

HABITAT FOR HUMANITY OF MARION COUNTY, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Marion County, Inc.

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Marion County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and June 30, 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Marion County, Inc. as of June 30, 2023 and June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Habitat for Humanity of Marion County, Inc. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

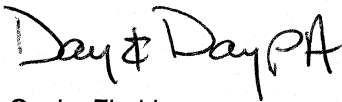
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Habitat for Humanity of Marion County, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Marion County, Inc.'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.



Ocala, Florida
June 13, 2024

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and June 30, 2022

	June 30,	
<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 479,574	\$ 1,025,173
Other receivables	877	70,000
Mortgages receivable, net	106,369	98,460
Inventory	410,666	236,891
Houses under construction	1,141,426	752,391
Prepaid expenses	18,766	16,626
Total Current Assets	<u>2,157,678</u>	<u>2,199,541</u>
 Property and Equipment, Net	 <u>1,449,788</u>	 <u>1,474,424</u>
 Noncurrent Assets		
Unamortized loan costs	1,997	2,884
Third Mortgage Receivable	59,789	-
Deferred Interest Income	290,282	-
Community Land Trust properties	269,063	53,976
Mortgages receivable, net	2,454,811	2,625,515
Total Noncurrent Assets	<u>3,075,942</u>	<u>2,682,375</u>
 Total Assets	 <u><u>\$ 6,683,408</u></u>	 <u><u>\$ 6,356,340</u></u>

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and June 30, 2022

	June 30,	
	<u>2023</u>	<u>2022</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 158,980	\$ 212,244
Homeowner escrow	267,746	293,315
Deferred revenue	17,980	8,300
Current portion of long-term debt	<u>110,160</u>	<u>726,271</u>
Total Current Liabilities	<u>554,866</u>	<u>1,240,130</u>
Long-Term Liabilities		
Assets held for others, Marion County, Florida (NSP)	153,513	160,683
Long-term debt, net of current portion	<u>792,522</u>	<u>280,332</u>
Total Long-Term Liabilities	<u>946,035</u>	<u>441,015</u>
Total Liabilities	1,500,901	1,681,145
Net Assets		
Net assets without donor restrictions		
Net investment in property and equipment	1,449,788	1,474,424
Undesignated	<u>3,194,557</u>	<u>2,662,609</u>
Total net assets without donor restrictions	4,644,345	4,137,033
Temporarily restricted net assets	<u>538,162</u>	<u>538,162</u>
Total Net Assets	<u>5,182,507</u>	<u>4,675,195</u>
Total Liabilities and Net Assets	<u>\$ 6,683,408</u>	<u>\$ 6,356,340</u>

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF ACTIVITIES
For Years Ended June 30, 2023 and June 30, 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions and grants	\$ 1,395,994	\$ 297,000	\$ 1,692,994	\$ 1,360,406	\$ 133,000	\$ 1,493,406
Donations in-kind	205,236	-	205,236	38,821	-	38,821
Transfers to homeowners, net	1,077,045	-	1,077,045	1,115,956	-	1,115,956
Mortgage loan discount amortization	171,155	-	171,155	232,113	-	232,113
Fund raising (net of expenses of \$133,440 in 2022 & \$81,905 in 2021)	108,663	-	108,663	108,619	-	108,619
Grant Income	266,352	-	266,352	30,613	-	30,613
Gain (Loss) on sale of assets	(2,636)	-	(2,636)	(10,766)	-	(10,766)
Interest income and late charges	6,011	-	6,011	6,920	-	6,920
CLT lease payments	10,745	-	10,745	5,810	-	5,810
Other income	50,403	-	50,403	96,334	-	96,334
Net assets released from restriction	297,000	(297,000)	-	133,000	(133,000)	-
Total Support and Revenues	3,585,968	-	3,585,968	3,117,826	-	3,117,826
EXPENSES						
Program services	1,781,628	-	1,781,628	2,098,818	-	2,098,818
Fund raising	1,114,270	-	1,114,270	1,036,794	-	1,036,794
Management & general	182,758	-	182,758	127,790	-	127,790
Total Functional Expenses	3,078,656	-	3,078,656	3,263,402	-	3,263,402
Change in Net Assets	507,312	-	507,312	(145,576)	-	-145,576
Net Assets, Beginning of Year	4,137,033	538,162	4,675,195	4,282,609	538,162	4,820,771
Net Assets, End of Year	\$ 4,644,345	\$ 538,162	\$ 5,182,507	\$ 4,137,033	\$ 538,162	\$ 4,675,195

