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**HABITAT FOR HUMANITY  
OF EAST JEFFERSON COUNTY**

Audited Consolidated Financial Statements

June 30, 2023 and 2022

**HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

Audited Consolidated Financial Statements

June 30, 2023 and 2022

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## Independent Auditor's Report

Board of Directors  
Habitat for Humanity of East Jefferson County  
Port Townsend, Washington

### **Report on the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Habitat for Humanity of East Jefferson County (a nonprofit organization) ("Habitat"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, 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 as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### ***Change in Accounting Principle***

As discussed in Note 10 to the consolidated financial statements, Habitat has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as January 1, 2022, using the modified retrospective approach. Our opinion is not modified with respect to this matter.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 Habitat, 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 U.S. GAAP, 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 Habitat's ability to continue as a going concern for one year after the date that the financial statements are issued.

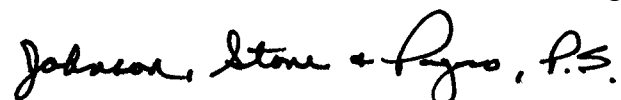
***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. 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 Habitat'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 Habitat'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.



**JOHNSON, STONE & PAGANO, P.S.**

October 26, 2023

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

# HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 399,482	\$ 278,679
Grants and other receivables	48,316	55,639
Contributions receivable, current portion	380,176	3,500
Inventory held for sale - Furniture and More Stores	49,644	48,857
Inventory - general	16,266	
Prepaid expenses	9,825	6,635
Mortgages receivable, current portion	<u>55,629</u>	<u>57,450</u>
<b>Total Current Assets</b>	<b>959,338</b>	<b>450,760</b>
<b>OTHER ASSETS</b>		
Restricted cash	454,433	845,492
Contributions receivable, net of current portion	736,309	1,000
Mortgages receivable, net of discount and current portion	344,467	365,031
Construction in progress	2,025,553	1,227,411
Land held for development	2,696,829	2,763,102
Deposits and other	1,257	979
Property, furniture and equipment, net	1,127,097	1,154,221
Land leased to homeowners	261,986	
Operating right-of-use asset, net	<u>6,943</u>	
<b>Total Other Assets</b>	<b><u>7,654,874</u></b>	<b><u>6,357,236</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,614,212</u></b>	<b><u>\$ 6,807,996</u></b>

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

# HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 117,072	\$ 57,481
Accrued expenses	185,413	76,935
Homeowner reserve accounts	9,253	6,153
Current portion of operating lease liability	1,306	
Long-term debt, current portion	<u>43,615</u>	<u>170,841</u>
<b>Total Current Liabilities</b>	356,659	311,410
<b>LONG-TERM DEBT</b> , net of debt issuance cost, less current portion	1,339,387	594,625
<b>OPERATING LEASE LIABILITY</b> , less current portion	<u>5,502</u>	<u></u>
<b>Total Liabilities</b>	1,701,548	906,035
<b>NET ASSETS</b>		
Without donor restrictions - undesignated	4,900,943	5,032,869
Without donor restrictions - board-designated	<u>425,453</u>	<u>331,042</u>
	5,326,396	5,363,911
With donor restrictions	<u>1,586,268</u>	<u>538,050</u>
<b>Total Net Assets</b>	<u>6,912,664</u>	<u>5,901,961</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,614,212</u>	<u>\$ 6,807,996</u>

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

# HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 1,379,609	\$ 1,406,030	\$ 2,785,639
Grants	199,348		199,348
In-kind contributions	527,779		527,779
Sales to homeowners	1,636,545		1,636,545
NRI home repair revenue	9,000		9,000
Store revenue	397,510		397,510
Other income	2,400		2,400
Mortgage loan discount amortization	34,609		34,609
Interest income	842		842
Gain on sale of assets			
Net assets released from restrictions	<u>357,812</u>	<u>(357,812)</u>	
<b>Total Revenues and Support</b>	4,545,454	1,048,218	5,593,672
<b>EXPENSES</b>			
Program expenses	4,054,153		4,054,153
Management and administration	285,541		285,541
Fundraising	<u>243,275</u>		<u>243,275</u>
<b>Total Expenses</b>	<u>4,582,969</u>		<u>4,582,969</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(37,515)	1,048,218	1,010,703
<b>Net Assets at Beginning of Year</b>	<u>5,363,911</u>	<u>538,050</u>	<u>5,901,961</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 5,326,396</u>	<u>\$ 1,586,268</u>	<u>\$ 6,912,664</u>

