

**INDIAN RIVER COUNTY  
HABITAT FOR HUMANITY, INC.  
and Subsidiary**

**Consolidated Financial Statements  
with  
Independent Auditors' Report**

June 30, 2022  
(With Corresponding Totals for 2021)

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**Independent Auditors' Report**

To the Board of Directors  
Indian River County Habitat for Humanity, Inc.  
and Subsidiary

**Opinion**

We have audited the accompanying consolidated financial statements of Indian River County Habitat for Humanity, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, consolidated functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Indian River County Habitat for Humanity, Inc. and Subsidiary, 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 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 Indian River County Habitat for Humanity, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

To the Board of Directors  
Indian River County Habitat for Humanity, Inc.  
and Subsidiary

### **Auditors' Responsibilities for the Audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Indian River County Habitat for Humanity, Inc. and Subsidiary'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 Indian River County Habitat for Humanity, Inc and Subsidiary'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.



To the Board of Directors  
Indian River County Habitat for Humanity, Inc.  
and Subsidiary

**Report on Summarized Comparative Information**

We have previously audited Indian River County Habitat for Humanity, Inc. and Subsidiary's 2021 consolidated financial statements, and our report dated September 10, 2021, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kmetz, Elwell, Graham & Associates*

Kmetz, Elwell, Graham & Associates, PLLC  
Certified Public Accountants  
Vero Beach, Florida

August 23, 2022



**Indian River County Habitat for Humanity, Inc.**  
Consolidated Statement of Financial Position  
June 30, 2022  
(With corresponding totals as of June 30, 2021)

	2022	2021
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,299,535	\$ 2,955,822
Current portion of mortgage loans	319,013	306,191
Escrow receivable	68,499	34,491
Costs of homes under construction	1,212,135	1,048,895
Inventory	584,851	607,702
Other current assets	157,276	141,830
<b>Total current assets</b>	<b>6,641,309</b>	<b>5,094,931</b>
<b>Other Assets:</b>		
Restricted cash	280,382	322,774
Certificates of deposit	-	253,460
Non-interest bearing mortgage loans, net of discount	6,092,421	5,778,134
Property and equipment, net	4,080,897	4,365,411
Land held for development	1,105,546	2,298,512
<b>Total other assets</b>	<b>11,559,246</b>	<b>13,018,291</b>
<b>Total assets</b>	<b>\$ 18,200,555</b>	<b>\$ 18,113,222</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 441,406	\$ 429,061
Escrow and warranty reserve	280,382	322,774
Prepaid non-interest bearing mortgage loans	53,673	75,394
Current portion of notes payable	196,053	191,562
<b>Total current liabilities</b>	<b>971,514</b>	<b>1,018,791</b>
<b>Long-Term Liabilities:</b>		
SHOP notes payable	97,330	126,055
Notes payable, net of discount	2,307,464	2,379,138
Less current portion of notes payable	(196,053)	(191,562)
<b>Total long-term liabilities</b>	<b>2,208,741</b>	<b>2,313,631</b>
<b>Total liabilities</b>	<b>3,180,255</b>	<b>3,332,422</b>
<b>Net Assets:</b>		
Net assets without donor restrictions:		
Designated	5,088,217	4,583,076
Undesignated	9,511,055	9,813,314
Total net assets without donor restrictions	14,599,272	14,396,390
Net assets with donor restrictions	421,028	384,410
<b>Total net assets</b>	<b>15,020,300</b>	<b>14,780,800</b>
<b>Total liabilities and net assets</b>	<b>\$ 18,200,555</b>	<b>\$ 18,113,222</b>

See accompanying notes to financial statements.