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2022

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
		FUND RAISING	MANAGEMENT & GENERAL	OTHER	
		RETAIL STORES			
FUNCTIONAL EXPENSES					
Auto and truck	\$ 28,057	\$ 32,489	\$ -	\$ -	\$ 60,546
Advertising	-	5,851	-	2,169	8,020
Committee expenses	6,832	-	-	-	6,832
House and construction costs	1,221,411	-	-	-	1,221,411
Insurance	83,721	-	-	-	93,023
Interest	33,084	38,240	-	9,302	71,324
Fundraising and development	-	-	-	-	30,057
Office expense	14,098	-	-	1,567	15,665
Other expenses	23,438	30,344	-	35,404	89,186
Payroll taxes	39,021	56,031	2,001	3,001	100,054
Printing and postage	2,756	-	-	306	3,062
Professional fees	4,252	-	-	17,600	21,852
Rent	18,221	1,894	-	271	20,386
Repairs and maintenance	-	9,950	-	6,510	16,460
Salaries, wages and benefits	515,397	727,705	21,790	43,579	1,308,471
Supplies	137	21,925	-	8,712	30,774
Taxes and licenses	12,909	-	-	-	12,909
Telephone	5,919	2,594	-	608	9,121
Tithe to Habitat International	30,000	-	-	-	30,000
Utilities	9,547	31,621	-	930	42,098
TOTAL FUNCTIONAL EXPENSES	2,048,800	958,644	56,017	127,790	3,191,251
BEFORE DEPRECIATION					
Depreciation	50,018	22,133	-	-	72,151
TOTAL FUNCTIONAL EXPENSES	\$ 2,098,818	\$ 980,777	\$ 56,017	\$ 127,790	\$ 3,263,402

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2023

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
		FUND RAISING		MANAGEMENT & GENERAL	
		RETAIL STORES	OTHER		
FUNCTIONAL EXPENSES					
Auto and truck	\$ 21,378	\$ 43,322	\$ -	\$ 283	\$ 64,983
Advertising	-	5,830	10,395	-	16,225
Committee expenses	8,623	-	-	-	8,623
House and construction costs	775,447	-	-	-	775,447
Insurance	87,078	-	-	9,675	96,753
Interest	25,489	30,664	-	-	56,153
Fundraising and development	-	-	17,984	-	17,984
Office expense	21,524	796	-	2,391	24,711
Other expenses	37,300	31,141	-	98,604	167,045
Payroll taxes	46,463	58,631	2,213	3,319	110,626
Printing and postage	-	-	-	0	0
Professional fees	8,576	-	-	18,000	26,576
Rent	17,520	2,185	-	-	19,705
Repairs and maintenance	11,171	26,541	-	0	37,712
Salaries, wages and benefits	606,284	771,907	22,335	44,670	1,445,196
Supplies	-	12,823	-	-	12,823
Taxes and licenses	16,002	-	-	-	16,002
Telephone	8,083	3,756	-	857	12,696
Tithe to Habitat International	40,000	-	-	-	40,000
Utilities	10,668	46,919	-	1,039	58,626
TOTAL FUNCTIONAL EXPENSES	1,741,606	1,034,515	52,927	178,838	3,007,886
BEFORE DEPRECIATION					
Depreciation	40,022	26,828	-	3,920	70,770
TOTAL FUNCTIONAL EXPENSES	\$ 1,781,628	\$ 1,061,343	\$ 52,927	\$ 182,758	\$ 3,078,656

