

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

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

June 30, 2023
(With Corresponding Totals for 2022)

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KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC
Certified Public Accountants

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, 2023, 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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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 2022 consolidated financial statements, and our report dated August 23, 2022, 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, 2022, 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

September 15, 2023



Indian River County Habitat for Humanity, Inc.
Consolidated Statement of Financial Position
June 30, 2023
(With corresponding totals as of June 30, 2022)

	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ 848,336	\$ 4,299,535
Investments	2,933,775	-
Current portion of mortgage loans	339,403	319,013
Escrow receivable	74,023	68,499
Costs of homes under construction	1,864,832	1,212,135
Inventory	593,266	584,851
Other current assets	168,768	157,276
Total current assets	6,822,403	6,641,309
Other Assets:		
Restricted cash	437,659	280,382
Non-interest bearing mortgage loans, net of discount	6,267,836	6,092,421
Property and equipment, net	4,024,162	4,080,897
Land held for development	1,741,150	1,105,546
Total other assets	12,470,807	11,559,246
Total assets	\$ 19,293,210	\$ 18,200,555
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 500,000	\$ 441,406
Escrow and warranty reserve	437,659	280,382
Prepaid non-interest bearing mortgage loans	21,708	53,673
Current portion of notes payable	192,807	196,053
Total current liabilities	1,152,174	971,514
Long-Term Liabilities:		
SHOP notes payable	70,234	97,330
Notes payable, net of discount	2,246,548	2,307,464
Less current portion of notes payable	(192,807)	(196,053)
Total long-term liabilities	2,123,975	2,208,741
Total liabilities	3,276,149	3,180,255
Net Assets:		
Net assets without donor restrictions:		
Designated	3,945,090	5,088,217
Undesignated	11,605,611	9,511,055
Total net assets without donor restrictions	15,550,701	14,599,272
Net assets with donor restrictions	466,360	421,028
Total net assets	16,017,061	15,020,300
Total liabilities and net assets	\$ 19,293,210	\$ 18,200,555

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, 2023
(With corresponding totals as of June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	All Funds Combined
Public Support and Revenue				
Contributions	\$ 1,240,925	\$ 106,019	\$ 1,346,944	\$ 978,549
Grants	334,500	-	334,500	201,793
Transfers to homeowners	1,765,752	-	1,765,752	2,083,145
Mortgage loan discount amortization	467,647	-	467,647	486,555
In-kind contributions - Other	26,838	-	26,838	36,841
In-kind contributions - ReStore	2,186,980	-	2,186,980	2,104,859
ReStore revenue	2,268,095	-	2,268,095	2,184,316
Less Cost of goods sold	(2,186,980)	-	(2,186,980)	(2,104,859)
Fundraising and other income	563,850	-	563,850	572,285
Interest and other income	1,414,257	-	1,414,257	329,358
Gain on sale of assets	615	-	615	(135,942)
Net assets released from restriction	60,687	(60,687)	-	-
Total public support and revenue	8,143,166	45,332	8,188,498	6,736,900
Expenses				
Family support services	4,823,854	-	4,823,854	4,692,738
ReStore	1,384,625	-	1,384,625	1,054,691
Fundraising and development	691,774	-	691,774	491,015
Management and general	291,484	-	291,484	258,956
Total program and supporting services	7,191,737	-	7,191,737	6,497,400
Increase in net assets	951,429	45,332	996,761	239,500
Net assets, beginning of year	14,599,272	421,028	15,020,300	14,780,800
Net assets, end of year	\$ 15,550,701	\$ 466,360	\$ 16,017,061	\$ 15,020,300

See accompanying notes to financial statements.

Indian River County Habitat for Humanity, Inc.
Consolidated Statement of Functional Expenses
For the Year ended June 30, 2023
(With corresponding totals as of June 30, 2022)

