

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

***As of and for the Year Ended June 30, 2022
(With Comparative Totals for June 30, 2021)***

And Report of Independent Auditor

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

Statement of Financial Position3
Statement of Activities and Changes in Net Assets4
Statement of Functional Expenses5
Statement of Cash Flows6
Notes to the Financial Statements 7-16

SUPPLEMENTARY INFORMATION

ReStore Services Schedule of Activities 17

Report of Independent Auditor

To the Board of Directors
Habitat for Humanity of Greater Greensboro, Inc.
Greensboro, North Carolina

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Greater Greensboro, Inc. (“Habitat”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2022, 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 Habitat for Humanity of Greater Greensboro, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe 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’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'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'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.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity of Greater Greensboro, Inc.'s 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter – Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in related to the financial statements as a whole.

Cherry Bekaert LLP

Raleigh, North Carolina
February 17, 2023

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash	\$ 1,031,831	\$ 891,814
Cash - escrow for homeowners' taxes, insurance, and maintenance	81,232	93,524
Net pledges receivable	5,000	-
Construction-in-process	757,470	470,831
Current portion of mortgage receivables	725,060	769,350
ReStore inventory	188,077	262,983
Other receivables	222,250	161,094
Prepaid expenses	14,500	19,609
Total Current Assets	<u>3,025,420</u>	<u>2,669,205</u>
Net property, plant, and equipment	<u>1,508,353</u>	<u>1,713,224</u>
Noncurrent Assets:		
Real estate held for development or resale, at cost	520,353	480,597
Long-term mortgages receivable	4,385,789	4,894,004
Endowment funds	198,165	179,437
Total Noncurrent Assets	<u>5,104,307</u>	<u>5,554,038</u>
Total Assets	<u><u>\$ 9,638,080</u></u>	<u><u>\$ 9,936,467</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of notes payable	\$ 201,768	\$ 90,274
Accounts payable and other liabilities	143,277	262,593
Escrow liability for homeowners' taxes, insurance, and maintenance	35,381	48,110
Total Current Liabilities	<u>380,426</u>	<u>400,977</u>
Noncurrent portion of notes payable	<u>558,624</u>	<u>983,826</u>
Total Liabilities	<u>939,050</u>	<u>1,384,803</u>
Net Assets:		
Without donor restrictions	8,246,739	7,939,060
With donor restrictions	452,291	612,604
Total Net Assets	<u>8,699,030</u>	<u>8,551,664</u>
Total Liabilities and Net Assets	<u><u>\$ 9,638,080</u></u>	<u><u>\$ 9,936,467</u></u>

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

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support and Revenue:				
Public Support:				
Contributions	\$ 354,927	\$ 404,977	\$ 759,904	\$ 1,338,620
In-kind	26,978	-	26,978	35,218
Governmental and housing finance agency revenue	427,785	64,500	492,285	443,453
Mission trip donations	-	50	50	50
Total Public Support	<u>809,690</u>	<u>469,527</u>	<u>1,279,217</u>	<u>1,817,341</u>
Revenue:				
ReStore revenue	1,206,442	-	1,206,442	1,383,390
Home sales	897,473	-	897,473	613,225
Mortgage interest income	571,863	-	571,863	459,555
Other revenue	241,195	-	241,195	47,687
Net assets released from restrictions	648,568	(648,568)	-	-
Total Revenue	<u>3,565,541</u>	<u>(648,568)</u>	<u>2,916,973</u>	<u>2,503,857</u>
Total Support and Revenue	<u>4,375,231</u>	<u>(179,041)</u>	<u>4,196,190</u>	<u>4,321,198</u>
Expenses:				
Program services	3,216,195	-	3,216,195	3,216,628
Supporting Services:				
General and administrative expenses	365,796	-	365,796	494,426
Fundraising	325,003	-	325,003	367,566
Total Expenses	<u>3,906,994</u>	<u>-</u>	<u>3,906,994</u>	<u>4,078,620</u>
Other Events:				
Loss on disposal of property	(160,558)	-	(160,558)	(73,287)
Investment income on endowment funds	-	18,728	18,728	34,973
Total Other Events	<u>(160,558)</u>	<u>18,728</u>	<u>(141,830)</u>	<u>(38,314)</u>
Changes in net assets	307,679	(160,313)	147,366	204,264
Net assets, beginning	<u>7,939,060</u>	<u>612,604</u>	<u>8,551,664</u>	<u>8,347,400</u>
Net assets, ending	<u>\$ 8,246,739</u>	<u>\$ 452,291</u>	<u>\$ 8,699,030</u>	<u>\$ 8,551,664</u>