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



# HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

## CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 1,613,006	\$ 850,296	\$ 2,463,302
Grants	151,148	500,000	651,148
In-kind contributions	640,576		640,576
Sales to homeowners	1,024,212		1,024,212
NRI home repair revenue	6,600		6,600
Store revenue	439,716		439,716
Other income	2,952		2,952
Mortgage loan discount amortization	90,251		90,251
Interest income	1,238		1,238
Gain on sale of assets	23,250		23,250
Net assets released from restrictions	<u>1,229,426</u>	<u>(1,229,426)</u>	
<b>Total Revenues and Support</b>	5,222,375	120,870	5,343,245
<b>EXPENSES</b>			
Program expenses	2,937,408		2,937,408
Management and administration	249,405		249,405
Fundraising	<u>196,336</u>		<u>196,336</u>
<b>Total Expenses</b>	<u>3,383,149</u>		<u>3,383,149</u>
<b>INCREASE IN NET ASSETS</b>	1,839,226	120,870	1,960,096
<b>Net Assets at Beginning of Year</b>	<u>3,524,685</u>	<u>417,180</u>	<u>3,941,865</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 5,363,911</u>	<u>\$ 538,050</u>	<u>\$ 5,901,961</u>

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

**HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2023 with Comparative Totals for 2022

	Program Expenses			Supporting Expenses			Total Expenses	
	Program Services	Stores	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Expenses	2023	2022
	Program and home building costs	\$ 2,146,176		\$ 2,146,176				\$ 2,146,176
Salaries and wages	533,308	\$ 199,073	732,381	\$ 162,111	\$ 136,568	\$ 298,679	1,031,060	750,183
Payroll taxes and benefits	143,355	54,339	197,694	34,626	35,928	70,554	268,248	207,489
Cost of goods sold		397,815	397,815				397,815	439,716
Professional fees	107,559	16,927	124,486	33,685	18,127	51,812	176,298	106,288
Supplies and equipment	9,567	3,396	12,963	1,422	1,340	2,762	15,725	35,188
Telephone	7,921	7,807	15,728	1,545	1,681	3,226	18,954	13,782
Information technology	25,519	7,881	33,400	9,464	9,533	18,997	52,397	32,175
Postage and shipping	2,200	13	2,213	559	1,323	1,882	4,095	3,518
Facilities	17,433	40,177	57,610	3,010	4,060	7,070	64,680	68,685
Equipment rental and maintenance	1,520	129	1,649	975	507	1,482	3,131	2,130
Printing and publications	22,810	2,877	25,687	5,541	16,582	22,123	47,810	30,493
Travel and vehicle	6,432	8,660	15,092	114	239	353	15,445	39,154
Conferences, conventions and meetings	18,155	349	18,504	1,695	2,626	4,321	22,825	17,638
Volunteers	29,880	1,778	31,658	79	1,948	2,027	33,685	34,493
Dues, fees, licenses and permits	43,165	12,420	55,585	5,889	7,391	13,280	68,865	50,893
Taxes	14,728	3,909	18,637	1,484		1,484	20,121	16,584
Interest	34,103	14,923	49,026	1,606	855	2,461	51,487	33,421
Homeowner services	10,056		10,056				10,056	5,667
Tithes	59,371		59,371				59,371	75,991
Insurance	10,621	1,274	11,895	20,898	531	21,429	33,324	19,105
Community and public relations	3,255		3,255		2,937	2,937	6,192	3,951
Miscellaneous								7,837
Depreciation and amortization	18,459	14,813	33,272	838	1,099	1,937	35,209	37,428
<b>TOTAL</b>	<b>\$ 3,265,593</b>	<b>\$ 788,560</b>	<b>\$ 4,054,153</b>	<b>\$ 285,541</b>	<b>\$ 243,275</b>	<b>\$ 528,816</b>	<b>\$ 4,582,969</b>	<b>\$ 3,383,149</b>