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2023 and June 30, 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase(Decrease) in net assets	\$ 507,312	\$ (145,576)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	70,770	72,151
Amortization	887	887
(Increase) decrease in operating assets		
Other receivables	69,122	(67,286)
Inventory	(173,775)	99,666
Homes under construction	(389,035)	(133,060)
Community Land Trust assets	(215,087)	(15,880)
Prepaid expenses	(2,140)	(1,387)
Mortgages receivable	162,795	144,858
Third Mortgage Receivable	(59,789)	
Deferred interest receivable	(290,282)	
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(53,264)	95,573
Assets held for others	(7,170)	(9,982)
Deferred revenue	9,680	1,778
	<u> </u>	<u> </u>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	(369,976)	41,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property and equipment	<u>(46,133)</u>	<u>(61,836)</u>
NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES	(46,133)	(61,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Homeowner escrow	(25,569)	30,453
Repayment on line of credit	-	(60,000)
Cash received from new borrowings	512,190	-
Payments on long-term debt	<u>(616,111)</u>	<u>(103,287)</u>
NET CASH PROVIDED(USED) BY FINANCING ACTIVITIES	<u>(129,490)</u>	<u>(132,834)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(545,599)	(152,928)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,025,173</u>	<u>1,178,101</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 479,574</u>	<u>\$ 1,025,173</u>

Read accompanying notes

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1- Summary of Significant Accounting Policies

Organization and Purpose

Habitat for Humanity of Marion County, Inc. (Habitat) is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization whose goal is to eliminate poverty housing and homelessness worldwide, but is primarily and directly responsible for its own operations.

To help finance its operations, Habitat operates two retail stores, which sells donated items such as household items and building supplies to the general public. The retail stores are located in Marion County, Florida.

Revenue Recognition

The financial statements of Habitat have been prepared on the accrual basis of accounting.

Net Assets

In accordance with relevant standards Habitat's net assets and its revenues and gains and expenses are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Habitat for Humanity of Marion County, Inc.'s management and the Board of Directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of Habitat or by passage of time. Other restrictions are perpetual by nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Recognition of Donor Restricted Contributions

Unconditional contributions are recognized as revenue when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Revenue Recognition

Support received from governmental and private sources are recognized as support when performance occurs pursuant to the contract agreement.

Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as a donor-restricted contribution. When a restriction ends, or the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and are reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period are reported as contributions without donor restrictions in that period.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Habitat considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. There are no cash equivalents at June 30, 2023 or 2022.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flow and are discounted at 5%.

Mortgages Receivable

Consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have original maturities of 20 to 30 years and arose in connection with Habitat's homebuilding initiatives in Marion County, Florida. These receivables have been discounted at rates from 6% to 9%. Interest income is recorded in accordance with generally accepted accounting principles. These mortgages are secured by the underlying real estate that is located primarily in Marion County, Florida.

Inventory

Inventory consists of donated building materials and residential lots for use in building Habitat houses. Donated building materials are recorded at estimated fair market value and expensed when used. Residential lots are recorded at cost; or in the case of donated lots at estimated fair market value by using available market information which includes the assessed value for county tax purposes. Because of the inherent uncertainties of real estate valuation, market value may differ significantly.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

The following is a breakdown of inventory at June 30, 2023 and 2022:

	2023	2022
Building materials	\$ 28,219	\$ 28,219
Residential dwellings	-	-
Residential lots and land	382,447	208,672
	<u>\$ 410,666</u>	<u>\$ 236,891</u>

Houses under Construction

Houses under construction consist of lot, building materials and construction costs. Purchased items are recorded at cost; donated items are recorded at fair market value. Indirect construction costs are allocated to houses under construction based on current year direct cost, excluding any lot basis.

Property and Equipment

Property and equipment is recorded at cost, or in the case of donated items, at fair value on the date received. Depreciation expense is calculated on a straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 40 years. Depreciation expenses were \$70,770 and \$72,151 for the years ended June 30, 2023 and 2022, respectively.

Loan Costs

Habitat refinanced a loan and incurred loan costs and is amortizing them. Amortization expense is \$887 for the fiscal year ended June 30, 2022 and \$887 for the fiscal year ended June 30, 2023.

Homeowner Escrow

Homeowner escrow consists of amounts collected from homeowners on a monthly basis for property taxes, hazard insurance premiums, and termite bonds. These funds are collected to protect Habitat's interest in the underlying property, and are disbursed in a manner that ensures the maximum tax discount available is obtained for property taxes and that insurance coverage and termite protection does not lapse.