**Indian River County Habitat for Humanity, Inc.**  
Consolidated Statement of Activities and Changes in Net Assets  
For the Year ended June 30, 2022  
(With corresponding totals as of June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	All Funds Combined
<b>Public Support and Revenue</b>				
Contributions	\$ 871,643	\$ 106,906	\$ 978,549	\$ 911,171
Grants	201,793	-	201,793	740,102
Transfers to homeowners	2,083,145	-	2,083,145	1,545,900
ReStore revenue	2,184,316	-	2,184,316	2,252,595
Mortgage loan discount amortizatio	486,555	-	486,555	412,975
Fundraising and other income	901,643	-	901,643	802,520
In-kind contributions	36,841	-	36,841	50,691
Loss on sale of assets	(135,942)	-	(135,942)	(1,384)
Net assets released from restriction	70,288	(70,288)	-	-
<b>Total public support and revenue</b>	<b>6,700,282</b>	<b>36,618</b>	<b>6,736,900</b>	<b>6,714,570</b>
<b>Expenses</b>				
Family support services	4,692,738	-	4,692,738	4,157,663
ReStore	1,054,691	-	1,054,691	1,039,444
Fundraising and development	491,015	-	491,015	399,293
Management and general	258,956	-	258,956	253,287
<b>Total program and supporting services</b>	<b>6,497,400</b>	<b>-</b>	<b>6,497,400</b>	<b>5,849,687</b>
<b>Increase in net assets</b>	<b>202,882</b>	<b>36,618</b>	<b>239,500</b>	<b>864,883</b>
<b>Net assets, beginning of year</b>	<b>14,396,390</b>	<b>384,410</b>	<b>14,780,800</b>	<b>13,915,917</b>
<b>Net assets, end of year</b>	<b>\$ 14,599,272</b>	<b>\$ 421,028</b>	<b>\$ 15,020,300</b>	<b>\$ 14,780,800</b>

See accompanying notes to financial statements.



**Indian River County Habitat for Humanity, Inc.**  
 Consolidated Statement of Functional Expenses  
 For the Year ended June 30, 2022  
 (With corresponding totals as of June 30, 2021)

	2022				2021	
	Program Services	Supporting Services			Total	All Funds Combined
	Family Support, Education and Construction	ReStore	Fundraising	Management and General		
Salaries and wages	\$ 933,112	\$ 502,875	\$ 232,067	\$ 181,698	\$ 1,849,752	\$ 1,643,082
Payroll taxes and benefits	181,642	107,392	39,774	26,338	355,146	367,976
<b>Total payroll</b>	<b>1,114,754</b>	<b>610,267</b>	<b>271,841</b>	<b>208,036</b>	<b>2,204,898</b>	<b>2,011,058</b>
Advertising	341	55,028	3,507	-	58,876	60,864
Cost of homes transferred	1,656,287	-	-	-	1,656,287	1,318,579
Other construction costs	438,903	-	-	-	438,903	426,139
Depreciation	26,218	143,024	9,883	5,341	184,466	185,541
Discount on mortgages	994,132	-	-	-	994,132	816,600
Discount on notes payable	91,163	-	-	-	91,163	93,867
Insurance	42,311	55,613	13,087	7,070	118,081	107,851
Office expenses and miscellaneous	103,927	63,952	50,267	25,334	243,480	255,794
Postage and printing	2,288	-	10,237	517	13,042	17,382
Professional services	22,756	33,901	13,947	5,121	75,725	62,511
Public relations	-	-	105	-	105	4,190
Rent expense	3,487	21,844	1,937	710	27,978	36,168
Repairs and maintenance	29,642	29,880	4,955	2,679	67,156	78,662
Telephone	2,868	3,157	807	890	7,722	8,893
Tithe to International	135,718	-	-	-	135,718	265,619
Travel	3,830	467	2,101	1,226	7,624	1,654
Property taxes	6,399	6,618	1,717	928	15,662	14,688
Utilities	10,056	30,940	2,044	1,104	44,144	39,538
Volunteer recognition	7,658	-	5,790	-	13,448	7,518
Direct fundraising expense	-	-	98,790	-	98,790	36,571
<b>Total expenses</b>	<b>\$ 4,692,738</b>	<b>\$ 1,054,691</b>	<b>\$ 491,015</b>	<b>\$ 258,956</b>	<b>\$ 6,497,400</b>	<b>\$ 5,849,687</b>

See accompanying notes to financial statements.



