Habitat for Humanity Greater Orlando and Osceola County and Subsidiary
Consolidated Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

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ADVISORY TAX AUDIT

Habitat for Humanity Greater Orlando and Osceola County
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Independent Auditor's Report

To the Board of Directors of
Habitat for Humanity Greater Orlando and Osceola County and Subsidiary:

Opinion

We have audited the consolidated financial statements of Habitat for Humanity Greater Orlando and Osceola County and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Habitat for Humanity Greater Orlando and Osceola County and Subsidiary as of June 30, 2024 and 2023, and the changes in their net assets and their 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 Consolidated Financial Statements section of our report. We are required to be independent of the Habitat for Humanity Greater Orlando and Osceola County and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

WithumSmith+Brown, PC 200 South Orange Avenue, Suite 1200, Orlando, Florida 32801-3400 T (407) 849 1569 F (407) 849 1119 withum.com

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Withum Smith+Brown, PC

November 14, 2024

Habitat for Humanity Greater Orlando and Osceola County
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 5,538,282	$ 6,472,603
Restricted cash	478,606	478,606
Grants receivable	49,986	127,790
Contributions receivable, net	50,000	60,000
Mortgage loans receivable, net of discounts	9,555,910	10,185,443
Home inventory	395,539	618,509
Homes in process	1,006,951	1,314,468
Land held for development	1,213,949	841,666
Property and equipment, net	1,696,989	1,775,701
Other assets	472,760	269,125
Other receivables - Employee Retention Tax Credit	172,468	464,632
Right-of-use assets - financing	17,825	22,376
Total assets	$ 20,649,265	$ 22,630,919
Liabilities and Net Assets		
Liabilities		
Accounts payable	290,749	244,819
Accrued expenses	107,850	51,349
Deferred revenue	24,000	45,000
Right-of-use lease liabilities - financing	18,854	22,480
Notes payable, net	1,200,999	1,723,952
Secured borrowings, net	5,644,707	6,122,101
Lines of credit	991,228	99,532
Total liabilities	8,278,387	8,309,233
Net assets		
Without donor restrictions	12,320,878	14,061,686
With donor restrictions	50,000	260,000
Total net assets	12,370,878	14,321,686
Total liabilities and net assets	$ 20,649,265	$ 22,630,919

Habitat for Humanity Greater Orlando and Osceola County
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, support and gains						
Sales to homeowners, net of mortgage origination discounts	$ 5,349,975	$ -	$ 5,349,975	$ 3,106,902	$ -	$ 3,106,902
Contributions	1,876,751	100,000	1,976,751	2,355,077	102,000	2,457,077
Grants	623,797	-	623,797	810,359	-	810,359
In-kind contributions	367,301	-	367,301	769,698	-	769,698
Amortization of mortgage loan discounts	309,318	-	309,318	355,904	-	355,904
Other income	136,848	-	136,848	492,324	-	492,324
Interest income	271,696	-	271,696	192,599	-	192,599
Net assets released from restrictions	310,000	(310,000)	-	349,000	(349,000)	-
Total revenue, support and gains	9,245,686	(210,000)	9,035,686	8,431,863	(247,000)	8,184,863
Expenses						
Program services	9,064,465	-	9,064,465	6,432,462	-	6,432,462
Supporting services						
Fundraising	753,088	-	753,088	766,874	-	766,874
Management and general	1,168,941	-	1,168,941	1,020,016	-	1,020,016
Total expenses	10,986,494	-	10,986,494	8,219,352	-	8,219,352
Net change in assets	(1,740,808)	(210,000)	(1,950,808)	212,511	(247,000)	(34,489)
Net assets						
Beginning of year	14,061,686	260,000	14,321,686	13,849,175	507,000	14,356,175
End of year	$ 12,320,878	$ 50,000	$ 12,370,878	$ 14,061,686	$ 260,000	$ 14,321,686

