrictions, unless restricted by the donor, in which case the amounts are reflected as with donor restrictions, until expended according to the donors' stipulations.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Gifts and Contributions

The Organization records contributions upon receipt of an unconditional promise to give, less an allowance for uncollectible amounts and an allowance for the present value of gifts to be received over more than one year. Gifts, bequests, and other promises or receipts restricted by donors as to use or time period are recorded as net assets with donor restrictions until used in the manner designated or upon expiration of the time period. Donated property and equipment are recorded at fair market value at the date received as net assets with or without donor restrictions, based on the donor's intent.

When the assets are used for their intended purposes, the applicable amount is transferred to net assets without donor restrictions.

Grants and Subsidies

The Organization recognizes grants and subsidies as revenue in the period earned. For grants that are reimbursement basis, the Organization records revenue and a receivable when the condition identified in the grant has been completed. As of June 30, 2023 and 2022, the Organization has grants receivable of $50,000 and $750,000, respectively.

Mortgages Receivable

First mortgages from the sale of houses are interest free amounts due from the home buyer. Additional mortgages on houses represent the difference between the first mortgage and the sales price of the home, less any homeowner assistance grants received. All mortgages are interest free to the homeowner but are discounted to their net present value at an appropriate rate of interest for financial statement presentation purposes. All notes are due and payable between 30 and 50 years from the original closing date.

Certain homeowners have secured short-term notes, typically less than five years, for repairs to their homes resulting from the 2017 Hurricane Irma damages. These notes are payable in monthly installments and have been adjusted to their respective net present values consistent with the Mortgage Note Receivable policy.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Mortgages Receivable (Continued)

A loan is considered impaired when it is probable, based on current information and events, the Organization will be unable to collect all principal payments due in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impaired loans are measured by the fair value of the collateral. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of existing loans and prior loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, concentrations and current economic conditions that may affect the borrower’s ability to pay.

The allowance consists of specific and general components. The specific components relate to loans that are impaired. For such loans that are classified as impaired, an allowance is established when the collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers unimpaired loans and is based on historical experience adjusted for qualitative factors.

This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. For the year ending June 30, 2023 and 2022, the Organization’s allowance for loan loss is $-.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Foreclosed Assets

Foreclosed homes acquired through or in lieu of loan foreclosure are refurbished for future qualified residents and are initially recorded at the lower of cost or fair value. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed homes and subsequent adjustments to the value are expensed.

Land Held for Development and Houses Under Construction

Land Held for Development

Land purchased for homes and commercial property sites is recorded at cost unless it is determined to be impaired, in which case the impaired land is written down to fair value. Donated land is recorded at the donor's appraised amount or the property appraiser's value. All related carrying costs for these properties such as maintenance, any assessments, real estate taxes, etc. are capitalized into the cost of the properties. The Organization reviews land for impairment during each reporting period on a lot by lot basis. Generally accepted accounting principles require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Houses Under Construction

Costs of construction in progress consist of a budgeted amount for the land transferred from land inventory to the construction account and direct home construction costs, unless it is determined to be impaired. In which case, the impaired construction in progress is written down to fair value. Construction overhead is expensed as incurred. Homes completed pending closing are classified as construction in progress until delivered. The Organization reviews construction in progress for impairment during each reporting period on a lot by lot basis. Generally accepted accounting principles require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Land Held for Development and Houses Under Construction (Continued)

Houses Under Construction (Continued)

The Organization estimates fair values of land and construction inventory evaluated for impairment under generally accepted accounting principles based on market conditions and assumptions made by management at the time they are evaluated, which may differ materially from actual results if market conditions or assumptions change. For example, further market deterioration or changes in assumptions may lead to the Organization incurring additional impairment charges on previously impaired land and construction inventory, as well as on land and construction inventory in progress not currently impaired but for which indicators of impairment may arise if further deterioration occurs.

Impairment Loss

For assets to be held and used, generally accepted accounting principles require the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired and the future cash flows from that asset are less than the asset's carrying amount. The impairment loss is measured as the difference between the asset's carrying amount and its fair value.

During the year ended June 30, 2023 and 2022, the Organization did not have any impairment losses related to land held for homesites.

Property and Equipment

Property and equipment are recorded at cost or estimated fair market value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years.

Revenue Recognition

It is the Organization's policy to sell affordable housing with interest free mortgages. In accordance with generally accepted accounting principles, the mortgages receivable have been discounted based upon the prevailing market rates at the inception of the mortgage and the discount recognized in income over the life of the mortgage. Retail store sales are recognized as revenue at the time of purchase. Transfers to homeowners for mortgage loans and application fees are recognized as revenue when the home is sold to the homeowner. Rental income is recognized as revenue over the term of the lease in accordance with the lease terms.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Donated Materials and Services

Donations of building materials (in-kind contributions) are recorded at their estimated fair value at the date of donation.