**Indian River County Habitat for Humanity, Inc.**  
Consolidated Statement of Cash Flows  
For the Year ended June 30, 2022  
(With corresponding totals as of June 30, 2021)

	2022	2021
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 239,500	\$ 864,883
Adjustments to reconcile increase in net assets to net cash flows provided by (used for) operating activities:		
Transfers to homeowners, net of discount	1,050,421	691,689
Depreciation	184,466	185,541
Mortgage loan discount	(486,555)	(412,975)
Loss on sale of assets	135,942	1,384
Discount on notes payable	91,163	93,867
In-kind contributions	22,851	40,331
(Increase) decrease in:		
Restricted cash	42,392	(45,352)
Land held for development and cost of homes under construction	(1,800,728)	(1,709,801)
Other assets	(115,689)	23,331
Increase (decrease) in:		
Accounts payable, escrow and accrued expenses	(30,047)	26,306
<b>Net cash used for operating activities</b>	<b>(666,284)</b>	<b>(240,796)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of certificate of deposit	253,460	-
Purchase of fixed assets	(11,630)	(8,688)
Proceeds from sale of fixed assets	936,110	500
Mortgage payments received	1,023,619	908,734
<b>Net cash provided by investing activities</b>	<b>2,201,559</b>	<b>900,546</b>
<b>Cash flows from financing activities:</b>		
Payments on note payable	(162,837)	(462,437)
Proceeds from SHOP notes and lines of credit	-	49,398
Payments on SHOP notes and lines of credit	(28,725)	(26,158)
<b>Net cash used for financing activities</b>	<b>(191,562)</b>	<b>(439,197)</b>
<b>Net increase in cash</b>	<b>1,343,713</b>	<b>220,553</b>
<b>Cash, beginning of year</b>	<b>2,955,822</b>	<b>2,735,269</b>
<b>Cash, end of year</b>	<b>\$ 4,299,535</b>	<b>\$ 2,955,822</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ -	\$ -
<b>Supplemental disclosure of noncash activities:</b>		
Issuance of non-interest bearing mortgage loans	\$ 1,599,998	\$ 1,445,804
Discount on non-interest bearing mortgage loans	\$ (507,577)	\$ (403,625)
Discount on non-interest bearing note payable	\$ 91,163	\$ 93,867
Forgiveness of PPP loan	\$ -	\$ 299,600

See accompanying notes to financial statements.



**Indian River County Habitat for Humanity, Inc.  
and Subsidiary**

Notes to Consolidated Financial Statements  
For the Year ended June 30, 2022

**Note 1 – Nature of Organization and Summary of Significant Accounting Policies**

**Organization and Purpose**

The Indian River County Habitat for Humanity, Inc. (“Habitat”) is a Florida nonprofit organization that was incorporated on March 19, 1990. Habitat is an affiliate of Habitat for Humanity International, Inc., 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 for Humanity International, Inc. assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

On June 21, 2017, Habitat filed articles of organization with the State of Florida to form its wholly owned subsidiary IRCHFH Funding Company 1, LLC. The Company’s purpose is to acquire and hold mortgage loans and documents to comply with the terms of any note purchase agreement between the Company and any financial institution. As a single member LLC, the entity is disregarded for purposes of the Internal Revenue Code.

**Basis of Accounting**

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles, using the accrual basis of accounting.

**Basis of Presentation**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor imposed restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor imposed restrictions. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor imposed restrictions unless their use is restricted by explicit donor stipulation or by grantor agreement.

**Cash Equivalents**

Cash and cash equivalents include cash and investments that are readily convertible into cash and have original maturities of three months or less. Amounts held in individual financial institutions exceeded FDIC insured limits by \$83,848 at June 30, 2022. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

**Inventory**

Inventory consists of donated merchandise to the Restore, primarily household items and construction materials, held for sale and valued at estimated sale prices.



**Indian River County Habitat for Humanity, Inc.  
and Subsidiary**  
Notes to Consolidated Financial Statements (continued)

**Note 1 – Nature of Organization and Summary of Significant Accounting Policies** (continued)

**Property and Equipment**

Property and equipment acquisitions greater than \$5,000 are capitalized and are stated at cost. Donated property and equipment is recorded at the fair market value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful life of the asset, which ranges from 3 - 40 years.