	2023				2022	
	Program Services	Supporting Services			Total	All Funds Combined
	Family Support, Education and Construction	ReStore	Fundraising	Management and General		
Salaries and wages	\$ 1,031,980	\$ 662,107	\$ 298,618	\$ 197,293	\$ 2,189,998	\$ 1,849,752
Payroll taxes and benefits	250,822	147,772	56,033	34,455	489,082	355,146
Total payroll	1,282,802	809,879	354,651	231,748	2,679,080	2,204,898
Advertising	2,291	61,655	2,660	-	66,606	58,876
Cost of homes transferred	1,484,716	-	-	-	1,484,716	1,656,287
Other construction costs	708,999	-	-	-	708,999	438,903
Depreciation	15,456	143,767	6,798	3,711	169,732	184,466
Discount on mortgages	693,436	-	-	-	693,436	994,132
Discount on notes payable	88,351	-	-	-	88,351	91,163
Insurance	53,220	50,824	10,367	5,794	120,205	118,081
Office expenses and miscellaneous	146,229	85,087	46,270	28,820	306,406	243,480
Postage and printing	3,223	21	39,722	409	43,375	13,042
Professional services	125,646	98,552	30,924	12,932	268,054	75,725
Public relations	-	-	2,909	-	2,909	105
Rent expense	6,679	25,248	2,501	739	35,167	27,978
Repairs and maintenance	34,038	59,172	4,274	2,381	99,865	67,156
Telephone	5,153	4,373	624	349	10,499	7,722
Tithe to International	129,333	-	-	-	129,333	135,718
Travel	7,421	1,716	2,186	2,774	14,097	7,624
Property taxes	6,996	6,918	1,606	898	16,418	15,662
Utilities	13,445	37,284	1,662	929	53,320	44,144
Volunteer recognition	16,420	129	2,814	-	19,363	13,448
Direct fundraising expense	-	-	181,806	-	181,806	98,790
Total expenses	\$ 4,823,854	\$ 1,384,625	\$ 691,774	\$ 291,484	\$ 7,191,737	\$ 6,497,400

See accompanying notes to financial statements.



Indian River County Habitat for Humanity, Inc.
Consolidated Statement of Cash Flows
For the Year ended June 30, 2023
(With corresponding totals as of June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ 996,761	\$ 239,500
Adjustments to reconcile increase in net assets to net cash flows provided by (used for) operating activities:		
Depreciation	169,732	184,466
Transfers to homeowners, net of discount	1,041,643	1,050,421
Amortization of mortgage loan discount	(467,647)	(486,555)
Gain on sale of assets	(615)	135,942
Discount on notes payable	88,351	91,163
In-kind contributions	(8,415)	22,851
(Increase) decrease in:		
Restricted cash	(157,277)	42,392
Land held for development and cost of homes under construction	(3,162,076)	(1,800,728)
Other assets	(15,786)	(115,689)
Increase (decrease) in:		
Accounts payable, escrow and accrued expenses	183,906	(30,047)
Net cash used for operating activities	(1,331,423)	(666,284)
Cash flows from investing activities		
Purchase of investments	(2,933,775)	-
Sale of investments	-	253,460
Purchase of fixed assets	(113,786)	(11,630)
Proceeds from sale of fixed assets	21,500	936,110
Mortgage payments received	1,082,648	1,023,619
Net cash provided by (used for) investing activities	(1,943,413)	2,201,559
Cash flows from financing activities:		
Payments on note payable	(149,267)	(162,837)
Payments on SHOP notes and lines of credit	(27,096)	(28,725)
Net cash used for financing activities	(176,363)	(191,562)
Net increase (decrease) in cash	(3,451,199)	1,343,713
Cash and cash equivalents, beginning of year	4,299,535	2,955,822
Cash and cash equivalents, end of year	\$ 848,336	\$ 4,299,535
Supplemental disclosure of cash flow information:		
Supplemental disclosure of noncash activities:		
Issuance of non-interest bearing mortgage loans	\$ 1,136,509	\$ 1,599,998
Discount on non-interest bearing mortgage loans	\$ (225,789)	\$ (507,577)
Discount on non-interest bearing note payable	\$ 88,351	\$ 91,163

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, 2023

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 \$9,635 at June 30, 2023. 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)

Investments

The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Donated investments are recorded at fair market value on the date of the donation. Investment interest and dividends are reflected in the statement of activities as unrestricted and temporarily restricted revenue. Realized gains and losses on sales of securities and unrealized gains and losses are included as unrestricted revenues in the statement of activities.

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 17. No additional impairment was recorded for the year ended June 30, 2023.

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, 2023, restricted cash of \$437,659 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.



**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)

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.

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 15). 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 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 and 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.



**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)

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, 2022, but herein, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. See Note 24 for details of a change in presentation.

Note 2 – Restricted Cash

Habitat administers the mortgages on the homes it sells. Restricted cash includes amounts received from homeowners and held in escrow for property taxes and insurance on the respective homes.