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

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	Program Services					Support Services		2022 Total	2021 Total
	Construction Services	Homeowner Services	Volunteer Services	ReStore Services	Total Program Services	Management and General	Fundraising		
Salaries	\$ 296,005	\$ 159,090	\$ 2,966	\$ 336,313	\$ 794,374	\$ 146,888	\$ 200,694	\$ 1,141,956	\$ 1,151,668
Payroll taxes and employee benefits	80,294	36,964	1,049	103,641	221,948	45,251	40,156	307,355	329,449
Professional development	1,573	6,105	76	530	8,284	6,134	7,040	21,458	8,983
Meetings and conferences	1,109	754	-	1,551	3,414	1,471	3,285	8,170	16,796
Travel	342	1,014	-	302	1,658	2,913	341	4,912	2,767
AmeriCorps	18,082	-	200	-	18,282	-	-	18,282	27,662
Contract labor	15,999	-	-	107,253	123,252	1,367	694	125,313	61,395
Marketing	640	2,033	208	13,404	16,285	2,603	21,498	40,386	61,185
Events	-	-	-	-	-	-	10,703	10,703	18,142
Rental and maintenance	4,319	-	-	194,907	199,226	38,038	-	237,264	267,440
Office expenses	1,197	-	16	13,297	14,510	6,560	187	21,257	60,147
Utilities	2,008	805	-	66,252	69,065	-	1,451	70,516	76,816
Information technology	4,176	3,129	2,009	18,272	27,586	42,397	35,495	105,478	102,157
Insurance	5,056	-	2,267	5,021	12,344	25,165	-	37,509	44,908
Interest expense	-	-	-	23,939	23,939	2,309	-	26,248	41,176
Professional services	765	47,792	-	28,282	76,839	28,007	3,459	108,305	119,736
Vehicle expense	50,655	-	-	21,798	72,453	223	-	72,676	57,079
Depreciation	17,838	-	-	80,779	98,617	14,019	-	112,636	129,322
Miscellaneous	17,843	81,700	-	2,091	101,634	1,622	-	103,256	4,154
Cost of sales	1,132,373	-	-	-	1,132,373	-	-	1,132,373	1,332,861
Warranty and lot acquisition and maintenance Habitat for Humanity International Tithe/ Stewardship & Organizational Sustainability Initiative & NC Stat Support Organization	10,322	-	-	-	10,322	-	-	10,322	2,590
	50,116	-	-	-	50,116	829	-	50,945	37,462
Mission trips and outreach	-	2,970	-	-	2,970	-	-	2,970	13,953
Education and training	-	4,448	-	-	4,448	-	-	4,448	5,734
Volunteer appreciation	2,061	-	6,813	-	8,874	-	-	8,874	6,175
Cost of inventory	-	-	-	123,382	123,382	-	-	123,382	98,863
	<u>\$ 1,712,773</u>	<u>\$ 346,804</u>	<u>\$ 15,604</u>	<u>\$ 1,141,014</u>	<u>\$ 3,216,195</u>	<u>\$ 365,796</u>	<u>\$ 325,003</u>	<u>\$ 3,906,994</u>	<u>\$ 4,078,620</u>

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

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 147,366	\$ 204,264
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation	112,636	129,322
Loss on disposal of property, plant, and equipment	178,825	-
Gain on debt settlement and extinguishment	(304,285)	(301,107)
Change in operating assets and liabilities:		
Net pledges receivable	(5,000)	65,450
Construction-in-process	(286,639)	583,410
Mortgages receivable	552,505	119,174
ReStore inventory	74,906	(49,077)
Other receivables	(61,156)	(43,477)
Prepaid expenses	5,109	-
Real estate held for development or resale	(39,756)	39,867
Contributions and gains to endowment funds	(18,728)	(34,973)
Accounts payable and other liabilities	(119,316)	18,486
Escrow liability for homeowners' taxes, insurance, and maintenance	(12,729)	15,822
Net cash flows from operating activities	<u>223,738</u>	<u>747,161</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(86,590)	(5,500)
Net cash flows from investing activities	<u>(86,590)</u>	<u>(5,500)</u>
Cash flows from financing activities:		
Proceeds from notes payable	1,620,877	3,074,162
Payments on notes payable	(1,630,300)	(3,312,759)
Net cash flows from financing activities	<u>(9,423)</u>	<u>(238,597)</u>
Net change in cash, cash in escrow, and cash equivalents	127,725	503,064
Cash, cash in escrow, and cash equivalents, beginning of year	985,338	482,274
Cash, cash in escrow, and cash equivalents, end of year	<u>\$ 1,113,063</u>	<u>\$ 985,338</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 27,422</u>	<u>\$ 45,619</u>

