

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**



HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Craven County, Inc.
New Bern, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Habitat for Humanity of Craven County, Inc., which comprise the statements of financial position as of June 30, 2023, and June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Craven County, Inc. as of June 30, 2023 and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Craven 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 Craven County, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 Craven 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 Craven 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.

Pettit & Company, PLLC

Indianapolis, Indiana
April 30, 2024

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 502,426	\$ 1,059,044
Accounts receivable	12,825	18,393
Restricted cash for escrow funds	19,068	54,395
Escrow receivable	-	19,820
Mortgage notes receivable	136,504	80,700
Total current assets	<u>670,823</u>	<u>1,232,352</u>
Property and equipment		
Land	79,526	79,526
Buildings	331,361	331,361
Vehicles	82,775	82,775
Equipment	39,376	39,376
Total property and equipment	533,038	533,038
Accumulated depreciation	(261,112)	(242,971)
Net property and equipment	<u>271,926</u>	<u>290,067</u>
Non-current assets		
Investments, at fair value	37,248	32,793
Land held for future use	64,536	64,536
Construction in progress	261,912	298,647
Mortgage notes receivable, net of present value	1,453,804	1,435,490
Total non-current assets	<u>1,817,500</u>	<u>1,831,466</u>
Total assets	<u>\$ 2,760,249</u>	<u>\$ 3,353,885</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 36,295	\$ 67,852
Accrued payroll and payroll taxes payable	12,818	10,523
Escrow funds payable	-	125,105
Notes payable	-	16,636
NCHFA notes payable	43,283	40,116
Total current liabilities	<u>92,396</u>	<u>262,254</u>
Long-term liabilities		
Notes payable, net of current portion	-	87,756
NCHFA notes payable, net of current portion, and present value	580,113	530,459
Total long-term liabilities	<u>580,113</u>	<u>618,215</u>
Total liabilities	<u>672,509</u>	<u>880,469</u>
Net assets		
Without donor restrictions	2,083,782	2,434,458
With donor restrictions	3,958	38,958
Total net assets	<u>2,087,740</u>	<u>2,473,416</u>
Total liabilities and net assets	<u>\$ 2,760,249</u>	<u>\$ 3,353,885</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue						
Grants	\$ 98,622	\$ -	\$ 98,622	\$ 90,058	\$ 61,654	\$ 151,712
Grants - federal	-	-	-	5,000	-	5,000
Contributions	163,382	-	163,382	1,472,370	-	1,472,370
ReStore	324,439	-	324,439	334,918	-	334,918
Imputed interest on interest free loans	25,659	-	25,659	25,659	-	25,659
Gain (loss) on sale of property	(25,133)	-	(25,133)	122,747	-	122,747
Investment income	4,455	-	4,455	9,144	-	9,144
Other income	40,418	-	40,418	21,582	-	21,582
Net assets released from restrictions						
Satisfaction of program requirements	35,000	(35,000)	-	26,654	(26,654)	-
Total support and revenue	666,842	(35,000)	631,842	2,108,132	35,000	2,143,132
Expenses						
Construction	172,115	-	172,115	108,947	-	108,947
Volunteers	60,932	-	60,932	41,853	-	41,853
ReStore	316,016	-	316,016	260,032	-	260,032
Neighborhood revitalization	166,561	-	166,561	304,135	-	304,135
Homeownership services	68,943	-	68,943	39,377	-	39,377
Let's build together	2,353	-	2,353	-	-	-
Count me in	3,663	-	3,663	-	-	-
Management and general	204,460	-	204,460	231,743	-	231,743
Fund raising	22,475	-	22,475	19,275	-	19,275
Total expenses	1,017,518	-	1,017,518	1,005,362	-	1,005,362
Change in net assets	(350,676)	(35,000)	(385,676)	1,102,770	35,000	1,137,770
Net assets - beginning of year	2,434,458	38,958	2,473,416	1,331,688	3,958	1,335,646
Net assets - end of year	\$ 2,083,782	\$ 3,958	\$ 2,087,740	\$ 2,434,458	\$ 38,958	\$ 2,473,416