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

# HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2022

	Program Expenses			Supporting Expenses			Total Expenses 2022
	Program Services	Stores	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Expenses	
Program and home building costs	\$ 1,351,340		\$ 1,351,340				\$ 1,351,340
Salaries and wages	288,780	\$ 213,224	502,004	\$ 143,105	\$ 105,074	\$ 248,179	750,183
Payroll taxes and benefits	88,815	55,987	144,802	34,983	27,704	62,687	207,489
Cost of goods sold		439,716	439,716				439,716
Professional fees	69,910	3,000	72,910	29,303	4,075	33,378	106,288
Supplies and equipment	19,710	6,860	26,570	5,877	2,741	8,618	35,188
Telephone	9,676	2,375	12,051	587	1,144	1,731	13,782
Information technology	13,907	3,254	17,161	9,205	5,809	15,014	32,175
Postage and shipping	2,211		2,211	712	595	1,307	3,518
Facilities	19,326	42,015	61,341	3,272	4,072	7,344	68,685
Equipment rental and maintenance	1,280	98	1,378	325	427	752	2,130
Printing and publications	9,861	5,220	15,081	1,992	13,420	15,412	30,493
Travel and vehicle	6,115	32,088	38,203	738	213	951	39,154
Conferences, conventions and meetings	14,811	1,261	16,072	319	1,247	1,566	17,638
Volunteers	30,334	2,778	33,112	262	1,119	1,381	34,493
Dues, fees, licenses and permits	15,307	10,521	25,828		25,065	25,065	50,893
Taxes	10,153	5,712	15,865	719		719	16,584
Interest	21,841	9,838	31,679	1,607	135	1,742	33,421
Homeowner services	5,667		5,667				5,667
Tithes	75,991		75,991				75,991
Insurance	4,241		4,241	14,864		14,864	19,105
Community and public relations	399	1,249	1,648	72	2,231	2,303	3,951
Miscellaneous	7,337		7,337	500		500	7,837
Depreciation and amortization	19,340	15,860	35,200	963	1,265	2,228	37,428
<b>TOTAL</b>	<u>\$ 2,086,352</u>	<u>\$ 851,056</u>	<u>\$ 2,937,408</u>	<u>\$ 249,405</u>	<u>\$ 196,336</u>	<u>\$ 445,741</u>	<u>\$ 3,383,149</u>

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

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,010,703	\$ 1,960,096
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Discount on contributions receivable	33,691	
Depreciation and amortization	35,209	37,428
Amortization of operating right-of-use asset	426	
Gain on sale of assets		(23,250)
In-kind contribution of land held for investment		(105,000)
Mortgage loan discount amortization	(34,609)	(90,251)
Noncash change of inventory held-for-sale	(787)	(7,783)
Net change in operating assets and liabilities	<u>(1,981,334)</u>	<u>(2,441,989)</u>
<b>Net Cash Used by Operating Activities</b>	<b>(936,701)</b>	<b>(670,749)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from mortgages receivable	56,994	154,951
Proceeds from sale of assets		113,816
Purchases of property, furniture and equipment	<u>(8,085)</u>	<u>(178,549)</u>
<b>Net Cash Provided by Investing Activities</b>	<b>48,909</b>	<b>90,218</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	666,396	
Repayment of long-term debt	<u>(48,860)</u>	<u>(48,837)</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>617,536</u>	<u>(48,837)</u>
<b>NET DECREASE IN CASH</b>	<b>(270,256)</b>	<b>(629,368)</b>
<b>Cash at Beginning of Year</b>	<u>1,124,171</u>	<u>1,753,539</u>
<b>CASH AT END OF YEAR</b>	<b>\$ <u>853,915</u></b>	<b>\$ <u>1,124,171</u></b>
<b>COMPONENTS OF CASH</b>		
Cash	\$ 399,482	\$ 278,679
Restricted cash	<u>454,433</u>	<u>845,492</u>
	<b>\$ <u>853,915</u></b>	<b>\$ <u>1,124,171</u></b>