**Land Held for Development**

Land held for development is recorded at cost and includes land under development, developed lots, and carrying costs incurred during the development period. Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss was recorded as of June 30, 2015 as disclosed further in Note 1 and 15. No additional impairment was recorded for the year ended June 30, 2022.

**Land Available for Sale**

Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs only if the estimated future undiscounted net cash flows from the real estate inventories are less than the carrying amount.

**Escrow and Warranty Reserves**

Habitat services certain mortgages on homes whereby cash amounts are received from homeowners in escrow for insurance, property taxes, and association maintenance. In addition, each home carries a one-year warranty and management has established reserves to cover estimated potential warranty costs. Escrow funds and warranty reserves are used to pay costs as they become due. At June 30, 2022, restricted cash of \$280,382 is held to cover these escrows and reserves.

**Revenue Recognition**

Habitat recognizes revenue from customers in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance is that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. No contract liabilities were recorded for the fiscal year.

- **Unconditional Promises to Give**

Unconditional promises to give (pledges), e.g., pledged contributions, are recognized as revenue and as assets in the year the pledge is received. Unconditional promises to give that are scheduled to be collected in the succeeding twelve months are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give that are scheduled to be collected beyond the succeeding twelve months are reflected as long-term promises to give and are recorded at the present value of their net realizable value. There are no unconditional promises receivable at year-end, therefore, an allowance for uncollectible promises has not been recorded.

- **Restore**

Restore revenue includes the revenue collected on merchandise sold.

**Indian River County Habitat for Humanity, Inc.  
and Subsidiary**  
Notes to Consolidated Financial Statements (continued)

**Note 1 – Nature of Organization and Summary of Significant Accounting Policies** (continued)

**Revenue Recognition** (continued)

- **Transfers to Homeowners**

Transfers to homeowners are recorded at stipulated values that are comparable to market values, less the face value of second mortgages held (see Note 13). Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount is recognized as interest income over the term of the mortgage.

**Contributed Services**

Habitat receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, administration and program services. However, these amounts have not been recognized in the accompanying financial statements because the criteria for recognition of such volunteer effort under ASC 958-605-25-16 have not been satisfied.

**Functional Allocation of Expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The significant expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
President’s Salary and benefits	Time and Effort
Repair & Maintenance	Full Time Equivalent
Utilities	Full Time Equivalent
Office expenses	Full Time Equivalent

**Income Tax Status**

Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Prior Period Information**

The financial statements include certain prior year corresponding totals intended to be read only in relation to the current period presentation. The corresponding information was derived from Habitat’s audited consolidated financial statements for the year ended June 30, 2021, but herein, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.



**Indian River County Habitat for Humanity, Inc.  
and Subsidiary**

Notes to Consolidated Financial Statements (continued)

**Note 2 – Concentrations of Credit Risk**

Financial instruments which potentially subject Habitat to concentration of credit risk include cash held at financial institutions which exceed FDIC insurance and mortgages receivable secured by real property. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**Note 3 – Non-Interest Bearing Mortgage Loans, net of discounts**

Mortgages receivable consist of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Mortgages have an original maturity ranging from 15 to 30 years, and have been discounted with rates ranging from 7.2% to 8.4%. Following is a summary of non-interest bearing mortgage loans at June 30, 2022, which management has estimated to be fully collectible or recoverable through foreclosure or re-sale:

Non-interest bearing mortgage loans at face value	\$ 14,362,862
Unamortized discount on mortgages	(7,951,428)
	<u>\$ 6,411,434</u>
Less than one year	\$ 319,013
Greater than one year	6,092,421
	<u>\$ 6,411,434</u>

**Note 4 – Property and Equipment, net**

The following is a summary of property and equipment at June 30, 2022:

Construction equipment	\$ 17,027
Furniture and fixtures	129,688
ReStore and warehouse	4,002,582
Computer equipment	53,748
Computer software	19,586
Other equipment	9,258
ReStore equipment	66,934
Vehicles	200,725
Land - office complex	585,417
Office and training center	1,017,175
Other real estate owned	-
	<u>6,102,140</u>
Accumulated depreciation	(2,021,243)
	<u>\$ 4,080,897</u>

**Indian River County Habitat for Humanity, Inc.  
and Subsidiary**  
Notes to Consolidated Financial Statements (continued)

**Note 5 – Home Construction Activity**

Following is a summary of home building activity for the year ended June 30, 2022:

	Number	Costs
New and Rehab homes under construction, July 1, 2021	18	\$ 1,048,895
Additional costs incurred on:		
beginning inventory of new homes		1,141,759
beginning inventory of Recycled / Rehab homes		16,772
New homes started during the year	17	538,642
Transfer from property and equipment	1	122,354
New homes sold	(11)	(1,532,882)
Recycled / Rehab homes sold	(1)	(123,405)
Homes under construction, June 30, 2022	24	\$ 1,212,135

The twenty four homes under construction on June 30, 2022 are detailed as follows:

	Number	Costs
New construction	20	\$ 833,315
Recycled / Rehab homes	4	378,820
Homes under construction, June 30, 2022	24	\$ 1,212,135

**Note 6 – Notes Payable**

On June 29, 2017, IRCHFH Funding Company 1, LLC established a secured promissory note due to Northern Trust in the principal amount of \$1,959,900. The note is non-interest bearing and has been discounted at an imputed interest rate of 3.25% until maturity in January 2047. Monthly principal payments began July 2017 in the amount of \$6,229. Outstanding principal at June 30, 2022 amounts to \$1,592,393. The note is collateralized by mortgages as described in Note 12.

On May 3, 2019, IRCHFH Funding Company 1, LLC established a second secured promissory note due to Northern Trust in the principal amount of \$2,079,697. The note is non-interest bearing, and has been discounted at an imputed interest rate of 4.5% until maturity in February 2048. Monthly principal payments began June 2019 in the amount of \$7,341. Outstanding principal at June 30, 2022 amounts to \$1,800,747. The note is collateralized by mortgages as described in Note 12.

Habitat receives funding from the United States Department of Housing and Urban Development, under the Self-Help Home Ownership Program (SHOP). The funding is comprised of grant revenue (75% of funding) and a loan (25% of funding). These funds are used for land acquisition and infrastructure improvements for Habitat houses.



**Indian River County Habitat for Humanity, Inc.  
and Subsidiary**  
Notes to Consolidated Financial Statements (continued)

**Note 6 – Notes Payable (continued)**

The loan portion of the SHOP funding is in the form of a non-interest bearing note. The loan agreements require principal only payments for 48 months. The five SHOP notes payable had a combined balance of \$97,330 at June 30, 2022.

Principal payments on all notes payable are due as follows:

2023	\$ 196,053
2024	192,807
2025	185,827
2026	173,991
2027 & after	2,741,792
	3,490,470
Less: Discount on notes payable	(1,085,676)
	\$ 2,404,794

**Note 7 - Line of Credit**

In April of 2022 Habitat renewed and modified a secured line of credit in the amount of \$1,000,000 with TD Bank. The line of credit bears interest at a per annum rate equal to 0.75% below the Wall Street Journal Prime Rate. The line is secured by substantially all the accounts and personal property of the organization and expires May 31, 2023. As of June 30, 2022, the outstanding balance is zero.

In November 2020, Habitat renewed a secured line of credit in the amount of \$1,750,000 with SouthState Bank. The interest rate will be adjusted based on the Wall Street Journal Prime rate minus .50%, with a rate floor of 2.25%. This line of credit is secured by their campus located on U.S. Highway 1 in Indian River County, Florida and expired August 24, 2021. This line of credit was reaffirmed in August of 2022 with an expiration date of August 24, 2023. The line is due on demand and had an outstanding balance of zero as of June 30, 2022.