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating activities		
Change in net assets	$ (1,950,808)	$ (34,489)
Adjustments to reconcile change in net assets to net cash used In operating activities		
Depreciation and amortization of property and equipment	85,164	76,392
Amortization of debt issuance costs to interest expense	28,954	21,155
Discounts on mortgage sold	126,769	71,271
Amortization of mortgage loan discounts	(309,318)	(355,904)
Discounts on mortgage originations	-	871
Amortization of right-of-use assets - financing	4,551	1,518
Change in operating assets		
Grants and contributions receivable	87,803	279,194
Home inventory	222,970	(469,323)
Home in process	307,517	(384,459)
Land held for development	(372,283)	161,065
Other assets	(203,633)	1,295
Other receivable - employee retention tax credit	292,164	(464,632)
Change in operating liabilities		
Accounts payable and accrued expenses	102,430	(158,256)
Deferred revenue	(21,000)	(60,000)
Net cash used in operating activities	(1,598,720)	(1,314,302)
Investing activities		
Purchase of property and equipment	(6,450)	(62,847)
Principal payments received on mortgage loans receivable	1,026,452	1,112,701
Mortgage originations	(87,600)	(30,806)
Net cash provided by investing activities	932,402	1,019,048
Financing activities		
Principal payments on financing lease obligations	(3,626)	(1,414)
Repayments on notes payable and secured borrowings	(1,156,074)	(1,121,522)
Repayments on line of credit	(714,307)	(932,302)
Borrowings on line of credit	1,606,004	912,357
Loans transferred to secure mortgages	-	4,857
Net cash used in financing activities	(268,003)	(1,138,024)
Net change in cash, cash equivalents, and restricted cash	(934,321)	(1,433,278)
Cash, cash equivalents, and restricted cash beginning of year	6,951,209	8,384,487
Cash, cash equivalents, and restricted cash end of year*	$ 6,016,888	$ 6,951,209
***Cash, cash equivalents, and restricted cash at end of year are comprised of the following**		
Cash and cash equivalents	$ 5,538,282	$ 6,472,603
Restricted cash	478,606	478,606
	$ 6,016,888	$ 6,951,209

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

		2024		2023
Supplemental disclosure of cash flow information				
Cash paid for interest	$	73,444	$	82,141
Noncash investing and financing activities				
Right-of-use assets obtained in exchange for financing right-of-use liabilities	$	-	$	23,894

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County
Consolidated Statements of Functional Expenses
Year Ended June 30, 2024

	Program Services					Supporting Services			
	Community Education & Engagement	Creating Homeownership	Financing Ownership	Preserving Homeownership	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Cost of building supplies and materials sold	$ -	$ 3,841,108	$ -	$ -	$3,841,108	$ -	$ -	$ -	$3,841,108
Payroll expenses	817,140	1,514,059	24,871	418,691	2,774,761	575,416	849,055	1,424,471	4,199,232
Discounts on mortgages issued	-	-	81,350	-	81,350	-	-	-	81,350
Professional fees	210,036	126,920	2,500	28,125	367,581	46,909	188,048	234,957	602,538
Supplies expense	7,324	23,900	-	1,689	32,913	1,571	2,821	4,392	37,305
Home repairs and property maintenance	-	-	-	532,671	532,671	-	-	-	532,671
Fees and donations to affiliates	-	25,000	-	-	25,000	-	-	-	25,000
Interest and borrowing expenses	4,309	27,155	137,266	2,544	171,274	3,342	11,093	14,435	185,709
Other	63,592	241,014	428	88,288	393,322	77,993	74,313	152,306	545,628
Utilities	2,184	13,640	-	1,300	17,124	1,708	3,014	4,722	21,846
Depreciation and amortization	8,957	56,286	-	5,251	70,494	6,967	12,254	19,221	89,715
Promotional expenses	454,125	10,063	146	1,302	465,636	5,330	9,039	14,369	480,005
Transportation and vehicle	-	49,641	-	-	49,641	-	-	-	49,641
Insurance	8,788	54,047	-	4,747	67,582	6,213	10,896	17,109	84,691
Equipment and maintenance	337	10,710	-	198	11,245	262	459	721	11,966
Printing and postage	24,021	6,034	19	991	31,065	24,411	4,898	29,309	60,374
Closing and mortgage service costs	-	8,063	101,333	-	109,396	-	-	-	109,396
Telephone and internet	677	4,263	-	400	5,340	1,755	927	2,682	8,022
Property tax	305	6,554	-	163	7,022	230	399	629	7,651
Lease	1,262	7,935	-	743	9,940	981	1,725	2,706	12,646
Total expenses	$1,603,057	$ 6,026,392	$ 347,913	$ 1,087,103	$9,064,465	$ 753,088	$1,168,941	$1,922,029	$10,986,494

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County
Consolidated Statements of Functional Expenses
Year Ended June 30, 2023