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

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
(Increase) decrease in assets		
Grants and other receivables	\$ 7,323	\$ (26,509)
Contributions receivable	(1,145,676)	24,559
Inventory - general	(16,266)	4,614
Prepaid expenses	(3,190)	2,135
Construction in progress	(798,142)	(840,872)
Land held for development	66,273	(1,628,650)
Land leased to homeowners	(261,986)	
Deposits and other	(278)	10,083
Increase (decrease) in liabilities		
Accounts payable	59,591	(11,222)
Accrued expenses	108,478	20,373
Homeowner reserve accounts	3,100	3,500
Operating lease liability	(561)	
	<u>\$ (1,981,334)</u>	<u>\$ (2,441,989)</u>
<b>Net Change in Operating Assets and Liabilities</b>		
	<u>\$ (1,981,334)</u>	<u>\$ (2,441,989)</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 51,487</u>	<u>\$ 33,421</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Financed purchase of building	<u>\$</u>	<u>\$ 360,000</u>

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

## **HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Habitat for Humanity of East Jefferson County ("Habitat"), a Washington nonprofit organization, was formed in February 1998. It is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). Although Habitat International assists with information resources, publications and training, Habitat operates independent of Habitat International, and a local board of directors is directly responsible for its operations. Seeking to put God's love into action, Habitat brings people together to build homes, communities and hope. The ultimate goal is that everyone in East Jefferson County will have a decent place to live.

Habitat builds and repairs houses using primarily volunteer labor and purchased and donated materials, selling the houses to qualified, low-income homebuyers. Homebuyers obtain financing through lenders such as the USDA 502 direct loan program, for an affordable amount. Habitat makes up the "gap" between the sale price of the home and what the buyer can afford with the use of no-interest mortgages. During the Fiscal Year ended June 30, 2023, Habitat implemented the use of either a ground lease or deed restriction to restrict the sale price, making properties permanently affordable to low income buyers.

Prospective homeowners and repair clients must demonstrate a need for housing and the ability to repay an affordable loan, as well as participate in "sweat equity" toward the construction or repair of the homes. As of June 30, 2023, Habitat had seven homes under construction.

During the fiscal years ended June 30, 2023 and 2022, Habitat sold 7 and 5 homes, respectively. In its history, Habitat has built 62 homes, recycled 11, rehabilitated 1, sold 73 and repaired 46. Habitat purchased land that will support the construction of more than 120 homes, started its first multi-family development and adopted a new model that will ensure homes remain permanently affordable to future buyers.

Habitat owns and operates a Habitat Store (the "Store") in Port Townsend, Washington, which accepts donations of appliances and household items. The donated items are sold to the public, and Store proceeds support house construction and overhead expenses of Habitat.

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Habitat and its wholly-owned limited liability company Salish Coast Housing, LLC. All material intercompany accounts and transaction have been eliminated in consolidated. Habitat created Salish Coast Housing, LLC to hold land leased to homeowners.

#### ***Basis of Accounting***

The financial statements of Habitat have been prepared on the accrual basis of accounting and, accordingly, reflect significant receivables, payables and other liabilities.

# HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

### NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Basis of Presentation***

Habitat reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

#### ***Net Assets without Donor Restrictions***

Net assets that are not subject to donor-imposed stipulations.

#### ***Net Assets with Donor Restrictions***

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Habitat pursuant to those stipulations, or that expire by the passage of time, and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity. Habitat did not have any net assets restricted to be maintained in perpetuity at June 30, 2023 or 2022.

#### ***Cash***

Cash consists of checking, savings and money market accounts.

#### ***Support and Revenue Recognition***

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give, if applicable, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. If material, contributions to be received after one year are discounted at an appropriate discount rate and are reported as increases in net assets with donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value when contributed.