**Note 8 – Net Assets, Designated**

Designated net assets consist of resources voluntarily set aside by Habitat for the construction of homes that have been awarded to applicants. Additionally, the Board of Directors have designated funds for future projects as detailed below.

Designated net assets consisted of the following at June 30, 2022:

Future homes awarded to applicants	\$2,388,217
Grace Meadows IV infrastructure and site planning	1,000,000
Facility improvements	200,000
West Gifford infrastructure and site planning	500,000
Land acquisition	1,000,000
	\$5,088,217

**Indian River County Habitat for Humanity, Inc.  
and Subsidiary**  
Notes to Consolidated Financial Statements (continued)

**Note 9 – Net Assets with Donor Restrictions**

Net Assets with donor restrictions at June 30, 2022 are restricted by purpose or time for the following:

Scholarships	\$ 361,028
Fellsmere expansion	60,000
	\$ 421,028

**Note 10 – Net Assets Released from Restriction**

During the fiscal year ended June 30, 2022, net assets were released from donor restrictions due to the passage of time and usage as follows:

Scholarships	\$ 53,288
Habitat Island Party	11,000
ReStore Recycling	6,000
	\$ 70,288

**Note 11 – Fair Value Measurement**

ASC Topic 820, “Fair Value Measurements and Disclosures”, defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. ASC Topic 820 establishes and prioritizes three levels of inputs that may be used to measure fair value. No transfers between the levels or changes in the valuation approach or technique were made during the period ended June 30, 2022.

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

*Level 2* – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.

The following methods and assumptions were used by Habitat in estimating its fair value disclosures for financial instruments on a nonrecurring basis:





**Indian River County Habitat for Humanity, Inc.  
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Notes to Consolidated Financial Statements (continued)

**Note 11 – Fair Value Measurement** (continued)

- Cash, cash equivalents, current portion of pledge receivable, accounts receivable, cost of homes under construction, accounts payable, notes payable and line of credit: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments. For long-term assets and liabilities, Habitat will continue to utilize the exemption from certain disclosure requirements for financial instruments provided by FASB ACS 825-10-50-3.
- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a 4% rate of return.
- Mortgage loan receivable: The fair value of mortgage loan receivable is estimated by discounting expected future cash flows as more fully described in Note 3.
- Land held for development: The fair value of land held for development is estimated by management based on current tax appraised values and other information compiled from industry experts, historical real estate transactions, and Indian River County property records.

The following table presents Habitat’s assets measured at fair value on a non-recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3
Mortgage loans receivable	\$ -	\$ -	6,411,434
Land held for development	-	-	1,105,546
	\$ -	\$ -	\$ 7,516,980

**Note 12 – Securitization of Mortgages and Commitment**

On June 29, 2017, IRCHFH Funding Company 1, LLC acquired, under purchase agreement from Habitat, 25 mortgages receivable with principal balances totaling \$1,959,900. To fund the purchase of these subject mortgages, IRCHFH Funding authorized the issuance of a promissory note secured by the aforementioned mortgages and entered into a note purchase agreement with Northern Trust Bank for the securitized note. See Note 6 for the terms and outstanding balance of the note payable at June 30, 2022. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, IRCHFH Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.



**Indian River County Habitat for Humanity, Inc.  
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Notes to Consolidated Financial Statements (continued)

**Note 12 – Securitization of Mortgages and Commitment** (continued)

On May 3, 2019, IRCHFH Funding Company 1, LLC acquired, under purchase agreement from Habitat, 21 mortgages receivable with principal balances totaling \$2,079,697. To fund the purchase of these subject mortgages, IRCHFH Funding authorized the issuance of a promissory note secured by the aforementioned mortgages and entered into a second note purchase agreement with Northern Trust Bank for the securitized note. See Note 6 for the terms and outstanding balance of the note payable at June 30, 2022. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, IRCHFH Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

As discussed in Note 1, IRCHFH Funding Company 1, LLC is a wholly owned subsidiary of Habitat, and as such, the entities are consolidated. All intercompany amounts, including the effects of gains and losses, unamortized discounts, and any imputed interest related to transactions between the entities are eliminated in the accompanying financial statements.