Note 3 – 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 4 – Investments

The Organization invested in treasury bills with six month maturities, and yields to maturity ranging from 4.70% to 5.27%. Investments, which are stated at fair market value, consist of the following at June 30, 2023:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Government and agency securities	\$ 2,899,289	\$ 2,933,775	\$ 34,486



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

Note 5 – 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, 2023, which management has estimated to be fully collectible or recoverable through foreclosure or re-sale:

Non-interest bearing mortgage loans at face value	\$ 14,784,456
Unamortized discount on mortgages	(8,177,217)
	<u>\$ 6,607,239</u>
Less than one year	\$ 339,403
Greater than one year	6,267,836
	<u>\$ 6,607,239</u>

Note 6 – Property and Equipment, net

The following is a summary of property and equipment at June 30, 2023:

Construction equipment	\$ 17,027
Furniture and fixtures	129,687
ReStore and warehouse	4,012,494
Computer equipment	47,873
Computer software	11,179
Other equipment	9,258
ReStore equipment	33,023
Vehicles	300,099
Land - office complex	585,417
Office and training center	1,017,175
	<u>6,163,232</u>
Accumulated depreciation	(2,139,070)
	<u>\$ 4,024,162</u>

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

Note 7 – Home Construction Activity

Following is a summary of home building activity for the year ended June 30, 2023:

	Number	Costs
New and Rehab homes under construction, July 1, 2022	24	\$ 1,212,135
Additional costs incurred on:		
beginning inventory of new homes		1,382,231
beginning inventory of Recycled / Rehab homes		47,911
New homes started during the year	15	531,908
Purchased during the year	1	175,363
New homes sold	(9)	(1,384,339)
Recycled / Rehab homes sold	(1)	(100,377)
Homes under construction, June 30, 2023	30	\$ 1,864,832

The thirty homes under construction on June 30, 2023 are detailed as follows:

	Number	Costs
New construction	26	\$ 1,363,115
Recycled / Rehab homes	4	501,717
Homes under construction, June 30, 2023	30	\$ 1,864,832

Note 8 – 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, 2023 amounts to \$1,523,875. The note is collateralized by mortgages as described in Note 16.

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, 2023 amounts to \$1,719,998. The note is collateralized by mortgages as described in Note 16.

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 8 – 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 \$70,234 at June 30, 2023.

Principal payments on all notes payable are due as follows:

2024	\$ 192,807
2025	185,827
2026	177,051
2027	165,897
2028 & after	2,592,525
	3,314,107
Less: Discount on notes payable	(997,325)
	\$ 2,316,782

Note 9 - Lines of Credit

In April of 2023 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, 2024. As of June 30, 2023, 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, 2022. This line of credit was reaffirmed in August of 2023 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, 2023.

Note 10 – 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, 2023.

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

Note 10 – Fair Value Measurement (continued)

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:

- Cash, cash equivalents, investments, 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.
- Mortgage loan receivable: The fair value of mortgage loan receivable is estimated by discounting expected future cash flows as more fully described in Note 5.
- 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, 2023:

	Level 1	Level 2	Level 3
Mortgage loans receivable	\$ -	\$ -	\$ 6,607,239
Land held for development	-	-	1,741,150
Investments in Treasury Bills	2,933,775	-	-
	\$ 2,933,775	\$ -	\$ 8,348,389

Note 11 – 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.



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

Note 11 – Net Assets, Designated (continued)

Designated net assets consisted of the following at June 30, 2023:

Future home construction	\$2,795,090
Campus and facility improvements	325,000
ReStore truck purchase	75,000
Land acquisition and development	750,000
	\$3,945,090

Note 12 – Net Assets with Donor Restrictions

Net Assets with donor restrictions at June 30, 2023 are restricted by purpose or time for the following:

Scholarships	\$ 391,360
Fellsmere expansion	75,000
	\$ 466,360

Note 13 – Net Assets Released from Restriction

During the fiscal year ended June 30, 2023, net assets were released from donor restrictions due to the passage of time and usage as follows:

Scholarships	\$ 60,687
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Note 14 – 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 8 for the terms and outstanding balance of the note payable at June 30, 2023. 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.



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Notes to Consolidated Financial Statements (continued)

Note 14 – 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 8 for the terms and outstanding balance of the note payable at June 30, 2023. 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 15 – 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, 2023, amounts to \$7,537,650.

Note 16 – Transactions with Habitat for Humanity International, Inc.