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Construction</u>	<u>Volunteers</u>	<u>ReStore</u>	<u>Neighborhood revitalization</u>	<u>Homeownership services</u>	<u>Let's build together</u>
Salaries	\$ 131,923	\$ 45,070	\$ 157,329	\$ 63,519	\$ 49,040	\$ -
Employee benefits	-	-	-	-	-	-
Payroll taxes	15,273	3,998	13,673	5,267	-	-
Volunteer stipend	-	-	-	-	-	-
Advertising	-	-	2,130	-	-	-
Bank charges	-	-	-	-	-	-
Dues and subscriptions	542	181	3,419	772	654	-
Habitat International tithe & support	2,911	2,161	4,036	3,286	2,536	-
Equipment rent	-	-	-	-	-	-
Occupancy	3,125	874	25,694	3,494	1,747	-
Insurance	4,121	852	5,115	9,835	4,524	-
Workers compensation	4,228	-	8,457	-	1,409	-
Professional fees	6,026	2,009	12,163	8,034	-	-
License and fees	-	-	-	-	-	-
Office expense	1,546	578	18,231	2,186	1,093	-
Meals and entertainment	-	-	-	-	-	-
Office supplies	433	20	2,649	284	6,242	-
Travel	735	449	3,609	1,371	329	218
Repairs & maintenance	53	-	27,194	65,419	-	-
Employee training	186	144	186	186	430	-
Interest expense	-	-	145	-	-	-
Contract labor	-	-	30,713	-	-	-
Fundraising	-	-	-	1,093	-	2,135
Miscellaneous	1,013	4,596	1,273	1,815	939	-
Depreciation	-	-	-	-	-	-
	<u>\$ 172,115</u>	<u>\$ 60,932</u>	<u>\$ 316,016</u>	<u>\$ 166,561</u>	<u>\$ 68,943</u>	<u>\$ 2,353</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Count me in</u>	<u>Total Program</u>	<u>Management and general</u>	<u>Fund Raising</u>	<u>Total</u>
\$ -	\$ 446,881	\$ 108,663	\$ 8,761	\$ 564,305
-	-	-	-	-
-	38,211	9,135	670	48,016
-	-	-	-	-
1,143	3,273	2,701	-	5,974
-	-	928	-	928
-	5,568	1,542	181	7,291
-	14,930	3,111	2,161	20,202
-	-	2,150	-	2,150
-	34,934	11,606	-	46,540
-	24,447	2,557	874	27,878
-	14,094	4,228	852	19,174
-	28,232	9,475	1,409	39,116
-	-	-	2,009	2,009
-	23,634	1,936	-	25,570
1,810	1,810	200	993	3,003
-	9,628	4,491	-	14,119
-	6,711	250	3,356	10,317
-	92,666	1,457	-	94,123
-	1,132	1,194	1,055	3,381
-	145	13,585	-	13,730
-	30,713	-	-	30,713
710	3,938	-	-	3,938
-	9,636	7,110	154	16,900
-	-	18,141	-	18,141
<u>\$ 3,663</u>	<u>\$ 790,583</u>	<u>\$ 204,460</u>	<u>\$ 22,475</u>	<u>\$ 1,017,518</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Construction</u>	<u>Volunteers</u>	<u>ReStore</u>	<u>Neighborhood revitalization</u>	<u>Homeownership services</u>	<u>Let's build together</u>
Salaries	\$ 81,459	\$ 32,990	\$ 145,563	\$ 131,295	\$ 22,515	\$ -
Employee benefits	-	-	-	-	-	-
Payroll taxes	8,635	2,772	12,375	10,906	-	-
Volunteer stipend	-	-	-	-	-	-
Advertising	113	-	1,974	162	1,115	-
Bank charges	-	-	-	-	-	-
Dues and subscriptions	1,618	539	3,974	2,233	1,079	-
Habitat International tithe & support	1,125	750	6,375	500	-	-
Equipment rent	-	-	-	-	-	-
Occupancy	2,892	964	13,176	3,856	1,928	-
Insurance	5,236	827	4,960	12,144	5,705	-
Workers compensation	6,077	-	12,154	-	2,026	-
Professional fees	4,857	1,619	9,713	7,000	-	-
License and fees	-	-	-	-	-	-
Office expense	1,629	600	11,593	2,370	1,172	-
Meals and entertainment	-	-	-	-	-	-