Deferred Revenue

Deferred revenue consists of down payments made by future homeowners. The deposits are held until the date of closing, at which time they are applied to the purchase price of the house. Deposits are refunded if the Habitat program is not successfully completed. Also included are event sponsorships paid in advance.

Contributed Goods and Services

Habitat records the fair value of donated goods and space when there is an objective basis available to measure their value. These are reflected as donations in-kind in the accompanying statement of activities. Due to uncertainties in valuing donated items that are sold in the retail stores, Habitat records a donation at the time the items are sold.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require specialized skills. However, certain other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donations, are recognized as revenue and expense.

Right-of-Use Assets and Lease Liabilities

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right-of-use (ROU) asset is the lease liability adjusted for other lease-related accounts. Management considered the likelihood of exercising renewal or termination clauses (if any) in measuring the Organization's ROU assets and lease liabilities. Operating lease expense and finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using a risk-free rate that approximates the remaining term of the lease multiplied by the outstanding finance lease liability.

The Organization considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability.

Transfers to Homeowners

Transfers to Homeowners represented the sale of houses built by or donated to Habitat. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount used for mortgages closed during the year ended June 30, 2022 was 7.49% and for June 30, 2023 it was 7.49%. The net mortgages presented in the statement of activities are net of this discount. The discounts associated with fiscal year homeowner transfers was \$27,511 for the year ended June 30, 2022. There were no discounts reported for the year ended June 30, 2023.

Expense Allocation

Expenses are reported as direct program services and support services. Support services include fund raising and management and general. Each group is reported by functional expense category for their incurred or allocated expenses. Any expenditure not directly chargeable is allocated based on management's decision on a basis consistent with prior years. The expenses that are allocated include the following: office expenses, certain other expenses, certain salaries and wages, telephone and utilities.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Advertising Costs

Habitat's policy is to expense the cost of advertising to operations as incurred.

Income Taxes

Habitat is a Florida non-for-profit corporation exempt from federal income taxation under Section 501 (a) as an organization described in Section 501 (c)(3) of the Internal Revenue Code of 1986, as amended, pursuant to a group exemption letter received from the Internal Revenue Service.

It is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management believes that no such required disclosures exist. The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2020. The Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Note 2- Mortgages Receivable

Mortgages receivable at June 30, 2023 and 2022 consist of the following:

	2023	2022
Mortgages receivable at face value	\$ 3,890,626	\$ 4,224,576
Less: unamortized discount	(1,329,446)	(1,500,601)
Mortgages receivable, net	<u>\$ 2,561,180</u>	<u>\$ 2,723,975</u>

Habitat has a security interest in each house as collateral for the related mortgage. In addition, Habitat holds a 'silent second' mortgage on each house, except NSP-acquired houses (Marion County holds a 'silent second' mortgage on NSP-acquired houses). Collection of these 'silent' notes is contingent upon the debtor selling or transferring the property during a specified period, defaulting on the mortgage terms of the first mortgage note, or the debtor ceasing to occupy the premises subject to the mortgage for a period of more than three months. Notes issued prior to fiscal year 2022 are self-amortizing, and depending on the inception of the note, begin amortizing with the sixth or tenth anniversary of the note, and are completely forgiven upon the tenth or sixteenth anniversary, respectively. Beginning in fiscal year 2022, the notes do not amortize. No value has been recorded in these financial statements for these notes. At June 30, 2022 the unamortized balance of the silent second mortgages was \$650,779, net of accumulated forgiveness. At June 30, 2023 the unamortized balance of the silent second mortgages was \$540,891, net of accumulated forgiveness. Mortgages receivable are pledged as security for a note payable to Habitat International (see Note 5). The note is collateralized by forty outstanding mortgages.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 3- Property and Equipment

Property and equipment consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 1,508,870	\$ 1,484,836
Vehicles	174,058	174,058
Warehouse and construction equipment	52,319	41,692
Building tools	5,137	5,137
Furniture and fixtures	17,300	17,300
Computers and related equipment	104,453	92,980
	<u>1,862,137</u>	<u>1,816,003</u>
Less: Accumulated depreciation	<u>(737,324)</u>	<u>(666,554)</u>
	1,124,813	1,149,449
Land	<u>324,975</u>	<u>324,975</u>
Net Property and Equipment	<u>\$ 1,449,788</u>	<u>\$ 1,474,424</u>