By covenant agreement with Habitat for Humanity International, Inc., Habitat remits 10% of its net ReStore revenue and contributions (excluding in-kind, donor restricted contributions, contributions designated for construction in Indian River County, and capital campaign contributions) to construct homes in economically depressed areas around the world. For the year ended June 30, 2023, Habitat contributed \$129,333 toward this effort.

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

Note 17 – 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, 2023, as follows:

Land held for development at cost	\$ 2,123,529
Allowance for impairment	(382,379)
Land held for development at fair value	\$ 1,741,150

Note 18 – Special Events

During the year, Habitat held different fundraising and awareness events. Revenues and direct benefits to donors by event were as follows:

	Event income	Direct benefits to donors	Net event income
Moorings Golf Classic	\$ 633,913	\$ 94,569	\$ 539,344
Evening with Habitat	41,750	54,760	(13,010)
We Golf Fore Habitat	22,690	7,830	14,860
Women Build	41,879	19,223	22,656
	\$ 740,232	\$ 176,382	\$ 563,850

Note 19 – In-kind Contributions

Habitat receives donated goods and services from a variety of sources. It is Habitat's policy to use contributed nonfinancial assets for programmatic or other purposes unless the assets have no utility consistent with the Organization's mission. In those instances, the assets will be monetized.



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

Note 19 – In-kind Contributions (continued)

During the year Habitat received contributions of non-financial assets as outlined below:

	2023	Usage in programs	Donor Restrictions	Valuation Technique
ReStore items	\$2,186,980	Donated items resold	None	Value received at resale
Construction services	12,132	Construction of homes	None	Retail pricing for similar services
Construction materials	12,513	Construction of homes	None	Retail prices for similar products
Fundraising	2,193	Advertising	None	Retail pricing for similar services
	\$2,213,818			

Note 20 – Other Income – Employee Retention Credit

The CARES Act provides for an employee retention credit (“ERC”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee in 2020 for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit was increased to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee remained at \$10,000 of qualified wages per quarter. During the fiscal year, Habitat applied for and received \$826,515 in Employee Retention Tax Credits and \$27,076 interest by filing revised 2020 and 2021 Form 941-X Adjusted Employer’s Quarterly Federal Tax Returns for the quarters ended December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021. During the year Habitat paid an administrative fee of \$165,303 to calculate, process and file the amended Employer’s Quarterly Federal Tax Returns.

Note 21 – Risks and Uncertainties

As discussed in Note 20, Habitat believes that it qualifies for and have complied with all provisions of the CARES Act as amended as well as all other government provisions as related to the ERC. Habitat’s amended Employer’s Quarterly Federal Tax Returns are currently subject to IRS examination for up to five years. In the event IRS disagrees with Habitat’s eligibility for the ERC, the IRS can demand a full or partial repayment and impose interest charges and penalties.



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

Note 22 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure of Habitat, that is, without donor or other restrictions limiting their use within one year of June 30, 2023 are:

Cash	\$ 848,336
Investments	2,933,775
Accounts receivable	31,885
Less:	
Amounts with donor restrictions	(466,360)
Projected new home construction	(1,645,090)
Board designated:	
Campus & facility improvements	(325,000)
ReStore truck purchase	(75,000)
Land acquisition and development	(750,000)
Total financial assets available for expenditure	\$ 552,546

The Organization will additionally fund operating needs through contributions and fundraising.

Note 23 – Related Parties

A member of the Board of Directors of Habitat is a partner in a law firm providing general legal services to the organization. Payments to the law firm amounted to \$13,893 for the year ended June 30, 2023.

Note 24 – Prior Period Information

As of July 1, 2021, Habitat adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under ASU 2018-08, Habitat is required to make certain disclosures pertaining to the value of in-kind donations of nonfinancial assets in its financial statements. Habitat has thus made changes in its presentation of the statement of activities to facilitate such disclosures. During 2022, Habitat received donations of household items and building materials that were resold in the ReStore. For the year ended June 30, 2022, the statement of activities is restated to conform to the fiscal 2023 presentation. This restatement includes gross presentation of previously net presentation of ReStore sales. Total Restore Revenue of \$2,184,316 under net presentation at June 30, 2022 consisted of in-kind ReStore contributions of \$2,104,859, ReStore Sales of \$2,184,316 and ReStore Cost of Goods Sold of \$2,104,859. This change in presentation has no effect on total revenue, net income or net assets for the year ended June 30, 2022.

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

Note 25 – Subsequent Events

Management has evaluated subsequent events through September 15, 2023, 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.