Contributions, including non-cash contributions, subject to donor-imposed stipulations that are met in the same reporting period are reported as increases in net assets without donor restrictions in the statements of activities. Contributions with donor-imposed restrictions which will be met in a future period are reported as increases in net assets with donor restrictions until such restrictions are met.

Grants having the existence of a contribution but lacking in both existence of a barrier and the right of return to the resource provider, are classified as restricted contribution revenue. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance, and are recognized as revenue when the awards are expended for the purpose of the grant or other conditions are satisfied. Management considers all contracts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded. If an amount becomes uncollectible, it will be charged to operations when that determination is made.

# HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

### **NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Support and Revenue Recognition*** (Continued)

Revenue from program service fees, store revenues and all other exchange transactions are recognized when earned. Payments received in advance of Habitat fulfilling its obligations are deferred to the applicable period in which the related services are performed. Revenue is recorded when amounts to be received in exchange for services ARE determinable and collection is reasonably assured.

Revenue from sales to homeowners are recognized at the point in time when closing conditions are met to deliver a completed home to a qualified buyer, the sale is recorded as revenue and the cost of the home is recorded as program services expense on the accompanying consolidated statement of activities. Currently, buyers obtain loans from banks with whom Habitat works to facilitate the arrangement of mortgages for the home buyers. In prior years, Habitat financed the purchase of homes by offering no-interest loans to qualified, low-income homeowners secured by a deed of trust on the related property. At the time of sale, Habitat recognized revenue and the related mortgages receivable. In accordance with generally accepted accounting principles, revenue is recognized by discounting the future payments to be received from the homeowners using an interest rate based on term loans collateralized by mortgages receivable.

To ensure permanent homeownership opportunities within the community, Habitat adjusted the sale structure to a land lease model. Whereas Habitat retains control of the land through a 99-year ground lease whereby the homeowner owns only the house and agrees to resale to only income eligible homebuyers in the future. Concurrent with the recognition of the sale, the cost of the land and related improvements is transferred from construction in progress to land leased to homeowners on the accompanying consolidated statement of financial position.

#### ***Restricted and Unrestricted Revenue***

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases to net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

#### ***Donated Services***

Habitat receives significant donated services from unpaid volunteers who assist in operating the Store, home building, operational support, family selection, fundraising and administrative tasks. Donated services are recorded at fair value if they create or enhance non-financial assets or if they consisted of specialized skills that would have to be purchased if they were not donated. Management estimates the fair value of construction, Store and office volunteer services to be approximately \$189,400, \$114,500 and \$140,200, respectively, for the year ended June 30, 2023, and \$118,400, \$129,700 and \$94,700, respectively, for the year ended June 30, 2022. These volunteer services were not recorded in the financial statements since they did not meet the requirements for recognition.



## **HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Inventory Held for Sale - Habitat Store***

Habitat Store (the "Store") inventory includes furniture, household items and other materials used for resale and operations at the Store. The value of donated inventory items is determined by management using net sales of the year, based on an estimated inventory turnover rate of eight and nine times annually for the fiscal years ended June 30, 2023 and 2022, respectively. Inventory held for sale was estimated to be \$49,644 and \$48,857 at June 30, 2023 and 2022, respectively.

##### ***Inventory - General***

Inventory is valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventory consists of construction materials. Donated inventory is recorded at its estimated fair value on the date of receipt.

##### ***Property, Furniture and Equipment***

Assets are carried at cost, if purchased, or fair value at the time of donation, if donated. It is Habitat's policy to capitalize property, furniture and equipment over \$2,500 that has a useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of assets, ranging from 5 to 39 years.