Note 4 - Long-Term Debt

Long-term debt consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Note payable to Habitat International, secured by security interest in forty mortgages receivable (see Note 2), bearing interest at 4% per annum, payable in quarterly installments of \$27,026 through August 2025.	\$ 280,384	\$ 374,906
Mortgage payable to individual, secured by real estate, bearing interest at 6% per annum, payable in monthly installments of \$4,047, with a balloon payment due November 2022.	-	631,697

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Note 4 – Long-Term Debt (continued)

	<u>2023</u>	<u>2022</u>
Mortgage payable to bank, secured by real estate, bearing interest at 5.75% per annum, payable in monthly installments of \$3,989, with a balloon payment due November 2027.	<u>622,298</u>	<u>-</u>
	902,682	1,006,603
Less: Current portion	<u>(110,160)</u>	<u>(726,271)</u>
Long-term debt, net of current portion	<u>\$ 792,522</u>	<u>\$ 280,332</u>

Current maturities of long-term debt for each of the next five years are as follows:

<u>June 30.:</u>	
2024	\$ 110,160
2025	114,960
2026	93,030
2027	14,161
2027	<u>570,371</u>
	<u>\$ 902,682</u>

Note 5- Neighborhood Stabilization Program

Habitat has contracted with Marion County for the use of Neighborhood Stabilization Program (NSP) funds for the acquisition, rehabilitation and resale of up to twelve abandoned/ foreclosed houses. Households with very low income (below 50% median family income) may qualify for acquisition of the rehabilitated houses, giving low-income families an opportunity to purchase a house at an affordable monthly cost. NSP-assisted houses are conveyed to a qualified family using a non-interest bearing first mortgage (twenty to thirty year term) payable to Habitat and a non- interest bearing second mortgage payable to Marion County. The NSP agreement specifies the first mortgage can be up to \$50,000, and the second mortgage is equal to the sales price of the house less the first mortgage. Habitat has agreed to reimburse Marion County for payments received on the first mortgage. Due to the restrictions included in the agreement specifying terms of the sale and reimbursement to Marion County, Habitat records foreclosed houses which are on hand at year-end at a value which represents the discounted value of the first mortgage for each house and a corresponding liability to Marion County. Funding from Marion County and costs that have been spent by Habitat that exceed this value are recorded as grant revenues and NSP

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Note 5 – Neighborhood Stabilization Program (continued)

houses, costs in excess of resale value, respectively in the financial statements. The sale of the NSP-acquired foreclosed houses is included in transfers to homeowners.

Discount/interest expense of \$14,851 and \$11,906 has been recorded for the fiscal years ended June 30, 2022 and June 30, 2023, respectively.

Note 6- Net Assets Released From Restrictions

For the years ended June 30, 2023 and 2022, net assets of \$297,000 and \$1133,000 were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

Note 7- Down Payment Assistance Grants

Homeowners have qualified for funding offered through the City of Ocala and Marion County State Housing Initiative Partnership (SHIP) programs, HOME Investment Partnership Program (HOME) and Home Ownership Pool (HOP); Habitat receives the funds at each house closing. In fiscal year 2023, Habitat received \$184,000 from the HOP Program and \$60,000 in SHIP funding. In fiscal year 2022, Habitat received \$85,000 from the HOP program and \$135,000 in SHIP funding. In addition, homeowners have qualified for funding offered through the Federal Home Loan Bank Program (FHLB) and the Florida Housing Finance Corporation (FHFC). Funds from SHIP, HOME, HOP, FHLB and FHFC are included in transfers to homeowners, net in the accompanying financial statements.

Note 8- Operating Leases

Habitat leases additional warehouse space. The lease requires annual rents of \$15,000.

Note 9- Concentration of Credit Risk

Habitat maintains bank accounts in which funds are insured by the Federal Deposit Insurance Corporation up to \$250,000 for all accounts. Uninsured balances are \$523,999 as of June 30, 2022 and \$98,633 as of June 30, 2023.

Note 10- Subsequent Events

Habitat evaluated events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were available to be issued, or June 13, 2024.