	Program Services					Supporting Services			
	Community Education & Engagement	Creating Homeownership	Financing Ownership	Preserving Homeownership	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Cost of building supplies and materials sold	$ -	$ 2,268,017	$ -	$ -	$2,268,017	$ -	$ -	$ -	$2,268,017
Payroll expenses	672,345	1,100,217	20,533	238,467	2,031,562	525,061	768,173	1,293,234	3,324,796
Discounts on mortgages issued	-	-	35,663	-	35,663	-	-	-	35,663
Professional fees	456,027	147,617	12,169	2,757	618,570	70,133	147,073	217,206	835,776
Supplies expense	11,726	14,015	-	214	25,955	1,826	4,577	6,403	32,358
Home repairs and property maintenance	-	-	-	531,012	531,012	-	-	-	531,012
Fees and donations to affiliates	-	25,000	-	-	25,000	-	-	-	25,000
Interest and borrowing expenses	3,770	28,983	126,307	-	159,060	4,737	10,770	15,507	174,567
Other	30,899	225,358	213	119,329	375,799	100,636	45,854	146,490	522,289
Utilities	1,737	13,738	-	-	15,475	2,280	3,555	5,835	21,310
Depreciation and amortization	4,757	56,205	-	-	60,962	5,942	11,152	17,094	78,056
Promotional expenses	34,455	1,155	-	2,500	38,110	11,878	13,481	25,359	63,469
Transportation and vehicle	-	42,971	-	-	42,971	-	-	-	42,971
Insurance	7,196	52,903	-	-	60,099	6,828	11,532	18,360	78,459
Equipment and maintenance	587	17,006	-	644	18,237	685	1,132	1,817	20,054
Printing and postage	1,657	4,031	-	-	5,688	32,791	949	33,740	39,428
Closing and mortgage service costs	-	2,372	94,731	-	97,103	-	-	-	97,103
Telephone and internet	894	5,950	-	-	6,844	2,186	1,613	3,799	10,643
Property tax	613	6,528	-	-	7,141	561	(1,966)	(1,405)	5,736
Lease	1,062	8,132	-	-	9,194	1,330	2,121	3,451	12,645
Total expenses	$1,227,725	$ 4,020,198	$ 289,616	$ 894,923	$6,432,462	$ 766,874	$1,020,016	$1,786,890	$8,219,352

1. Organization and Purpose

Habitat for Humanity Greater Orlando and Osceola County, Inc. ("Habitat") (a nonprofit corporation) was incorporated on May 20, 1986 under the laws of the state of Florida. Habitat 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 with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

On October 20, 2015, Habitat formed a Florida single member limited liability corporation, HFHGO Funding Company I, LLC ("Funding Company"), the sole member of which is Habitat (collectively, the "Organization"). Funding Company was formed for the purpose of entering into certain business transactions related to its mortgage loans on behalf and for the benefit of Habitat.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

b. Basis of Presentation

The Organization prepares its consolidated financial statements under the guidance of Financial Accounting Standards Board ("FASB") Accounting Statements Codification ("ASC") 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board of Directors ("Board") designation and unavailable for use at management's discretion.

Net assets with donor restrictions: Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net assets permanently, generally permitting all or part of the income earned on related assets be used for general or specific purposes or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2024 and 2023, the Organization does not have any assets that are required to be maintained permanently.

c. Basis of Consolidation

The consolidated financial statements include the accounts of Habitat and its wholly owned subsidiary, Funding Company. All significant intercompany balances and transactions have been eliminated in the consolidation.

d. Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

e. Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash consists of Board designated amounts held in a separate reserve account maintained to fund operations upon approval of the Board during times of financial hardship.

At times, the Organization had a concentration of credit risk arising from cash deposits at financial institutions in excess of federally insured limits. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

f. Contributions Receivable

Contributions receivable, net of discounts, are unconditional promises to give and are recorded when the promises to give are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. When applicable, the Organization provides an allowance for uncollectible pledges at the time contributions are recorded based on historical write-offs. For the years ended June 30, 2024 and 2023, all contributions receivable were considered collectible and accordingly, no allowance for uncollectible pledges was recorded at June 30, 2024 and 2023.

g. Grant Revenue, Grants Receivable and Deferred Revenue

The majority of the Organization's grants received for home construction are exchange transactions in which each party receives and sacrifices commensurate value. Funds and land received from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards their designated purpose. Grants receivable consist of amounts due under these grants and the Organization considers all amounts to be fully collectible as of June 30, 2024 and 2023. Deferred revenue represents costs associated with undeveloped lots of land (with costs ranging from $14,000 to $24,000) granted to the Organization to be used for home construction. The costs associated with each lot are recognized at the time the completed home on the respective lot is sold. On June 30, 2024 and 2023, deferred revenue related to undeveloped plots of land totaled $24,000 and $45,000, respectively.

h. Land Held for Development, Home Inventory and Homes in Process

Land held for development, home inventory and homes in process are stated at lower of cost or fair value and consist of undeveloped land and completed and in-process homes which have not yet been sold or transferred to homeowners.

The Organization reviews these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amount of an asset to its fair value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Based on this review, impairment recorded during the years ended June 30, 2024 and 2023 totaled approximately zero and $41,000, respectively.

i. Property and Equipment

Land is stated at cost; other property and equipment is stated at cost less accumulated depreciation and amortization. Material purchases of property and equipment and significant repairs and additions, which extend the useful life of existing assets, are capitalized in accordance with the Organization's adopted policy.