For the year ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	2023	2022
Materials	$ 401,844	$ 206,552
Services	162,167	84,001
	$ 564,011	$ 290,553

No amounts have been reflected in the consolidated statements of activities for volunteer services because the criteria for recognition of such volunteer efforts under FASB guidance have not been satisfied. Nevertheless, volunteers have donated a substantial amount of their time to the program services of the Organization.

Program Services

Program services include construction, family services, owner occupied repairs, and providing affordable home furnishings in the retail stores. The cost of home building or rehabilitation is charged to program services as the homes are completed and sold.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses, and the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted on a reasonable basis that is consistently applied. Some expenses are directly identifiable and are charged to programs and supporting services accordingly. Administrative and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Allocations of significant costs are based on estimates of time and effort and other reasonable methods.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements.

Management of the Organization considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

The Organization files the Form 990 in the U.S. Federal Jurisdiction.

Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term related to the determination of the allowance for loan losses, the valuation of land and construction in progress and the determination of accrued construction rehab costs.

Recent Accounting Pronouncements

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-For-Profit for Contributed Nonfinancial Assets,* to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. For the year, ending June 20, 2022, the Organization adopted ASU 2020-07 and has adjusted the presentation in these consolidated financial statements accordingly. This adjustment did not have an effect on total net assets or the change in total net assets for 2022.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This update includes a lease accounting model that recognized two types of leases – finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms or more than 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. For the year ending June 30, 2023, the Organization adopted ASU 2016-02 and has adjusted the presentation in these financial statements accordingly.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Reclassification

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 2. PRIOR PERIOD ADJUSTMENT

The Organization's net assets as of the beginning of the year have been adjusted to increase net assets without donor restrictions in the amount of $2,550,000 to properly account for grant revenue earned in a prior year. During the year ending June 30, 2021, the Organization received contributions that were initially recorded as conditional contributions and deferred on the statement of financial position. There were no conditions on the contribution and therefore should have been recognized as revenue at that time.

NOTE 3. LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows have seasonal variations during the year attributable to contributions, grants, retail sales and mortgage loans earned throughout the year. The Organization manages liquidity during the year by utilizing the following strategies: operating within a budget that reflects the Board of Directors' strategy, regular analysis of actual operating results versus budget, establishment of an operating reserve fund funded to be used to fund operating shortfalls with the approval of the Board of Directors, and drawing upon a line of credit as needed.

The following table reflects the Organization's total financial assets as of June 30, 2023 which could be made available within 12 months to meet operating expenditures:

	2023	2022
Financial assets available to meet operating expenditures over the next 12 months		
Cash, operating	**$ 1,506,472**	$ 4,962,227
Grants receivable	**50,000**	750,000
Unconditional promises to give	**1,999,000**	1,550,000
Beneficial interest in assets held by Community Foundation	**3,511,358**	2,870,662
Mortgages receivable, due within one year	**6,417,006**	6,114,200
Repair loans, due within one year	**36,013**	62,183
Less Board designated net assets	**(2,900,232)**	(2,704,431)
Less net assets with donor restrictions	**(3,435,623)**	(2,935,623)
	$ 7,183,994	$ 10,669,218

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Receivable in less than one year	$ 1,999,000	$ 1,550,000

NOTE 5. ESCROW CASH

The Organization services all the home mortgages it holds and those sold to banks. Funds received from homebuyers prior to closing and current homebuyer's monthly deposits are held in escrow and restricted to insurance, property taxes and other items on their behalf. These escrow funds are recorded as cash with a corresponding liability in the consolidated financial statements as escrow accounts payable.

NOTE 6. MORTGAGE NOTES RECEIVABLE, NET

Mortgage notes receivable, secured by houses sold, are non-interest bearing with variable term lengths. Interest is imputed at market rates at the date of the note and amortized over the term of the note using the interest method. The mortgage discount rates utilized for calculating the mortgage discounts range from 6% to 9%.