Office supplies	370	-	6,271	776	3,367	-
Travel	1,209	-	4,127	7,033	-	-
Repairs & maintenance	(7,107)	-	3,659	116,941	-	-
Employee training	-	-	-	47	-	-
Interest expense	704	235	1,521	939	470	-
Contract labor	-	-	22,165	-	-	-
Fundraising	-	-	-	2,247	-	-
Miscellaneous	130	557	432	5,686	-	-
Depreciation	-	-	-	-	-	-
	<u>\$ 108,947</u>	<u>\$ 41,853</u>	<u>\$ 260,032</u>	<u>\$ 304,135</u>	<u>\$ 39,377</u>	<u>\$ -</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Count me in</u>	<u>Total Program</u>	<u>Management and general</u>	<u>Fund Raising</u>	<u>Total</u>
\$ -	413,822	\$ 116,741	\$ -	\$ 530,563
-	-	1,182	-	1,182
-	34,688	9,552	-	44,240
-	-	5,065	-	5,065
-	3,364	1,070	144	4,578
-	-	2,693	-	2,693
-	9,443	1,970	1,064	12,477
-	8,750	1,125	125	10,000
-	-	654	-	654
-	22,816	22,840	-	45,656
-	28,872	2,480	964	32,316
-	20,257	6,077	827	27,161
-	23,189	4,332	2,026	29,547
-	-	-	2,119	2,119
-	17,364	2,931	-	20,295
-	-	128	3,110	3,238
-	10,784	5,282	-	16,066
-	12,369	1,322	5,017	18,708
-	113,493	-	400	113,893
-	47	4,771	2,400	7,218
-	3,869	15,706	235	19,810
-	22,165	-	-	22,165
-	2,247	-	-	2,247
-	6,805	8,386	844	16,035
-	-	17,436	-	17,436
<u>\$ -</u>	<u>\$ 754,344</u>	<u>\$ 231,743</u>	<u>\$ 19,275</u>	<u>\$ 1,005,362</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (385,676)	\$ 1,137,770
Adjustments to change in net assets to net cash provided by (used in) operating activities		
Depreciation	18,141	17,436
Imputed interest income on non-interest bearing mortgage loans	(25,659)	(25,659)
Imputed interest expense on non-interest-bearing notes payable	13,905	13,905
Investment income	(4,455)	(9,144)
(Increase) decrease in assets		
Accounts receivable	5,568	(8,807)
Escrow receivable	19,820	964
Mortgage notes receivable	(48,459)	(243,430)
Construction in progress	36,735	18,313
Increase (decrease) in liabilities		
Accounts payable	(31,557)	22,192
Accrued payroll and payroll taxes payable	2,295	8,776
Escrow funds payable	(125,105)	23,076
Net cash provided by (used in) operating activities	<u>(524,447)</u>	<u>955,392</u>
Cash from investing activities		
Proceeds from sale of investments	-	31,813
Net cash provided by (used in) investing activities	<u>-</u>	<u>31,813</u>
Cash flows from financing activities		
Proceeds from line of credit	-	8,179
Line of credit principal payments	(2,022)	(26,211)
Proceeds from notes payable	150,000	185,900
Notes payable principal payments	(215,476)	(92,059)
Net cash provided by (used in) financing activities	<u>(67,498)</u>	<u>75,809</u>
Net increase (decrease) in cash and cash equivalents	(591,945)	1,063,014
Cash, cash equivalents and restricted cash, beginning of fiscal year	<u>1,113,439</u>	<u>50,425</u>
Cash, cash equivalents and restricted cash, end of fiscal year	<u>\$ 521,494</u>	<u>\$ 1,113,439</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Amounts reported within the statement of financial position that
sum to the total above:

Cash and cash equivalents	\$ 502,426	\$ 1,059,044
Restricted cash for escrow funds	19,068	54,395
Cash, cash equivalents and restricted cash, end of year	\$ 521,494	\$ 1,113,439

Supplemental Schedule of Cash Flow Information

Interest paid	\$ 122	\$ 5,905
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HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Habitat for Humanity of Craven County, Inc. ("Habitat") is a North Carolina nonprofit Organization organized in May 1989 operating in the City of New Bern and Craven County region of North Carolina. It is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience for people everywhere.

Habitat is directly responsible for its own operations. It receives assistance from Habitat International in a variety of ways including assistance with information technology, training, publications and prayer support. Habitat is exempt from income taxes under the Internal Revenue Service Code Section 501(c) (3) under a group exemption letter granted to Habitat International. As such, contributions to Habitat are generally tax deductible.

Mission and activities

Habitat seeks to put God's love into action by bringing people together to build homes, communities and hope. It is an ecumenical Christian housing ministry partnering with community volunteers to assist families who are working toward the purchase of a Habitat house. Habitat has completed more than 74 houses since its inception. It seeks to build 2 or more homes each year. It sells the homes to pre-qualified, low-income families who have actively participated in the construction process. The new homeowners receive an interest-free loan to finance the purchase and pay it off in the same way as a traditional mortgage.

Basis of accounting

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

- Net assets without donor restrictions consist of 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 consist of 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 Habitat or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Habitat considers deposits on account and investments with maturity dates less than three months at the time of purchase to be cash and cash equivalents. As of June 30, 2023 and 2022 there were no investments included in the cash balance. At various times throughout the year, Habitat has deposits in excess of amounts covered by federal depository insurance. Cash accounts at a financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. These accounts may at times exceed federally insured limits. Habitat has not experienced any losses on these accounts and management does not believe it is exposed to any significant credit risk.

Accounts receivable

The accounts receivable balance of as of June 30, 2023 and 2022 consists primarily of sales taxes paid by Habitat that were requested for reimbursement from the State of North Carolina. Management believes the amount is fully collectible. Accordingly, no provision is made for uncollectible amounts.

Restricted cash for escrow funds

Restricted cash consists of amounts held on behalf of mortgagors for payment of taxes and insurance and are offset by a corresponding liability since Habitat retains no ownership of the escrow funds.

Mortgage notes receivable

Habitat records and accounts for mortgage loans receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present values, interest rates are determined based on the market rates for a similar type of loan on the date of closing and range from 3.15% to 10% for all loans outstanding. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognizes interest income over the life of the loans. An expense is recorded upon the sale of houses for the difference between the face value of the mortgage loans receivable and the present value of the loans. Habitat has not established an allowance for doubtful accounts as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible, and management believes any reclaimed house can be resold at or above the amount of unpaid, discounted loan principal plus costs to sell the home. Mortgage loans receivable are generally considered delinquent when payment is thirty days past due; however, delinquency status may be mitigated by other qualitative factors.

Property and equipment

Property and equipment are recorded at cost and depreciation is computed using the straight line method. Depreciation is computed over the estimated useful lives of each individual asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Habitat is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on Habitat's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended June 30, 2023 and 2022.

Investments

The Organization accounts for investments with readily determinable fair values in the statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific identification method. Unrealized gains and losses are included in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Support and revenue recognition

Habitat's revenue from contracts with customers consists of home sales and repairs, and Habitat ReStore sales. Habitat's contracts have a single performance obligation. The transaction price is the amount of consideration to which Habitat expects to be entitled in exchange for transferring goods to the customer.

Revenue is recorded based on transaction price, which is a fixed consideration. Habitat recognizes Habitat ReStore sales at a point in time when control of the goods is passed to the customer, which typically occurs at point of sale and is also when customer payment is collected. Sales from the Habitat ReStores are reported net of sales tax collected.

Habitat recognizes revenue from home sales at a point in time, when a closing occurs. A closing is considered to occur when title, possession and other attributes of ownership have been transferred to the buyer; and Habitat is not obligated to perform significant activities and changes in net assets after the sale.

Revenue from the sale of homes is recorded in the consolidated statements of activities as home sale and repair income.

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Habitat recognizes as unrestricted revenue any donor-restricted contributions whose restrictions are met in the same reporting period as received.