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

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Nature of operations

Habitat for Humanity of Greater Greensboro, Inc. (“Habitat”) was incorporated on October 12, 1987 as a nonprofit Habitat which works with donors, volunteers, contractors, and homeowners to create affordable housing for those in need in Greensboro, North Carolina. Habitat also promotes self-reliance through home ownership, providing affordable mortgages and preparing its applicant families for home ownership through the provision of family support services, credit counseling, and resource management training.

Program services provided by Habitat are as follows:

Construction Services – This program constructs or rehabilitates modest housing for sale to low-income residents.

Homeowner Services – This program recruits and selects eligible homeowners, recruits, and trains volunteers who provide family support and services. Additionally, it provides affordable mortgage financing for low-income residents.

Volunteer Services – This program recruits and trains volunteers to assist in the construction of homes, retail services, and administrative work.

ReStore Services – This program sells donated household and salvaged building materials to the general public at below market prices, with the net proceeds going towards the support of Habitat’s mission.

Note 2—Summary of significant accounting policies

Basis of Presentation – As required by generally accepted accounting principles in the United States of America (“U.S. GAAP”), Habitat is required to report information regarding its financial position and activities according to two classes of net assets:

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 Habitat. These net assets may be used at the discretion of Habitat’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 actions of the Habitat or by passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of Accounting – The financial statements of Habitat are prepared on the accrual basis of accounting, whereby, revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to U.S. GAAP.

Financial Statement Presentation – As required by U.S. GAAP, Habitat reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Summarized Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Habitat’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Summary of significant accounting policies (continued)

Cash – Habitat maintains its cash in several North Carolina financial institutions. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Habitat from time to time may have amounts on deposit in excess of the insured limits. Habitat considers all highly liquid investments to be cash equivalents.

Restricted and Unrestricted Revenues and Support – Grants and contributions of cash and other assets are reported as without donor restrictions and with donor restrictions. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions received with donor restrictions that are satisfied in the same year as received are classified as without donor restriction in the statement of activities and changes in net assets.

Cost-reimbursement type grant revenues are recorded when the costs are incurred.

In-Kind Donated Materials, Services, and Facilities – A substantial number of volunteers have made significant contributions of their time to Habitat, principally in the areas of house construction, administration, and fundraising. The value of non-professional contributed time is not reflected in the accompanying financial statements. However, donated materials, specialized services, and facilities received by Habitat are reflected as both contributions and expenses in the accompanying statements at their estimated fair market value at the time of receipt.

Net Pledges Receivable – Net pledges receivable represent valid pledges and are reported at their estimated net realizable value. Pledges receivable due in more than one year are recorded at the present value of estimated future cash flows using current prime interest rates. If amounts are deemed uncollectible after periodic review by management, they will be charged to activities when the determination is made. Long-term pledges receivable due in more than one year are recorded at the present value of estimated future cash flows. Habitat uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give. An allowance for uncollectible pledges of \$-0- has been provided based on management's evaluation of potential uncollectible pledges receivable as of June 30, 2022.

Real Estate Held for Development or Resale – Real estate, including acquisition and building materials, are recorded at cost when the assets are acquired. Foreclosed homes purchased by Habitat are recorded at fair market value when the homes are acquired.

Mortgages Receivable – Mortgages receivable are reported at their outstanding principal balances discounted to their present value. Habitat has established an allowance for uncollectible accounts of \$112,336 as of June 30, 2022 to cover the principal balance for delinquent monthly payments that are uncollectible. Mortgages receivable are generally considered delinquent when payment is 30 days past due; however, delinquency status may be mitigated by other qualitative factors.