The following is a summary of mortgages receivable and discounts, as of June 30, are as follows:

	2023	2022
Mortgages notes receivable	$ 139,919,194	$ 127,460,482
Less unamortized discounts	(76,074,134)	(66,846,326)
	$ 63,845,060	$ 60,614,156

Maturities of mortgage notes receivable, as of June 30, are as follows:

	2023	2022
Gross amounts due in:		
Less than one year	$ 6,417,006	$ 6,114,200
1 to 5 years	25,235,524	23,997,378
After 5 years	108,266,664	97,348,904
	139,919,194	127,460,482
Unamortized discount	(76,074,134)	(66,846,326)
Net amounts due	$ 63,845,060	$ 60,614,156

NOTE 6. MORTGAGE NOTES RECEIVABLE, NET (CONTINUED)

The following is a summary of information pertaining to impaired and non-impaired loans, as of June 30, 2023, are as follows:

	Current	30 - 89 Days	Greater than 90 Days	Total
Performing mortgages	**$ 136,576,279**	**$ 2,645,642**	**$ 697,273**	**$ 139,919,194**

The following is a summary of information pertaining to impaired and non-impaired loans, as of June 30, 2022 are as follows:

	Current	30 - 89 Days	Greater than 90 Days	Total
Performing mortgages	$ 125,815,062	$ 1,061,728	$ 583,692	$ 127,460,482

At June 30, 2023 and 2022, the Organization was servicing 509 and 518 loans respectively, that it has sold or pledged to various banks. The outstanding balance of these mortgages was approximately $27,931,934 and $27,275,350, respectively. Under the agreements with the banks, the Organization agrees to service all loans in accordance with all applicable federal and state laws and regulations, and customary practices, policies, and procedures for servicing residential mortgage loans. Additionally, in the event a loan is delinquent more than 90 days, the Organization is required to replace the loan with a similar loan (amount and terms) or has the option, but no obligation to repurchase the non-performing loan. As of June 30, 2023 and 2022, all sold or pledged loans were deemed performing.

NOTE 7. LAND HELD FOR DEVELOPMENT

Land held for development, which includes improvements, consists of the following at June 30:

	2023	2022
Land acquisition and initial ownership costs	**$ 20,759,588**	$ 21,008,960
Land improvements	**29,041,758**	21,022,647
Less land allocated to cost of homes	**(10,150,250)**	(4,936,000)
	$ 39,651,096	$ 37,095,607

NOTE 8. PROPERTY AND EQUIPMENT

At June 30, the carrying value of property and equipment and the related accumulated depreciation are as follows:

	2023	2022
Land	**$ 1,803,546**	$ 1,803,546
Buildings and building improvements	**3,053,228**	3,037,488
Vehicles	**341,300**	568,144
Equipment	**464,952**	462,107
	5,663,026	5,871,285
Less accumulated depreciation	**(2,299,336)**	(2,376,077)
	$ 3,363,690	$ 3,495,208

For the years ended June 30, 2023 and 2022, depreciation expense was $187,203 and $212,060, respectively.

NOTE 9. LEASES

The Organization has operating leases for vehicles and a ReStore location. These leases have remaining lease terms of 24 to 103 months. The Organization includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Organization will exercise the option. The following summarizes the line items in the consolidated statement of financial position as of June 30, 2023:

Operating lease right of use asset	**$ 2,036,769**
Operating lease liabitlies, current	**$ 260,468**
Operating lease liabilities, noncurrent	**1,805,031**
	$ 2,065,499

As permitted under U.S. GAAP for non-public business entities, when the rate implicit in a lease is not known, the Organization uses a risk-free rate for a period comparable to the lease term to calculate the present value of lease payments. The risk-free rate is 3.50%.

NOTE 9. LEASES (CONTINUED)

The maturities of lease liability as of June 30, 2023 are as follows:

2024	$	**260,468**
2025		**278,877**
2026		**262,724**
2027		**274,322**
2028		**266,195**
Thereafter		**722,913**
	$	**2,065,499**

The following summarizes the line items in the consolidated statement of activities which include the components of lease expense for the year ended June 30, 2023:

Operating Lease Costs	**$**	**393,659**

NOTE 10. LINES OF CREDIT

The Organization has a line of credit in the amount of $10,000,000 with a financial institution. The line of credit is available for the acquisition of new land and/or the development of currently held land parcels. The line is collateralized by the acquired property or property owned by the Organization and is available for up to 50% of the appraised value of either the acquired property or the property currently held. The line of credit bears interest at Prime less 0.5% (7.75% at June 30, 2023). There is a $2,800,000 outstanding balance at June 30, 2023.

The Organization has an unsecured working capital line of credit in the amount of $2,500,000 with a financial institution. As a part of this line of credit, the Organization has entered into an agreement to not encumber both its main office building and East ReStore locations for any other collateral purposes. The line of credit bears interest at Prime less 0.5% (7.75% at June 30, 2023). There is no outstanding balance at June 30, 2023.