Contributed services

A substantial number of volunteers have made significant contributions of their time to Habitat, principally in the area of house construction. The value of non-professional contributed time is not reflected in the accompanying financial statements. However, Habitat values donated professional services based on the market value of the service being provided. There were no contributed professional services which met the requirements to be recognized as revenue for either of the years ended June 30, 2023 and 2022.

Houses under construction and real estate owned

Real estate, including pre-acquisition, acquisition, and development costs, building materials, and labor are recorded at cost when assets are acquired, or services are provided, as applicable, or at estimated fair market value when donated. Foreclosed homes purchased by Habitat are recorded at cost when the homes are acquired. A portion of overhead expenses is allocated to the cost of houses. No interest is capitalized as a cost of houses.

Reclaimed houses are recorded as a component of real estate owned at the outstanding mortgage balance at the date of reclamation if foreclosed or at the fair market value if repurchased. During the years ended June 30, 2023 and 2022, Habitat did reclaim one home during the year ended June 30, 2022 and it was resold during the year ended June 30, 2023.

ReStore donations

Habitat receives support in the form of in-kind donations of building materials and household items. It operates the ReStore in New Bern, NC in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold). Accordingly, no inventory of these items is recorded at year-end.

Income taxes

Habitat is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Habitat has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. Habitat recognized no interest or penalties in the statements of activities for the years ended June 30, 2023 and 2022. If the situation arose in which Habitat would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. Habitat is not currently under audit nor has Habitat been contacted by these jurisdictions.

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (Continued)

Based on the evaluation of Habitat's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2023 and 2022.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Habitat uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2023 and 2022 totaled \$5,974 and \$4,578, respectively.

Functional expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by management.

Management's review of subsequent events

The Management has performed an analysis of the activities and transactions subsequent to June 30, 2023, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis of subsequent events through April 30, 2024, the date the financial statements were available to be issued.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Habitat's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions and board designation within one year of the date of the statement of financial position. Amounts with board designations not available include amounts set aside for program related activity that could be drawn upon if the governing board approves that action. Amounts appropriated from either donor-restricted or board designation categories for general expenditures within one year of the date of the statement of financial position are available.

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The following schedule explains Habitat’s financial assets to meet cash needs for general expenditures within one year. The financial assets were derived from the total assets on the statements of financial position.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 502,426	\$ 1,059,044
Accounts receivable	12,825	18,393
Mortgage notes receivable	136,504	80,700
Investments	<u>37,248</u>	<u>32,793</u>
Total financial assets	<u>689,003</u>	<u>1,190,930</u>
Less amounts not available to be used within one year	<u>(3,958)</u>	<u>(38,958)</u>
Financial assets available to meet general expenditure within one year	<u>\$ 685,045</u>	<u>\$ 1,151,972</u>

Habitat manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

NOTE 3 – INVESTMENTS

Investments are composed of the following:

	<u>2023</u>	<u>2022</u>
Cash and sweep balances	\$ 234	\$ 95
Stocks, options & ETFs	11,983	7,674
Mutual funds	<u>25,031</u>	<u>25,024</u>
	<u>\$ 37,248</u>	<u>\$ 32,793</u>

Net return on investments is as follows:

	<u>2023</u>	<u>2022</u>
Unrealized gain (loss)	\$ 2,542	\$ (4,264)
Realized gain (loss), net of fees of \$150	<u>1,913</u>	<u>(1,592)</u>
	<u>\$ 4,455</u>	<u>\$ (5,856)</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization utilizes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1** Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3** Unobservable inputs supported by little or no market activity for 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 determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Organization does not have significant level 3 assets or liabilities. During the years ended June 30, 2023 and 2022, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

The following is a description of the valuation methodologies used for assets measured at fair value:

Stocks, options & ETFs: Valued at the quoted market price for similar securities, which approximates fair value.

Mutual funds: Valued at the closing price of the active market in which the security is traded.