**Note 13 – Transfers to Homeowners-Second Mortgages / Shared Appreciation Agreements**

Habitat requires that, on the date of transfer, the homeowners sign a shared appreciation agreement in addition to any second mortgage which may be recorded. The intent of these instruments is to deter homeowners from immediately selling their newly acquired homes for a profit. The second mortgage represents the approximate difference between the fair market value of the home at the date of transfer less the amount equal to the funds needed to put the homeowners' monthly mortgage payment at 20-30% of the family's gross monthly income. The second mortgage amount generally ranges between \$45,000 to \$110,000 per home.

The shared appreciation agreement systematically allocates a specific percentage of property appreciation to the homeowner and Habitat, on a declining basis over twenty years from the date of transfer. At such time, the shared appreciation agreement terminates. The payment of the second mortgage, and any amount which may be due under the shared appreciation agreement, are only due upon sale of property from the original homeowner to a non-qualifying party. Since this event will occur sometime in the unforeseeable future, and which will be beyond the organization's control, the present value of said mortgages cannot be readily determined. Accordingly, neither the face value nor present value of second mortgages held, are included in the financial statements. The face value of second mortgages held as of June 30, 2022, amounts to \$6,796,653.

**Note 14 – Transactions with Habitat for Humanity International, Inc.**

By covenant agreement with Habitat for Humanity International, Inc., Habitat remits 10% of its contributions (excluding in-kind and capital campaign contributions) to construct homes in economically depressed areas around the world. For the year ended June 30, 2022, Habitat contributed \$135,718 toward this effort.

**Indian River County Habitat for Humanity, Inc.  
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Notes to Consolidated Financial Statements (continued)

**Note 15– Impairment Loss**

In accordance with generally accepted accounting principles, certain assets require the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired, and the estimated future cash flows from that asset are less than the asset’s carrying amount. The impairment loss is measured as the difference between the asset’s carrying amount and its fair value.

The most recent impairment loss related to the fair value of land held for development was recorded during the year ended June 30, 2015. No further impairment has been determined.

Land held for development is therefore presented at fair value at June 30, 2022, as follows:

Land held for development at cost	\$ 1,512,388
Allowance for impairment	(406,842)
Land held for development at fair value	\$ 1,105,546

**Note 16 – In-kind Contributions**

The Organization receives in-kind contributed professional services from various companies, including engineering and land surveying firms, primarily used in the construction of homes. The fair value of these in-kind contributed services for the year ended June 30, 2022 was \$36,841.

**Note 17 – Liquidity and Availability of Financial Assets**

The Organization has \$5,271,898 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures. Available current assets include cash of \$4,299,535, inventory of \$584,851 and current portion of mortgage loans and receivables of \$387,512. The Organization will additionally fund operating needs through contributions and fundraising.

**Note 18 – Related Parties**

The Treasurer of Habitat is a partner in a law firm providing legal services to the organization. Payments to the law firm amounted to \$13,191 for the year ended June 30, 2022. Additionally, during the year a member of the Board of Directors was the real estate broker for a sale of property owned by Habitat. The commission paid by Habitat for the transaction was \$50,000.



**Indian River County Habitat for Humanity, Inc.  
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Notes to Consolidated Financial Statements (continued)

**Note 19 – Risks and Uncertainties**

**COVID-19 Disruption**

In March 2020, a global pandemic was declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The pandemic has significantly impacted the economic conditions in the United States, including disrupting supply chains and affecting production and sales across a range of industries. The extent of the ultimate effects of COVID-19 on the Organizations operating and financial performance cannot be predicted at this time.

Habitat is currently a defendant in a warranty claim legal dispute, that management believes to be covered by the organization's insurance coverage. Liability, if any, for this dispute cannot be estimated at this time and no accrual for a possible claim has been made.

**Note 20 – Subsequent Events**

Management has evaluated subsequent events through August 23, 2022, the date the financial statements were available to be issued. After consideration of the above, management is not aware of any additional events subsequent to the statement of financial position date which would require additional adjustments to, or disclosure in, the accompanying financial statements.