Depreciation and amortization are calculated using the straight-line method for specific assets, using the following estimated useful lives:

	Estimated Life (Years)
Building	39
Transportation	5
Fixtures and office equipment	3-5
Warehouse equipment	5-10
Software	3

j. Mortgage Loans Receivable

Mortgage loans receivable represent non-interest-bearing loans upon the sale of a home and have been discounted based upon prevailing market rates at the inception of the mortgage obligations. The original discount is recorded as discounts on mortgages issued within program services on the consolidated statements of functional expenses at the date the mortgage is originated. Discounts are amortized to revenue using the effective interest method over the lives of the mortgage loans and are recorded as amortization of mortgage loan discounts within revenue and support in the consolidated statements of activities.

Mortgage loans receivable are collateralized by the underlying homes. The Organization reviews each mortgage for collectability, the fair value of the respective collateralized home, and based on actual and anticipated losses, records impairment losses if the carrying value of the mortgage loan exceeds the fair value of the underlying collateral. Payments that have not been received within 15 days of the due date are determined to be past due. Mortgages that become over 90 delinquent are turned over to an attorney for collection. If the homeowner does not cure the default, the Organization forecloses on the home, at which time the mortgage loan receivable is written off and the home is put back into inventory for resale at a value equal to costs to foreclose on the home and the carrying value of the defaulted mortgage.

Management does not evaluate credit quality indicators as part of the Organization's lending activities. The Organization's allowance for credit losses is based on management's evaluation of historical information, evaluation of individual debtors, and future economic forecasts and is deemed adequate to absorb probable losses in the portfolio. Management has evaluated its mortgage notes receivable and has determined that no allowance for credit losses is necessary as of June 30, 2024 and 2023.

k. Transfers of Mortgage Loans Receivable

The Organization accounts for transfers of mortgage loans receivable as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Organization’s continuing involvement with the mortgage loans receivable transferred. Gains and losses stemming from transfers reported as sales are included in net gain on sale of mortgage loans receivable in the accompanying consolidated statements of activities. Assets obtained and liabilities incurred in connection with transfers reported as sales, if any, are initially recognized in the consolidated statements of financial position at fair value. There were no transfers of mortgage loans receivable that qualified as sales during the years ended June 30, 2024 and 2023.

Transfers of mortgage loans receivable that do not qualify for sale accounting are reported as secured borrowings. Accordingly, the related assets remain on the Organization’s consolidated statements of financial position and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions. During the year ended June 30, 2023, the Organization transferred mortgage loans receivable that qualified as secured borrowings (see Note 8). There were no transferred mortgage loans receivable during its year ended June 30, 2024.

l. Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the balance sheet.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the applicable treasury rate at adoption. Right of use assets are recognized based on the initial present value of the fixed lease payments plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

m. Debt Issuance Costs

Debt issuance costs are amortized using the effective interest method over the term of the debt into interest expense. Upon the early extinguishment of the related debt, any unamortized deferred financing costs are immediately expensed and included in change in net assets.

Debt issuance costs related to a recognized debt liability are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Organization is therefore presenting debt issuance costs net against notes payable on the accompanying consolidated statements of financial position.

n. Sales to Homeowners

Sales to homeowners are recorded at the gross mortgage amount plus down payment received. The sale constitutes a single performance obligation which is satisfied at the time of closing. Noninterest bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Imputed interest revenue is recognized over the life of the mortgage as the monthly payments are received and processed. There were no contract assets or liabilities related to home sales as of June 30, 2024 or 2023.

o. In-Kind Contributions

During fiscal years 2024 and 2023, the Organization received $246,166 and $428,865, respectively, of donated construction materials and related labor for its home building projects. In addition, during fiscal years 2024 and 2023, the Organization received $48,530 and $42,621, respectively, of donated appliances installed in its home inventory. These amounts were recorded as in-kind contributions in the accompanying consolidated statements of activities and either to homes in process on the accompanying consolidated statements of financial position or cost of building materials and supplies sold in the accompanying consolidated statement of functional expenses depending on the nature of the item.

During fiscal years 2024 and 2023, the Organization also received in-kind contributions for fundraising events and marketing in the amounts of $72,605 and $298,212, respectively, which are recorded at estimated fair value of items and services donated and are included in in-kind contributions in the accompanying consolidated statements of activities and promotional expenses in the consolidated statements of functional expenses.