Other Receivables – Other receivables are stated at unpaid balances less an allowance for doubtful accounts. Habitat provides for losses on receivables using the allowance method. The allowance method is based on experience, third party contracts, and other circumstances which may affect the ability of debtors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. It is Habitat's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Summary of significant accounting policies (continued)

Property, Plant, and Equipment – Property, plant, and equipment is recorded at cost, and if donated, are recorded at the approximate fair value at the date of donation. The resale store (“ReStore”) building is depreciated using the straight-line basis over an estimated useful life of 50 years and equipment, vehicles, leasehold improvements, building improvements, and rental property are depreciated over estimated useful lives of 5 to 25 years for the respective assets using the straight-line basis. Maintenance, repair costs, and minor replacements are charged to expense as incurred.

ReStore Inventory – ReStore inventory is purchased at cost or donated and valued at fair value which due to the quick turnover of inventory, is typically subsequent sales.

ReStore Services – Habitat operates ReStore to raise additional funds for programs. Donations of building materials, supplies, equipment, household, and other items by businesses and individuals are maintained in inventory. Due to the nature of the donated items, the value of the inventory is not recognized until sold.

Advertising – Advertising costs for the year ended June 30, 2022 were \$15,270.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – Habitat is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code (“IRSC”). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Habitat and recognize a tax liability or asset if Habitat has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Habitat is not currently under examination for any tax periods. Habitat, by expiration of the statute of limitations, is generally no longer subject to examination by taxing authorities for the fiscal year ended June 30, 2018 or earlier.

Use of Estimates – The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Retirement Plan – Habitat has a IRSC 403(b) tax deferred annuity plan (the “Plan”) available to qualified employees. Habitat offers their employees the opportunity to make a voluntary contribution and Habitat contributes 2% of compensation after completion of 1,000 hours and a year of service. Habitat contributed \$21,534 for the year ended June 30, 2022 to the Plan.

Current Pronouncements – In July 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard is effective for Habitat for the year ended June 30, 2022.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Summary of significant accounting policies (continued)

Future Pronouncements – In February 2016, FASB issued a new accounting standard, ASU 2016-02, *Leases (Topic 842)*, which says lessees will be required to recognize a lease liability and a right-of-use asset for all leases, operating and capital, at the commencement date. The new standard will be effective for Habitat on July 1, 2022. Habitat is currently evaluating the effect the standard will have on its financial statements and related disclosures.

Note 3—Liquidity and availability

Financial assets available for general expenditures consisting of expenses for program, fundraising, and management and general expenses that are without donor or other restrictions, limiting their use within one year of the statement of financial position date, are comprised of the following as of June 30, 2022:

Financial assets:	
Cash	\$ 1,031,831
Net pledge receivable	5,000
Other receivables	222,250
Current portion of mortgage receivable	725,060
Endowment funds	198,165
Total financial assets	<u>2,182,306</u>
Less those unavailable for general expenditures within one year:	
Contributions with donor restrictions	<u>(452,291)</u>
Financial assets available to meet cash needs to general expenditures within one year	<u>\$ 1,730,015</u>

Note 4—Valuation of investments

Fair Value Hierarchy – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In accordance with FASB Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified within a fair value hierarchy. All of Habitat's investments at June 30, 2022, \$198,165, consist of a mutual funds actively traded on an open market and are classified as Level 1 investments.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Pledges receivable

The following is a reconciliation of the activity in net pledges receivable:

Net pledges receivable, beginning of year	\$ -
Current year pledges and donations (not including in-kind)	5,000
Less cash received for pledges and donations	-
Total net pledges receivable, end of year	<u>\$ 5,000</u>

Note 6—Mortgages receivable

It is Habitat's policy to sell homes to selected families through the issuance of noninterest bearing mortgages. Mortgages receivable consists of amounts due from home sales to first time homeowners who complete Habitat's program for home ownership. Mortgages are discounted to their present value and adjusted annually, based on the interest rate applicable in the year of issuance of each mortgage, ranging from 7.23% to 9.00%. Gross mortgages receivable of \$12,944,814 were outstanding as of June 30, 2022. The mortgages receivable are secured by their respective homes.

Habitat participates in a program sponsored by the North Carolina Housing Finance Agency ("NCHFA"), whereby NCHFA provides a co-first to Habitat's homeowners. Habitat also receives grants from the city of Greensboro that provide a second mortgage to homeowners. These programs allow Habitat to recover those funds immediately and Habitat is paid a nominal servicing fee by NCHFA. Habitat has the contingency to continue payments if a homeowner is not paying co-first or second mortgage.