HABITAT FOR HUMANITY OF MARION COUNTY, INC.
Notes to Financial Statements
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Note 11 – Restricted Net Assets

Habitat received funds from the Marion County Board of County Commissioners in the form of a Community Development Block Grant to purchase an office building. The building must be used for the intended purposes for fifteen (15) years.

Temporarily restricted net assets are as follows:

		<u>2023</u>		<u>2022</u>
Office Building	\$	490,000	\$	490,000
Buildings Lots with revision clause		48,162		48,162
	\$	<u>538,162</u>	\$	<u>538,162</u>

Note 12 – Liquidity and Availability of Resources

Habitat's financial assets that are available within one year of the statement of financial position date to meet cash needs for general expenditures are as follows:

		<u>2023</u>		<u>2022</u>
Cash	\$	479,574	\$	1,025,173
Receivables		877		81,000
Mortgage receivable, current portion		106,369		98,460
Inventory		410,666		236,891
Total assets available				
within one year	\$	<u>997,486</u>		<u>1,441,524</u>

As part of Habitat's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 13 – Community Housing Development Grant

The Organization signed an agreement with Marion County, Florida to receive funds as a designated Community Housing Development Organization. This agreement provides funds to construct housing on a cost reimbursement basis. The income is shown as contributions and as construction in progress as the build progresses. Upon completion the income from the sale is included in transfers to homeowners and the related cost of construction and mortgage receivable is recognized. The funds do not have to be repaid if the home continues to be occupied by a qualified low-income family for the affordability period ranging from 5-15 years. Income from the CHDO grant amounted to \$359,507 for the year ended June 30, 2022 and \$350,362 for the year ended June 30, 2023.

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Note 14 – Supplemental Cash Flow Information

Habitat paid the following amounts for interest and income taxes for the years ended June 30,:

	<u>2023</u>	<u>2022</u>
Interest	\$ <u>56,153</u>	\$ <u>71,324</u>
Income tax paid	\$ <u>-</u>	\$ <u>-</u>

Note 15 – Community Land Trust

Habitat has formed a Community Land Trust (CLT) to ensure long-term housing availability and affordability. The CLT will own the land permanently. New homeowners will purchase their property with an affordable long-term lease on the land. The CLT land lease is for a period of 99 years and requires rental payments of \$35 per month. The home can only be sold back to the CLT or to an income-qualified person. An "income-qualified person" is defined as a person or group of persons whose household income does not exceed eighty percent (80%) of the median income for the applicable Standard Metropolitan Statistical Area.

As of June 30, 2022, the CLT contained twenty-one (21) properties with a combined value of \$53,976. During the 2023 fiscal year, Habitat added eight (8) properties for a total of twenty-nine (29) in the CLT. The properties have a combined value of \$269,063 as of June 30, 2023.

Habitat received rental income for these properties of \$5,810 and \$10,745 for the years ended June 30, 2022 and June 30, 2023 respectively.

Note 16 – Line of Credit

Habitat has a \$60,000 line of credit which matures May 29, 2023. The line of credit is secured by assets of the Organizations. The line of credit calls for interest payable monthly at the U.S. Prime Rate plus 1.25 percent. As of June 30, 2023 and June 30, 2022 line of credit did not have a balance owed.

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Note 17 – Third Mortgage Receivable

The Organization holds a third mortgage on five of the properties it has constructed and sold. These mortgages represent the difference between the assessed values of the properties and the financing the buyer was able to receive. These mortgages are recorded at net present value with a discount rate of 8.75%. The deferred interest receivable has also been recorded. The interest amortized for the year ended June 30, 2023 was \$2,158 and for June 30, 2022 there was no amortized interest. The receivables are summarized as follows for the year ended June 30, 2023:

<u>Note Due Date</u>	<u>Mortgage Amount</u>	<u>Present Value</u>	<u>Deferred Interest Receivable</u>
2052	121,229	21,155	100,074
2053	228,842	38,634	190,208
	<u>350,071</u>	<u>59,789</u>	<u>290,282</u>

Note 18 – Accounting Pronouncements Adopted

The Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The adoption of the standard did not change the recognition and measurement requirements for contributed nonfinancial assets.

The Organization also adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.