Donations of goods are valued at estimated fair value as determined by the donor at the time of donation. Professional services are valued at estimated fair value based on current rates for similar services.

p. Advertising

Advertising costs are expensed as incurred. Advertising costs totaled $480,005 and $63,469 for the years ended June 30, 2024 and 2023, respectively, and are included in promotional expenses on the consolidated statements of functional expenses.

q. Income Taxes

Habitat is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Funding Company was incorporated under the Florida Revised Limited Liability Company Act and is considered a disregarded entity for federal and state income tax purposes. Therefore, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statements of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

r. Accounting Pronouncements Adopted

Accounting Standards Update ("ASU") 2016-13 *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") requires entities to use a current lifetime expected loss methodology to measure impairments to certain financial assets. Using this methodology will result in earlier recognition of losses than under the former incurred loss approach, which requires waiting to recognize a loss until it is probable or has been incurred. The Organization adopted the requirements of ASU 2016-13 effective July 1, 2023, with minimal impact on its financial statements.

s. Subsequent Events

Management has evaluated subsequent events through November 14, 2024, the date which the consolidated financial statements were available to be issued. The Organization has determined that no subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

3. Contributions Receivable, Net

Contributions receivable, net of discounts, on June 30, 2024 and 2023 are as follow:

	2024	2023
Amounts due in		
Less than one year	$ 40,000	$ 30,000
One to five years	10,000	30,000
Contributions receivable, net	$ 50,000	$ 60,000

U.S. GAAP requires unconditional contributions due in more than one year to be discounted to net present value using prevailing interest rates. At June 30, 2024 and 2023, the Organization has determined that the effect of discounting these contributions receivable would not have a material impact on the results of operations and accordingly has recorded them at their net carrying value.

4. Property and Equipment, Net

The components of property and equipment on June 30, 2024 and 2023 are as follows:

	2024	2023
Building	$ 1,524,156	$ 1,524,156
Land	289,250	289,250
Transportation equipment	193,447	193,447
Fixtures and office equipment	65,423	65,423
Warehouse equipment	90,330	90,330
Software	28,629	22,179
Total property and equipment, at cost	2,191,235	2,184,785
Accumulated depreciation and amortization	(494,246)	(409,084)
Total property and equipment, net	$ 1,696,989	$ 1,775,701

Depreciation and amortization expense on property and equipment totaled $85,164 and $76,392 for the years ended June 30, 2024 and 2023, respectively.

5. Mortgage Loans Receivable, Net of Discounts

Mortgage loans receivable consist entirely of non-interest-bearing mortgage notes, secured by residential real estate, payable in monthly installments with maturities ranging from 15 to 40 years. These mortgages are originated through the Organization's home building program.

The amounts presented in the consolidated statements of financial position are net of unamortized discounts arising from imputed interest on June 30, 2024 and 2023, as follows:

	2024	**2023**
Mortgages receivable (face value)	$ 12,584,847	$ 13,442,350
Unamortized discounts	(3,028,937)	(3,256,907)
Mortgage loans receivable, net of discounts	$ 9,555,910	$ 10,185,443

The following table shows the aging of mortgage notes receivable at June 30, 2024:

	First Mortgages	**Second Mortgages**	**Total**
31 - 60 days past due	$ 1,157,891	$ -	$ 1,157,891
61 - 90 days past due	274,544	-	274,544
Greater than 90 days past due	357,190	-	357,190
	1,789,625	-	1,789,625
Current mortgages notes receivable	8,444,336	2,350,886	10,795,222
	$ 10,233,961	$ 2,350,886	$ 12,584,847

The following table shows the aging of mortgages notes receivable at June 30, 2023:

	First Mortgages	**Second Mortgages**	**Total**
31 - 60 days past due	$ 873,278	$ -	$ 873,278
61 - 90 days past due	65,927	-	65,927
	939,205	-	939,205
Current mortgages notes receivable	10,239,857	2,263,288	12,503,145
	$ 11,179,062	$ 2,263,288	$ 13,442,350

Contractual maturities of mortgage loans receivable on June 30, 2024 are as follows:

2025	$ 1,658,531
2026	1,604,811
2027	1,525,231
2028	1,365,421
2029	1,223,893
Thereafter	5,206,960
	$ 12,584,847

6. Lines of Credit

The Organization has an unsecured revolving line of credit with Seaside Bank. In January 2024, the Organization renewed this line of credit with interest accrued monthly at prime, with a floor of 5.50%. Interest only payments are due monthly with the entire principal balance due at maturity in January 2025. On June 30, 2024 and 2023, the outstanding balance on the line of credit was zero.

In May 2022, the Organization entered into a revolving line of credit with the Florida Community Loan Fund in the amount of $1,250,000. Interest accrues at 4.75% and is payable monthly with all unpaid principal due at maturity on January 31, 2025. The line of credit is secured by the land and buildings owned by the Organization. On June 30, 2024 and 2023, the outstanding balance on the line of credit was $323,767 and $99,532, respectively.

In December 2023, the Organization obtained a land line of credit with the Florida Community Loan Fund in the amount of $1,000,000. Interest accrues at 5.625% and is payable monthly with all unpaid principal due at maturity on December 31, 2026. The line of credit is secured by the checking account of the Organization. On June 30, 2024 and 2023, the outstanding balance on the line of credit was $667,461 and zero, respectively.