At June 30, 2022, mortgages receivable consisted of the following:

Gross mortgages receivable	\$ 12,944,814
Mortgage discount	(3,600,046)
Mortgage allowance	(112,336)
NCHFA mortgage liability	(3,391,848)
Third party liability	(563,176)
City of Greensboro mortgage liability	<u>(166,559)</u>
Net mortgages receivable	5,110,849
Less current portion	<u>(725,060)</u>
Noncurrent portion of mortgages receivable	<u>\$ 4,385,789</u>

These mortgages do not earn interest and are secured by deeds of trust on the houses. As of June 30, 2022, the total discount was \$3,600,046.

U.S. GAAP requires receivables that are contractual rights to receive money in the future at a fixed or determinable date be recorded at the present value of the consideration given in the exchange.

Prior to the fiscal year ended June 30, 2001, homebuyers purchased houses from Habitat at less than fair value with the equity amount determined as the difference between the purchase price and the fair value. Beginning with the fiscal year ended June 30, 2001, homebuyers purchased houses at fair value and Habitat discounts the mortgages receivable. Under both methods, homebuyers pay the equity over the life of their mortgages, typically between 20 and 30 years (not to exceed 40 years) or as the mortgages are repaid. If the homebuyers default on their mortgages, Habitat retains all or a portion of the equity in the house. If homebuyers wish to dispose of their property, Habitat retains the right of first refusal.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—Mortgages receivable (continued)

At June 30, 2022, the delinquencies in Habitat’s mortgages receivables consisted of the following:

	<u>0-29 Days Past Due</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Over 90 Days Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Mortgages Receivable</u>
Mortgages receivable	\$ 16,250	\$ 11,881	\$ 8,518	\$ 70,562	\$ 107,211	\$ 5,020,472	\$ 5,127,683

A loan is defined as impaired when, based on current information and events, it is probable a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. Habitat considers single family mortgage loans and consumer installment loans to be homogeneous and, therefore, does not generally evaluate them for impairment, unless they are considered troubled debt restructurings. All other loans are evaluated for impairment on an individual basis. AmeriNat services all of these mortgages.

Current changes in the mortgages receivable accounts are summarized as follows:

Beginning balance, June 30, 2021	\$ 5,663,354
New loans	1,078,055
New mortgage liabilities	(563,176)
Payoffs	(497,311)
Payments received	<u>(553,239)</u>
Ending balance, June 30, 2022	<u>\$ 5,127,683</u>

Note 7—Property, plant, and equipment

Property, plant, and equipment consisted of the following as of June 30, 2022:

ReStore:	
Land	\$ 750,000
Building	457,247
Building roof	275,706
Leasehold improvements	417,679
Office equipment	57,205
Vehicles	163,098
Equipment	<u>84,697</u>
Total ReStore	<u>2,205,632</u>
Office equipment	30,330
Vehicles	59,835
Construction equipment	<u>55,397</u>
Total property, plant, and equipment	<u>145,562</u>
Less accumulated depreciation	<u>(842,841)</u>
Net property, plant, and equipment	<u>\$ 1,508,353</u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 8—Notes payable and line of credit

Notes payable consisted of the following:

Note payable to a bank secured by specific real estate; interest is variable between 5% to 5.75%. Accrued interest on the note is payable in monthly payments beginning May 2018. Principal is to be paid in full along with any unpaid interest on May 13, 2023.	\$ 175,000
Note payable to a bank secured by specific real estate; interest accrues at a rate of 4.25%. Note is payable in 119-equal and consecutive monthly payments of principal and interest, with a single balloon payment of the unpaid balance due June 5, 2030.	558,878
Various unsecured non-interest bearing notes payable to Habitat for Humanity International; monthly principal payments of approximately \$5,300 through June 2023, \$7,800 through June 2024, \$5,400 through June 2025, and \$8,000 through June 2027.	<u>26,514</u>
Total long-term notes payable	760,392
Less current portion	<u>(201,768)</u>
Long-term portion of notes payable	<u><u>\$ 558,624</u></u>

Estimated future maturities of notes payable are as follows:

Years Ending June 30:

2023	\$ 201,768
2024	29,819
2025	28,428
2026	29,442
2027	27,862
Thereafter	<u>443,073</u>
	<u><u>\$ 760,392</u></u>

The terms of the notes payable to Habitat for Humanity International contain financial reporting requirements. At June 30, 2022, Habitat was in compliance with these requirements.

