

HABITAT FOR HUMANITY OF GREATER
GREENSBORO, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023



HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Habitat for Humanity of Greater Greensboro, Inc. (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Greensboro, Inc. 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 (GAAS). 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 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 the Habitat for Humanity of Greater Greensboro, Inc.'s ability to continue as a going concern for 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Greater Greensboro, 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 Greater Greensboro, 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.

Supplementary Information

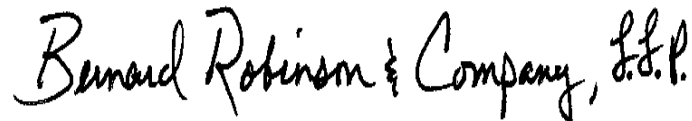
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The ReStore Services Schedule of Activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Supplementary Information (Continued)

The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

The financial statements of Habitat for Humanity of Greater Greensboro, Inc. for the year ended June 30, 2022 were audited by other auditors who expressed an unmodified opinion on those statements on February 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Bernard Robinson & Company, L.L.P." The signature is written in a cursive, flowing style.

Greensboro, North Carolina
December 5, 2023

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
Statement of Financial Position
June 30, 2023
(With Comparative Totals as of June 30, 2022)

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 1,046,765	\$ 1,031,831
Cash - escrow for homeowners' taxes, insurance, and maintenance	79,762	81,232
Pledges receivable	2,500	5,000
Construction-in-process	2,585,531	757,470
Current portion of mortgage receivables	680,959	725,060
Restore inventory	140,111	188,077
Other receivables	273,486	222,250
Prepaid expenses	-	14,500
Total Current Assets	<u>4,809,114</u>	<u>3,025,420</u>
Net Property, Plant, and Equipment	<u>1,513,150</u>	<u>1,508,353</u>
Noncurrent Assets:		
Real estate held for development or resale, at cost	286,947	520,353
Long-term mortgages receivable	3,853,750	4,385,789
Endowment funds	193,686	198,165
Total Noncurrent Assets	<u>4,334,383</u>	<u>5,104,307</u>
Total Assets	<u>\$ 10,656,647</u>	<u>\$ 9,638,080</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Current portion of notes payable	\$ 27,045	\$ 201,768
Accounts payable and other liabilities	212,723	143,277
Escrow liability for homeowners' taxes, insurance, and maintenance	60,619	35,381
Total Current Liabilities	<u>300,387</u>	<u>380,426</u>
Line of Credit	516,264	-
Noncurrent Portion of Notes Payable	734,158	558,624
Total Liabilities	<u>1,550,809</u>	<u>939,050</u>
Net Assets:		
Without donor restrictions	8,153,281	8,246,739
With donor restrictions	952,557	452,291
Total Net Assets	<u>9,105,838</u>	<u>8,699,030</u>
Total Liabilities and Net Assets	<u>\$ 10,656,647</u>	<u>\$ 9,638,080</u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and Revenue:				
Public Support:				
Contributions	\$ 694,897	\$ 798,883	\$ 1,493,780	\$ 759,904
In-kind	14,304	-	14,304	26,978
Governmental and housing finance agency revenue	132,500	68,250	200,750	492,285
Mission trip donations	-	5,585	5,585	50
Total public support	<u>841,701</u>	<u>872,718</u>	<u>1,714,419</u>	<u>1,279,217</u>
Revenue:				
ReStore revenue	1,075,327	-	1,075,327	1,206,442