The line of credit agreements require certain financial covenants be met. The Organization was in compliance with these financial covenants as of and for the years ended June 30, 2024 and 2023.

7. Notes Payable and Secured Borrowings, Net

PNC Community Development Company, LLC
On October 22, 2015, Funding Company and PNC Community Development Company, LLC (“PNC”) entered into a Note Purchase Agreement whereby Funding Company will sell to PNC a note at a purchase price equal to the present value of the scheduled principal payments of twenty-four outstanding mortgages held by Habitat discounted at a rate of 3% per year. Funding Company acquired from Habitat all of its rights, title, and interest in the related mortgages. In order to finance the purchase of the acquisition of these mortgages from Habitat, Funding Company entered into a Secured Note (“Secured Note 1”) with PNC in the amount of $1,364,929 whereby it received cash in the amount of $1,059,131, which was subsequently transferred to Habitat. On March 31, 2017, Secured Note 1 was amended to remove three mortgages and add sixteen. This modification resulted in additional cash being paid to Funding Company, which brought the principal amount borrowed to $2,279,086. The difference of $725,372 between the cash proceeds and the modified Secured Note 1 amount was recorded as a discount and will be amortized over the life of Secured Note 1. Installment payments on Secured Note 1 are due monthly in accordance with an amortization schedule with the entire principal balance due and payable on March 1, 2047. As security for Secured Note 1, Funding Company pledged all of its rights, title, and interest in the related mortgage loans. As of June 30, 2024 and 2023, the outstanding balance due on Note 1, net of unamortized debt discounts of $484,915 and $574,253, respectively, is $774,686 and $897,300, respectively.

On March 31, 2017, Funding Company and PNC entered into an additional Note Purchase Agreement whereby Funding Company will sell to PNC a note at a purchase price equal to the present value of the scheduled principal payments of thirty-one outstanding mortgages held by Habitat discounted at a rate of 3% per year. Funding Company acquired from Habitat all of its rights, title, and interest in the related mortgages. In order to finance the purchase of the acquisition of these mortgages from Habitat, Funding Company entered into a Secured Note (“Secured Note 2”) with PNC in the amount of $2,170,717 whereby it received cash in the amount of $1,615,683, which was subsequently transferred to Habitat. The difference of $555,034 between the cash proceeds and Secured Note 2 amount was recorded as a discount and will be amortized over the life of Secured Note 2. Installment payments on Secured Note 2 are due monthly in accordance with an amortization schedule with the entire principal balance due and payable on March 1, 2047. As security for Secured Note 2, Funding Company pledged all of its rights, title, and interest in the related mortgage loans. As of June 30, 2024 and 2023, the outstanding balance due on Secured Note 2, net of unamortized debt discounts of $420,901 and $439,402, respectively, is $934,262 and $1,018,632, respectively.

Notes 1 and 2 were accounted for as secured borrowings in accordance with Accounting Standards Codification Topic 860, *Transfers and Servicing.*

IberiaBank

On October 20, 2017, Habitat entered into a Loan Purchase Agreement (“Agreement”) with IberiaBank (“Iberia”), whereby Habitat will sell certain residential mortgage loans. Each loan shall be secured by a mortgage creating a first lien or, if approved by Iberia, a second lien on a residential dwelling.

In accordance with the Agreement, all loans are sold without recourse; however, if a loan sold under the Agreement defaults after the closing date and becomes a nonperforming loan, as defined, Habitat shall repurchase the loan at a repurchase price, as defined, and Iberia will be required to purchase another loan. On the same date, the parties entered into a Loan Purchase Commitment Letter whereby Habitat sold eighteen loans to Iberia for $1,469,333. As of the closing date, these loans had an aggregate unpaid principal balance of $1,728,628. On April 17, 2018, the parties entered into a second Loan Purchase Commitment Letter whereby Habitat sold nine loans to Iberia for $728,800. As of the closing date, these loans had an aggregate unpaid principal balance of $827,627. The difference between the cash proceeds and the aggregate unpaid principal balance of both loans of $358,122 was recorded as a debt discount and will be amortized over the life of the mortgage loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold.

On November 4, 2020, the Organization entered into an additional Loan Purchase Agreement with Iberia for the sale of two residential mortgage loans for proceeds totaling $229,129. Total aggregate unpaid principal balances related to these mortgages was $229,129 as of the closing date. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold.