Note 9—In-kind donations

For the year ended June 30, 2022, Habitat received in-kind donations totaling \$26,978. The donations are valued using estimated current market values for the items donated and have been included in both revenues and expenses.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 10—Leases

Habitat entered into a lease for its second ReStore location effective January 2018, with monthly payments of \$14,500 due through April 2023. Habitat also has operating leases for other minor equipment through 2025.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2022 are as follows:

Fiscal Years Ending June 30:

2023	\$ 136,071
2024	4,391
2025	2,927
	<u>\$ 143,389</u>

Total rent expense for the year ended June 30, 2022 was \$255,357.

Note 11—Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2022 consisted of the following:

Net assets with donor restrictions:

Home sponsorship	\$ 118,063
Mission trips and scholarships	52,563
Endowment funds	198,165
Administrative Upfit	82,500
Net donations for specific sponsored homes	1,000
	<u>\$ 452,291</u>

Note 12—Related party transactions

Habitat, as an affiliate of Habitat for Humanity International (“International”), made contributions to International of \$51,366 for the year ended June 30, 2022. These contributions represent a portion of unrestricted donations received, plus additional amounts approved by Habitat’s Board of Directors and are used to support International’s programs in Honduras and Kenya.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 13—Endowment funds

Habitat follows the Uniform Prudent Management of Institutional Funds Act of 2006 as enacted by the state of North Carolina on March 19, 2009 (“UPMIFA”) and its own governing documents.

The Board of Directors of Habitat has interpreted the enacted versions of UPMIFA 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, Habitat classifies as permanently or temporarily restricted net assets as (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, or (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Changes in the endowment funds for the year ended June 30, 2022 were as follows:

	With Donor Restrictions
Endowment funds, June 30, 2021	\$ 179,437
Investment returns:	
Interest and dividends	6,110
Net realized and unrealized gains	12,618
Total investment returns	18,728
Endowment funds, June 30, 2022	\$ 198,165

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 UPMIFA requires Habitat to retain as a fund of perpetual duration. These deficiencies result primarily from unfavorable market fluctuations that occur during the year.

The value, liquidity, and related income of the securities held by the endowment funds is sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market’s perception of the issuers and changes in interest rates.

Note 14—Escrow funds

Habitat held \$51,858, which had been collected from homebuyers by Habitat for payment of deposits towards closing costs as of June 30, 2022. This amount was held in a separate escrow account by Habitat.

Note 15—Grant audits

Habitat receives grant funds at times from various federal, state, and local governments. Such costs are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of Habitat.

Note 16—Construction-in-process

During the year ended June 30, 2022, Habitat had five houses under construction which were still in progress at year-end. Houses under construction totaled \$757,470 as of June 30, 2022.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 17—Home sales

During the current year, Habitat sold six homes at a net income of the following:

Home sales	\$ 897,473
Contributions and in-kind related to home sales	684,646
Cost of construction	<u>(1,132,373)</u>
Net home sales	<u>\$ 449,746</u>

Note 18—COVID-19 pandemic/Paycheck Protection Program

On February 24, 2021, the Habitat received a Paycheck Protection Program (“PPP”) loan for \$304,285 from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). This loan was funded by Self-Help Federal Credit Union. The application for the PPP loan requires the Habitat to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of Habitat. This certification further requires Habitat to take into account our current business activity and our ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to business. The receipt of the funds from the PPP loans and the forgiveness of the PPP loans is dependent on Habitat having initially qualified for the PPP loans and qualifying for the forgiveness of such PPP loans based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loans. Habitat requested forgiveness and received approval on March 4, 2022 and as a result recognized \$304,285 in revenue in the year ended June 30, 2022.

Note 19—Subsequent events

Habitat has evaluated subsequent events through February 17, 2023, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
RESTORE SERVICES SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Revenues and Support:	
Revenues	\$ 1,197,989
Cash donations	8,453
Total Revenues and Support	<u>1,206,442</u>
Operating Expenses:	
Cost of inventory	123,382
Salaries and wages	336,313
Insurance	5,021
Interest expense	23,939
Utilities	66,252
Professional services	28,282
Depreciation and amortization	80,779
Marketing	13,404
Vehicle expense	21,798
Payroll taxes and benefits	103,641
Office expenses	13,297
Professional development	530
Information technology	18,272
Miscellaneous	3,944
Contract labor	107,253
Rent and maintenance	194,907
Total Operating Expenses	<u>1,141,014</u>
Revenues in Excess of Expenses	<u>\$ 65,428</u>