Assets measured at fair value as of June 30, 2023 and 2022 are summarized as follows:

	2023			
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and sweep balances	\$ 234	\$ 234	\$ -	\$ -
Stocks, options & ETFs	11,983	11,983	-	-
Mutual funds	<u>25,031</u>	<u>25,031</u>	-	-
Total investments	<u>\$ 37,248</u>	<u>\$ 37,248</u>	<u>\$ -</u>	<u>\$ -</u>

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

		2022			
	Fair value	Level 1	Level 2	Level 3	
Cash and sweep balances	\$ 95	\$ 95	\$ -	\$ -	
Stocks, options & ETFs	7,674	7,674	-	-	
Mutual funds	25,023	25,023	-	-	
Total investments	\$ 32,792	\$ 32,792	\$ -	\$ -	

Management evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended June 30, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

NOTE 5 – HOMES SALES/LOANS TO HOMEOWNERS

During the year ended June 30, 2023, Habitat started 3 new houses. During the year ended June 30, 2022, Habitat started 3 new houses, and received no houses through donation. Completed houses were either sold at cost or held in inventory at cost, as real estate owned, pending sale.

At June 30, 2023 and 2022, respectively, Habitat had 3 and 5 houses under construction on land owned by Habitat. Sales of houses were approximately \$317,753 and \$517,235 during the years ended June 30, 2023 and 2022, respectively.

The future maturities of the home sales/loans to homeowners are as follows:

2024	\$ 136,504
2025	132,428
2026	126,809
2027	124,581
2028	124,581
Thereafter	1,781,187
	2,264,646
Less present value discount	(674,338)
Loans to Homeowners, Net	\$ 1,590,308

NOTE 6 – LINE OF CREDIT

Habitat has a \$25,000 bank line of credit which is payable upon demand. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 2.5% (8.25% at June 30, 2023 and 5.75% at June 30, 2022). There were no amounts outstanding on this line at June 30, 2023. At June 30, 2022, \$2,022 and was outstanding on this line. The line of credit is unsecured.

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 7 – NOTES PAYABLE

Habitat's debt consists of a note payable to a financial institution with an original amount of \$160,000. The loan was restructured in January 2019. The note bears interest at 5.26% per annum. Principal and interest are payable by Habitat in equal monthly installments of \$1,275 through December 21, 2024, with a single balloon payment of the entire unpaid balance due on January 21, 2024. The note is secured by Habitat's land, building and improvements. The note was paid in full during the year ended June 30, 2023. The balance on this note payable at June 30, 2022 totaled \$85,860.

In November 2019, Habitat was extended approximately \$35,066 to finance the purchase of a vehicle which bears an effective interest rate of 4.5%. The term note matures on December, 2024 and is payable through monthly principal and interest payments of approximately \$651. The term note is secured by the vehicle. The note was paid in full during the year ended June 30, 2023. The balance on this note payable at June 30, 2022 totaled \$18,532.

NCHFA notes payable

Habitat participates in the "Self-Help Loan Pool," a program of the North Carolina Housing Finance Agency (NCHFA), a public agency of the State of North Carolina. The program provides Habitat up to \$35,000 per homeowner loan per year, to be repaid over the life of the loans (20 - 25 years). Because the NCHFA loans are interest-free, Habitat has discounted the liability on the statement of financial position to reflect the time value of money. The imputed interest rate used corresponds to that of the homeowner loan pool that the proceeds finance. The notes payable in monthly installments of \$3,750, maturing through May 2048.

The future maturities of the NCHFA notes payable are as follows:

2024	\$ 43,283
2025	43,283
2026	43,283
2027	43,283
2028	43,283
Thereafter	<u>564,228</u>
	780,643
Less present value discount	<u>(157,247)</u>
NCHFA note payable, net	<u>\$ 623,396</u>

NOTE 8 – PAYMENT TO HABITAT INTERNATIONAL

Habitat remits a portion of its revenues each year to Habitat International and Habitat North Carolina. A portion of these funds (tithe) comes from unrestricted contributions and is used to help construct homes in economically depressed areas around the world. The rest of the funds are fees charged by Habitat International and Habitat NC for the support services they provide their affiliates. Habitat contributed \$20,202 and \$10,000 in this way during the years ended June 30, 2023 and 2022, respectively.

HABITAT FOR HUMANITY OF CRAVEN COUNTY, INC.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Purpose or time restricted:		
PNC Foundation	\$ 3,958	\$ 3,958
The Cannon Foundation	-	<u>35,000</u>
	<u>\$ 3,958</u>	<u>\$ 38,958</u>