On various dates during the years ended June 30, 2020, the Organization entered into three additional Loan Purchase Agreements with Iberia for the sale of eight residential mortgage loans for proceeds totaling $868,826. Total aggregate unpaid principal balances related to these mortgages was $965,362 as of the closing date. The difference between the cash proceeds and the aggregate unpaid principal balance of the loans of $96,536 was recorded as a debt discount and will be amortized over the life of the loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold. Also, during fiscal year 2020, the Organization assigned two mortgages with total unpaid principal balances of $176,745 to Iberia in exchange for certain nonperforming mortgages with total unpaid principal balances of $174,798 and $10,315 in cash consideration. The difference of $8,368 was recorded as a reduction to the mortgage discount in the accompanying consolidated statement of financial position.

On various dates during the year ended June 30, 2019, the Organization entered into four additional Loan Purchase Agreements with Iberia for the sale of eighteen residential mortgage loans for proceeds totaling $1,867,990. Total aggregate unpaid principal balance related to these mortgages was $2,092,623 as of the closing date. The difference between the cash proceeds and the aggregate unpaid principal balance of the loans of $224,633 was recorded as a debt discount and will be amortized over the life of the loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgages sold.

As of June 30, 2024 and 2023, the outstanding balance due to Iberia, net of unamortized debt discounts of $404,547 and $440,187, respectively, is $3,417,413 and $3,653,282, respectively.

In connection with the Agreement, the parties also entered into a Loan Servicing Agreement, whereby Habitat will continue to be responsible for servicing the loans sold. Habitat will receive a servicing fee of $10 per loan per month, which will be netted against monthly loan payments collected by Habitat and remitted to Iberia. Servicing fees for the years ended June 30, 2024 and 2023 were immaterial.

The transactions with Iberia were accounted for as secured borrowings in accordance with Accounting Standards Codification Topic 860, *Transfers and Servicing*.

Habitat Mortgage Solutions, LLC
On September 28, 2021, the Organization entered into a refinancing agreement with a related party, consolidating various debt agreements held with Seaside Bank and Trust into a single promissory note in the amount of $1,300,000. The terms of the promissory note require annual principal payments due on June 30th of each year, calculated as the greater of (i) $325,000 or (ii) $35,135 multiplied by the number of homes sold during the previous fiscal year. Interest accrues at a fixed rate of 3.75% and is payable in quarterly installments beginning December 31, 2021. The promissory note had an original maturity date of September 28, 2025, at which time the balance of all outstanding principal and interest would become due. The promissory note required the Organization to adhere to various financial and construction related covenants and is collateralized by real property located in Orange County, Florida. The promissory note was fully repaid during the year ended June 30, 2024. At June 30, 2023, the balance of the promissory note was $483,110.

Seaside Bank
On February 22, 2022, the Organization entered into a refinancing agreement with Seaside Bank, consolidating various debt agreements held with LC Realty Associates, LLC (see below) into a single promissory note in the amount of $1,289,750. The terms of the promissory note require monthly principal and interest payments of $9,220. Interest accrues at a fixed rate of $3.5%. The promissory note matures on September 22, 2032, at which time the balance of all outstanding principal and interest becomes due. The promissory note requires the Organization to adhere to various financial covenants and is collateralized by real property in Orange County, Florida.

City of Orlando Community Development Block Grant Loan
During the year ended June 30, 2021, the Organization expended $100,000 of federal funding awarded through the City of Orlando (the “City”) for rehabilitation of its office location in Orange County, Florida. The grant agreement constitutes a non-interest-bearing promissory note containing various restrictive covenants, including that the Organization retain ownership of the rehabilitated property for a period of five years.

The promissory note matures on September 30, 2025, at which time full balance becomes due. The note is eligible for full forgiveness by the City if the Organization maintains compliance with all loan covenants during the five-year period. Accordingly, this amount is recorded as long-term debt on the consolidated statements of financial position at June 30, 2023 and 2022. Grant revenue will be recognized in the period in which the conditions under the grant are met and legal release of the promissory note is received.

On June 30, 2024, future maturities on the lines of credit, notes payable, and secured borrowings, are as follows:

	Lines of Credit	Notes Payable	Secured Borrowings	Total
2025	$ 323,767	$ 72,218	$ 832,487	$ 1,228,472
2026	667,461	174,787	831,688	1,673,936
2027	-	77,446	826,844	904,290
2028	-	80,201	816,817	897,018
2029	-	83,053	787,752	870,805
Thereafter	-	744,598	2,870,290	3,614,888
Total future maturities	991,228	1,232,303	6,965,878	9,189,409
Less: Unamortized discounts	-	-	(1,321,171)	(1,321,171)
Less: Unamortized loan costs	-	(31,304)	-	(31,304)
	$ 991,228	$ 1,200,999	$ 5,644,707	$ 7,836,934

8. Transactions with Habitat International

The Organization remits a portion of its revenues to Habitat International, its affiliate, as further discussed in Note 1. These funds are used to construct homes in economically depressed areas around the world, and therefore these amounts are included as fees and donations to affiliates within the Organization's program services on the consolidated statements of activities. For the years ended June 30, 2024 and 2023, the Organization contributed $5,000 and $10,000, respectively, to Habitat International. Stewardship and sustainability fees and other costs paid to Habitat International totaled approximately $25,000 for each of the years ended June 30, 2024 and 2023. The Organization also receives donations from Habitat International, which totaled $1,250 and $8,000 for the years ended June 30, 2024 and 2023, respectively, and are included in contributions on the accompanying consolidated statements of activities.