NOTE 11. LONG-TERM DEBT

		2023		2022
Note payable secured by real estate, payable to a financial institution at 0.00% interest, $5,714 in monthly payments, and maturing August 1, 2044.	**$**	**1,426,360**	$	1,496,067
Note payable secured by real estate, payable to a financial institution at 0.00% interest, $5,809 in monthly payments, and maturing January 1, 2046.		**1,509,484**		1,578,050
Note payable, unseccured, to fund the sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and montly payments of $371 with final payment due December 15, 2022.		**-**		1,860
Note payable, unseccured, to fund the sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and montly payments of $338 with final payment due July 1, 2024.		**4,758**		8,814
	$	**2,940,602**	$	3,084,791

Principal maturities of long-term debt at June 30, 2023 are as follows:

2024	$	143,032
2025		138,274
2026		138,274
2027		138,274
2028		138,274
Thereafeter		2,244,474
	$	2,940,602

NOTE 12. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP), 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 under GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that 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 all of 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.

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Mutual funds: Valued at the fair value of shares held by the Organization at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds	**$ 3,511,358**	**$ -**	**$ -**	**$ 3,511,358**
Total assets at fair value	**$ 3,511,358**	**$ -**	**$ -**	**$ 3,511,358**

The following table sets forth by level, within the fair value hierarchy, Organization's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,870,662	$ -	$ -	$ 2,870,662
Total assets at fair value	$ 2,870,662	$ -	$ -	$ 2,870,662

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for instruments measured at fair value on a non-recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Impaired loans: Loan impairment is reported when full payment under the loan terms is not expected. Impaired loans are carried at the fair value of collateral. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require increase, such increase is reported as a component of the provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan is confirmed. When the fair value of the collateral is based on an observable market price or a current appraised value, the Organization records the loan impairment as nonrecurring Level 2.

Impaired land held for homesites: Land held for homesites impairment are reported when the current tax appraised values are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such assets to its fair value. When the fair values of such assets are based on current tax appraised values, the Organization records the land held for home sites as nonrecurring Level 2.

NOTE 13. ENDOWMENTS

The Organizations holds various endowments which are Board designated. The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions perpetual: (a) the original value of the gift donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor git instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions perpetual is classified as net assets with donor restrictions time or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA.

NOTE 13. ENDOWMENTS (CONTUNED)

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

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

The Organization has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns, and protect the Organization against long-term inflation trends. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investments returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023.

The endowment net asset composition at June 30, is as follows:

	Without Donor Restrictions	
	2023	2022
Endowment funds	**$ 2,900,232**	$ 2,704,431

The changes in the Organization's endowment net assets are as follows:

	Without Donor Restrictions
Endowment net assets, June 30, 2021	$ 1,617,289
Contributions	1,087,142
Endowment net assets, June 30, 2022	2,704,431
Contributions	195,801
Endowment net assets, June 30, 2023	$ 2,900,232

NOTE 14. NET ASSETS WITH DONOR RESTICTIONS

Certain portions of cash and investments are restricted for time or purpose. Net assets with donor restrictions – time or purpose consist of the following at June, 30:

	2023	2022
Remainder in life interest	**$ 2,900,000**	$ 2,900,000
Land campaign	**3,435,623**	2,935,623
	$ 6,335,623	$ 5,835,623

NOTE 15. TITHE TO HABITAT INTERNATIONAL

The Organization annually remits a portion of its revenues to Habitat International. These funds are used to construct homes in economically depressed areas around the world. The Organization contributed $231,000 and $308,000 for the period ended June 30, 2023 and 2022, respectively. This amount is included in program services expense in the consolidated statement of functional expenses.

NOTE 16. MORTGAGE LOAN COMMITMENTS

When Organization sells mortgages to third parties, it agrees with the buyer to replace any delinquent mortgage loan with a mortgage of approximately the same amount. The buyer of the loans must request that this be done. The mortgages summarized in Note 5 are subject to this replacement requirement.

NOTE 17. RETIREMENT PLAN

The Organization has both a tax-deferred annuity plan and a 403(b) retirement plan, which covers qualified employees of the Organization. Employees are allowed to contribute up to 20% of their salary, subject to IRS regulations. The Organization matches contributions to the plans up to 5% of the employee’s salary, based on a fixed matching schedule. Employer contributions to the plan were $125,330 and $123,000 for the year ended June 30, 2023 and 2022, respectively.

NOTE 18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 25, 2023 the date on which the financial statements were available to be issued.

On August 25, 2023 the Organization sold land that was held for development for $9,000,000 to an unrelated third-party.