Home sales	683,257	-	683,257	897,473
Imputed mortgage interest income	452,110	-	452,110	571,863
Other revenue	34,084	-	34,084	241,195
Net assets released from restrictions	367,973	(367,973)	-	-
Total revenue	<u>2,612,751</u>	<u>(367,973)</u>	<u>2,244,778</u>	<u>2,916,973</u>
Total support and revenue	<u>3,454,452</u>	<u>504,745</u>	<u>3,959,197</u>	<u>4,196,190</u>
Expenses:				
Program services	2,620,372	-	2,620,372	3,216,195
Management and general expenses	263,363	-	263,363	365,796
Fundraising expenses	555,252	-	555,252	325,003
Total expenses	<u>3,438,987</u>	<u>-</u>	<u>3,438,987</u>	<u>3,906,994</u>
Other gains and (losses):				
Loss on disposal of property	(108,923)	-	(108,923)	(160,558)
Investment income (loss) on endowment funds	-	(4,479)	(4,479)	18,728
Total other gains and (losses)	<u>(108,923)</u>	<u>(4,479)</u>	<u>(113,402)</u>	<u>(141,830)</u>
Changes in net assets	(93,458)	500,266	406,808	147,366
Net assets, beginning	<u>8,246,739</u>	<u>452,291</u>	<u>8,699,030</u>	<u>8,551,664</u>
Net assets, ending	<u>\$ 8,153,281</u>	<u>\$ 952,557</u>	<u>\$ 9,105,838</u>	<u>\$ 8,699,030</u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
Statement of Functional Expenses
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Program Services					Support Services		2023 Total	2022 Total
	Construction Services	Homeowner Services	Volunteer Services	ReStore Services	Total Program Services	Management and General	Fundraising		
Salaries	\$ 363,392	\$ 235,570	\$ 7,277	\$ 412,361	\$ 1,018,600	\$ 130,530	\$ 231,367	\$ 1,380,497	\$ 1,141,956
Payroll taxes and employee benefits	87,482	53,231	2,414	101,275	244,402	36,074	41,339	321,815	307,355
Professional development	4,514	5,955	515	857	11,841	7,193	9,618	28,652	21,458
Meetings and conferences	1,895	1,285	-	2,169	5,349	4,399	7,348	17,096	8,170
Travel	20	1,602	-	-	1,622	3,541	3,086	8,249	4,912
AmeriCorps	3,376	-	200	-	3,576	-	-	3,576	18,282
Contract labor	6,294	-	-	107,837	114,131	1,882	112,612	228,625	125,313
Marketing	2,780	7,966	-	29,380	40,126	2,675	21,032	63,833	40,386
Events	-	-	-	-	-	-	52,840	52,840	10,703
Rental and maintenance	9,183	-	-	162,423	171,606	3,607	-	175,213	237,264
Office expenses	956	-	158	20,135	21,249	4,297	1,760	27,306	21,257
Utilities	7,028	1,026	-	60,503	68,557	-	2,201	70,758	70,516
Information technology	7,799	5,168	2,789	45,055	60,811	13,770	67,385	141,966	105,478
Insurance	5,574	-	2,945	6,104	14,623	23,168	-	37,791	37,509
Interest expense	-	-	-	23,206	23,206	462	-	23,668	26,248
Professional services	-	53,296	-	28,333	81,629	24,297	4,664	110,590	108,305
Vehicle expense	24,640	268	-	28,537	53,445	445	-	53,890	72,676
Depreciation	16,187	-	-	70,771	86,958	2,295	-	89,253	112,636
Miscellaneous	8,186	16,180	-	2,040	26,406	3,905	-	30,311	103,256
Cost of sales	306,003	-	-	-	306,003	-	-	306,003	1,132,373
Warranty and lot acquisition and maintenance	51,800	-	-	-	51,800	-	-	51,800	10,322
Habitat for Humanity International Tithe/Stewardship & Organizational Sustainability Initiative & NC Stat Support Organization	48,500	-	-	-	48,500	823	-	49,323	50,945
Mission trips and outreach	1,768	13,409	-	-	15,177	-	-	15,177	2,970
Education and training	-	297	-	-	297	-	-	297	4,448
Volunteer appreciation	783	-	3,399	-	4,182	-	-	4,182	8,874
Cost of inventory	-	-	-	146,276	146,276	-	-	146,276	123,382
Total expenses	<u>\$ 958,160</u>	<u>\$ 395,253</u>	<u>\$ 19,697</u>	<u>\$ 1,247,262</u>	<u>\$ 2,620,372</u>	<u>\$ 263,363</u>	<u>\$ 555,252</u>	<u>\$ 3,438,987</u>	<u>\$ 3,906,994</u>