9. Functional Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. Other general and administrative expenses, including depreciation and amortization and rent, are allocated based on employee head count and estimated square footage prorated compared to total space used.

10. Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions are comprised of undesignated amounts to be used for program and operating expenditures at management's discretion and Board designated amounts of $478,606 at June 30, 2024 and 2023, which may not be spent by management without the approval of the Board of Directors. The Board designated amounts were established as a reserve account to fund operations upon approval of the Board during times of financial hardship

11. Net Assets with Donor Restrictions

At June 30, 2024 and 2023, net assets with donor restrictions consist of contributions restricted by purpose or time and due in future periods as follows:

	2024	2023
For periods subsequent to year end	$ 50,000	$ 60,000
Homeowner education	-	200,000
	$ 50,000	$ 260,000

12. Financial Assets and Liquidity Resources

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures on June 30, 2024 and 2023 are as follows:

	2024	2023
Cash, cash equivalents, and restricted cash	$ 6,016,888	$ 6,951,209
Grants and contributions receivable due within one year	89,986	157,790
Total financial assets available within one year	6,066,875	7,108,999
Less: Amounts unavailable for general expenditures within one year		
Donor restricted for time or specific purposes	(40,000)	(260,000)
Board designated for operating reserves	(478,606)	(478,606)
Total financial assets available to management for general expenditures within one year	$ 5,548,269	$ 6,370,393

As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. Additionally, the Organization has access to revolving credit lines as described in Note 7. Amounts due on long-term debt obligations have not been reflected in the above table.

13. Leases

The Organization is obligated under financing lease agreements for certain office equipment that expire on various dates through June 2028, with total combined payments of approximately $460 per month. A June 30, 2024 and 2023, equipment under financing leases in the consolidated statements of financial position consists of the following:

	2024	2023
Right-of-use assets for equipment under financing leases	$ 23,894	$ 23,894
Accumulated amortization	(6,069)	(1,518)
	$ 17,825	$ 22,376

Total amortization expense of right-of-use assets for equipment under financing leases for the year ended June 30, 2024 and 2023 was $4,551 and $1,518, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of functional expenses. Interest expense related to financing leases totaled $1,893 and $508 and is included in interest and borrowing expenses on the consolidated statements of functional expenses for the years ended June 30, 2024 and 2023, respectively.

Weighted average discount rate related to the financing leases is 7.50%. At June 30, 2024 and 2023, the weighted average remaining life of the Organization's leases was 3.92 and 4.92 years, respectively. Cash paid for financing leases for the years ended June 30, 2024 and 2023 totaled $5,520 and $1,922, respectively.

The following represents the future lease payments due under the Organization's financing lease obligations as of June 30, 2024:

2025	$	5,520
2026		5,520
2027		5,520
2028		4,902
		21,462
Less: Imputed Interest		(2,608)
Right-of-use liabilities - financing	$	18,854

14. Employee Retention Tax Credit

During the year ended June 30, 2023, the Organization filed for the Employee Retention Tax Credit ("ERTC"), which is a refundable tax credit akin to a government grant for eligible entities. The Organization is following the guidance of ASC 958-605, *Not for Profit Entities* in recognition of the ERTC, by which revenue is recognized over time as qualifying expenses that give rise to the credit are incurred. Accordingly, the full amount of the ERTC of $464,632 was recorded in other receivables on the accompanying consolidated statement of financial position and other income in the accompanying consolidated statement of activities for the year ended June 30, 2023. The remaining balance due to the Organization at June 30, 2024 totaled $172,468.

15. Employee Benefit Plan

The Organization has a qualified 403(b) savings plan for all eligible employees. Employees may contribute between 1% to 92% of their compensation, as defined to the plan. The Organization is permitted to make discretionary non-elective and discretionary matching contributions. Non-elective and matching contributions made by the Organization for the years ended June 30, 2024 and 2023 totaled $121,150 and $101,449, respectively, and are included in payroll expenses in the accompanying consolidated statements of functional expenses.

16. Major Customer

The Organization has one donor that accounted for 19% of total contribution revenue for the year ended June 30, 2024. For the year ended June 30, 2023, one donor accounted for 28% of total contribution revenue. There was no receivable balance related to these donors at June 30, 2024 or 2023.