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

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.**Statement of Cash Flows****Year Ended June 30, 2023****(With Comparative Totals for the Year Ended June 30, 2022)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Changes in net assets	\$ 406,808	\$ 147,366
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	89,253	112,636
Loss on disposal of property, plant, and equipment	108,923	178,825
Interest and dividends reinvested	(7,061)	(6,110)
Net realized and unrealized (gain) loss reinvested	11,540	(12,618)
Gain on debt settlement and extinguishment	-	(304,285)
(Increase) decrease in:		
Pledges receivable	2,500	(5,000)
Construction-in-process	(1,828,061)	(286,639)
Mortgages receivable	576,140	552,505
ReStore inventory	47,966	74,906
Other receivables	(51,236)	(61,156)
Prepaid expenses	14,500	5,109
Real estate held for development or resale	233,406	(39,756)
Increase (decrease) in:		
Accounts payable and other liabilities	69,446	(119,316)
Escrow liability for homeowners' taxes, insurance, and maintenance	25,238	(12,729)
Net cash provided by (used in) operating activities	<u>(300,638)</u>	<u>223,738</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(202,973)	(86,590)
Net cash used in investing activities	<u>(202,973)</u>	<u>(86,590)</u>
Cash flows from financing activities:		
Proceeds from notes payable	22,750	1,620,877
Proceeds on line of credit, net	516,264	-
Payments on notes payable	(21,939)	(1,630,300)
Net cash provided by (used in) financing activities	<u>517,075</u>	<u>(9,423)</u>
Increase in cash, cash equivalents and restricted cash	13,464	127,725
Cash, cash equivalents and restricted cash, beginning	<u>1,113,063</u>	<u>985,338</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 1,126,527</u>	<u>\$ 1,113,063</u>
Reconciliation of cash, cash equivalents and restricted cash reported on the statement of financial position to cash, cash equivalents and restricted cash shown above:		
Cash and cash equivalents	\$ 1,046,765	\$ 1,031,831
Cash - escrow for homeowners' taxes, insurance, and maintenance	79,762	81,232
	<u>\$ 1,126,527</u>	<u>\$ 1,113,063</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 23,668</u>	<u>\$ 27,422</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 1 - NATURE OF OPERATIONS

Organization

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 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 generally accepted accounting principles in the United States of America (“U.S. GAAP”).

Basis of Presentation

As required by 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.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2022, from which the summarized information was derived.

Cash, Cash Equivalents and Restricted 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. For purposes of reporting cash flows, Habitat considers all cash accounts and all highly liquid investments with a maturity of three months or less to be cash and cash equivalents, other than money market funds included in investment accounts. Restricted cash includes escrow accounts for homeowners' taxes, insurance and maintenance.

Pledges Receivable

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. All pledges are considered fully collectible as of June 30, 2023.

Mortgages Receivable

Mortgages receivable are reported at their outstanding principal balances discounted to their present value. Mortgages receivable are generally considered delinquent when payment is 30 days past due; however, delinquency status may be mitigated by other qualitative factors. Habitat has established an allowance for uncollectible accounts of \$108,923 as of June 30, 2023 to cover the principal balance for delinquent monthly payments that are uncollectible.

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.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Receivables (Continued)

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. All other receivables are considered fully collectible as of June 30, 2023.

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.

Property, Plant, and Equipment

Property, plant, and equipment are 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. 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.

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.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Unrealized gains and losses due to changes in market valuations are included in the statement of activities and changes in net assets. Realized gains and losses are determined using the specific identification method.

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, the net assets with donor restrictions 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 net assets without donor restrictions in the statement of activities and changes in net assets.

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

Advertising

Advertising costs for the year ended June 30, 2023 was \$25,933.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Functional Allocation of Expenses

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.

Tax Status

As the Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, the financial statements contain no provision for federal or state income taxes. The Organization is not classified as a private foundation.

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during the year ended June 30, 2023.

Use of Estimates

The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Habitat has evaluated events and transactions for potential recognition or disclosure through December 5, 2023, which is the date the financial statements were available to be issued.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

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, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,046,765
Pledges receivable	2,500
Other receivables	273,486
Current portion of mortgage receivables	680,959
Endowment funds	193,686
Total financial assets	<u>2,197,396</u>
Less amounts available to be used within one year:	
Net assets with donor restrictions	<u>952,557</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,244,839</u></u>

NOTE 4 - ESCROW FUNDS

Habitat held \$79,762, which had been collected from homebuyers by Habitat for payment of deposits towards closing costs as of June 30, 2023. This amount was held in a separate escrow account by Habitat.

NOTE 5 - CONSTRUCTION-IN-PROCESS

During the year ended June 30, 2023, Habitat had 20 houses under construction which were still in progress at year-end. Houses under construction totaled \$2,585,531 as of June 30, 2023.

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 \$12,256,803 were outstanding as of June 30, 2023. 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 provides 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.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 6 - MORTGAGES RECEIVABLE (Continued)

As of June 30, 2023, mortgages receivable consisted of the following:

Gross mortgages receivable	\$12,256,803
Mortgage discount	(3,171,614)
Mortgage allowance	(108,923)
NCHFA mortgage liability	(3,269,952)
Third party liability	(1,012,733)
City of Greensboro mortgage liability	(158,872)
Net mortgages receivable	<u>4,534,709</u>
Less current portion	(680,959)
Noncurrent portion of mortgages receivable	<u>\$ 3,853,750</u>

These mortgages do not earn interest and are secured by deeds of trust on the houses. As of June 30, 2023, the total discount was \$3,171,614.

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.

At June 30, 2023, the delinquencies in Habitat's mortgages receivables consisted of the following:

<u>Mortgages Receivable</u>	
Current	\$ 4,447,866
Past due (0-29 days)	16,951
Past due (30-59 days)	11,616
Past due (60-89 days)	6,536
Past due (90+ days)	51,740
Total mortgages receivable	<u>\$ 4,534,709</u>

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.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 6 - MORTGAGES RECEIVABLE (Continued)

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

Beginning balance, June 30, 2022	\$ 5,127,683
New loans	626,438
New mortgage liabilities	(330,728)
Payoffs	(277,459)
Payments received	(576,413)
Write-Offs	(34,812)
Ending balance, June 30, 2023	<u>\$ 4,534,709</u>

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following as of June 30, 2023:

ReStore:	
Land	\$ 750,000
Building	457,247
Building roof	275,706
Leasehold improvements	398,951
Office equipment	24,375
Vehicles	163,098
Equipment	67,452
Total ReStore	<u>2,136,829</u>
Office equipment	30,330
Vehicles	75,835
Construction equipment	55,397
Total property, plant, and equipment	<u>161,562</u>
Less accumulated depreciation	<u>(785,241)</u>
Net property, plant, and equipment	<u>\$ 1,513,150</u>

NOTE 8 - 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.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 8 - ENDOWMENT FUNDS (Continued)

Changes in the endowment funds for the year ended June 30, 2023 were as follows:

Endowment fund, June 30, 2022	\$ 198,165
Investment returns:	
Interest and dividends	7,061
Net realized and unrealized loss	<u>(11,540)</u>
Total investment loss	<u>(4,479)</u>
Endowment funds, June 30, 2023	<u>\$ 193,686</u>

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 9 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair values for assets and liabilities using one of the following valuation measurements:

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.

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. 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.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.**Notes to the Financial Statements**

NOTE 9 - FAIR VALUE MEASUREMENTS (Continued)

The following table set forth by level, within the fair value hierarchy, represents Habitat's fair value measurements as of June 30, 2023:

Description	Level 1	Level 2	Level 3
Money market funds	\$ 10,310	\$ -	\$ -
Mutual funds	183,376	-	-
Total assets in the fair value hierarchy	\$ 193,686	\$ -	\$ -

NOTE 10 - NOTES PAYABLE

Notes payable consisted of the following:

Note payable to a financial institution secured by specific real estate with a carrying value of \$833,792. Accrued interest on the note is payable in monthly installments at a fixed rate of 7%. The note is to be paid in full, along with any unpaid interest, on June 13, 2025. \$ 175,000

Note payable to a financial institution in monthly installments of \$3,735 including interest at a fixed rate of 4.25%, secured by a building with a carrying value of \$435,329, with the remaining balance due June 2030. 539,531

Various unsecured non-interest bearing notes payable to Habitat for Humanity International; payable in monthly installments totaling \$1,136, due in various periods through June 2028. 46,672

Less current maturities 761,203
(27,045)
\$ 734,158

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 27,045
2025	206,170
2026	35,018
2027	36,071
2028	34,529
Thereafter	422,370
	\$ 761,203

The terms of the notes payable to Habitat for Humanity International contain financial reporting requirements. As of June 30, 2023, Habitat was in compliance with these requirements.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 11 - LINE OF CREDIT

Habitat had a secured line of credit agreement with non-residential real estate as collateral with a borrowing limit of \$900,000 and a maturity date of July 5, 2023. Interest on the line is payable monthly and was accrued at 4.25%. The outstanding amount on the line at June 30, 2023 was \$516,264. Subsequent to year end, the line of credit was increased to a borrowing limit of \$2,000,000 with 7% annual fixed interest, paid monthly, and an extended maturity date of July 15, 2026. Therefore, as the balance is due in July 2026, as of June 30, 2023 the amount is classified as a long-term liability on the statement of financial position.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 consisted of the following:

Net assets with donor restrictions:	
Home sponsorship, repairs and assistance	\$ 679,490
Mission trips and scholarships	46,881
Endowment funds	193,686
Homeowner services	32,500
	<u>\$ 952,557</u>

NOTE 13 - IN-KIND DONATIONS

For the year ended June 30, 2023, Habitat received in-kind donations totaling \$14,304. The donations are valued using estimated current market values for the items donated and have been included in both revenues and expenses.

NOTE 14 - HOME SALES

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

Home sales	\$ 683,257
Contributions and in-kind related to home sales	318,764
Cost of construction	(306,003)
Net home sales	<u>\$ 696,018</u>

NOTE 15 - RELATED PARTY TRANSACTIONS

Habitat, as an affiliate of Habitat for Humanity International (“International”), made contributions to International of \$50,000 for the year ended June 30, 2023. 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

NOTE 16 - 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 17 - 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 \$19,135 for the year ended June 30, 2023 to the Plan.

NOTE 18 - RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of activities or net assets.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to year end, on October 26, 2023, Habitat received \$1,000,000 in loan proceeds from Habitat Mortgage Solutions, LLC to finance the development of 40 for-sale housing units located throughout the service area of Habitat for Humanity of Greater Greensboro, Inc. Interest accrues at a fixed rate of 2.75% per annum and matures December 31, 2024.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
ReStore Services Schedule of Activities
Year Ended June 30, 2023

Revenues and Support:	
Revenues	\$ 1,065,181
Cash donations	10,146
Total revenues and support	<u>1,075,327</u>
Operating Expenses:	
Cost of inventory	146,276
Salaries and wages	412,361
Insurance	6,104
Interest expense	23,206
Utilities	60,503
Professional services	28,333
Depreciation and amortization	70,771
Marketing	29,380
Vehicle expense	28,537
Payroll taxes and benefits	101,275
Office expenses	20,135
Professional development	857
Information technology	45,055
Miscellaneous	4,209
Contract labor	107,837
Rent and maintenance	162,423
Total operating expenses	<u>1,247,262</u>
Expenses in excess of revenues	<u>\$ (171,935)</u>