##### ***Construction in Progress and Land Held for Development***

###### ***Construction in Progress***

Costs of construction in progress consist of a budgeted amount for the land transferred from land held for development to the construction account and direct home construction costs unless it is determined to be impaired. In the event the construction in progress is determined to be impaired, it is written down to fair value. Habitat reviews construction in progress for impairment during each reporting period on a lot-by-lot basis. Accounting principles generally accepted in the United States of America ("U.S. GAAP") require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

###### ***Land Held for Development***

Land purchased for homes is recorded at cost unless it is determined to be impaired, in which case the impaired land is written down to fair value. Donated land is recorded at the property's fair value. All related carrying costs for these properties, such as maintenance, any assessments and real estate taxes, are capitalized into the cost of the properties. Habitat reviews land for impairment during each reporting period on a lot-by-lot basis. U.S. GAAP requires that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### *Leases*

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases with terms greater than 12 months. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

Habitat adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or enter into, after July 1, 2022 (beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

Habitat elected the available practical expedients to account for their existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance or (c) whether unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Habitat determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, other current liabilities and operating lease liabilities on the statement of financial position.

ROU assets represent Habitat's right to use an underlying asset for the lease's term, and lease liabilities represent Habitat's obligation to make lease payments arising from the leases. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, Habitat uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payment made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

Habitat's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

## **HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Fair Value Measurements***

Habitat provides information regarding the inputs that underlie a fair value measurement of financial instruments. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs, which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, Habitat is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

##### ***Functional Allocation of Expenses***

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### ***Impairment Loss***

For assets to be held and used, U.S. GAAP requires the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired and the 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.

There was no impairment loss recognized for the years ended June 30, 2023 and 2022.

##### ***Advertising***

Habitat expenses advertising costs as they are incurred. Advertising costs totaled \$16,089 and \$8,805 for the years ended June 30, 2023 and 2022, respectively, and are included in printing and publication expense in the statements of functional expenses.

##### ***Income Tax Status***

Habitat for Humanity of East Jefferson County is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Habitat's management evaluates tax positions taken by Habitat and recognizes a tax liability (or asset) if Habitat has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

##### ***Equity Agreements***

Completed homes are sold at fair value to qualified homeowners. A first mortgage is written for the portion affordable to the purchaser according to federal guidelines. Habitat obtains a deed of trust for any difference between the purchase price (i.e., the current fair value) and the amount of the first mortgage. A second equity agreement (the shared appreciation agreement) reflects the difference between the fair value and the total development costs, if greater than the fair value. A portion is recaptured at the time of title transfer based upon future appreciation. The equity agreements are not reflected in the financial statements.

## **HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Use of Estimates***

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

##### ***Subsequent Events***

The management of Habitat has evaluated subsequent events and transactions for potential recognition and disclosure through October 26, 2023, the date the statements were available to be issued.

On September 29, 2023 Habitat invested in a Leverage Lender for the purpose of taking advantage of the New Markets Tax Credit ("NMTC") program. The NMTC program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. Habitat investment in the Leverage Lender totaled \$2,827,200 and represents a 25% ownership stake. As part of the arrangement, Habitat secured two 20-year loans from a community development entity which received tax credit allocation. The first loan is in the amount of \$2,695,000. The second loan is in the amount of \$1,237,500. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in low-income communities and selling at least 20% of such homes to low-income person. The loan will bear interest at a rate of 0.719004% per year. Semi-annual payments of interest only are due in years 1 through 7 with fully amortizing quarterly payments of principal and interest due in years 8 through 20.

At the end of the seven year compliance period, in connection with this arrangement, the members of the Leverage Lender have the option to purchase the ownership interest in the Investment Fund. Exercise of this option will effectively allow Habitat to extinguish its debt owed to the community development entity.

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 399,482	\$ 278,679
Restricted cash	454,433	845,492
Accounts and grants receivable	48,316	55,639
Contributions receivable - current portion	380,176	3,500
Mortgages receivable - current portion	<u>55,629</u>	<u>57,450</u>
Total Financial Assets Available	1,338,036	1,240,760
Less financial assets not available for general expenditures		
Restricted cash - escrow	(7,150)	(3,400)
Board-designated funds	(425,453)	(331,042)
Time restrictions	(380,176)	(3,500)
Purpose restrictions	<u>(447,283)</u>	<u>(511,050)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>77,974</u>	\$ <u>391,768</u>

Although Habitat does not intend to spend from board-designated net assets (outside of spending for the designated purpose) the Board of Directors could choose to make these funds available for other purposes, if necessary. At June 30, 2023, the Board of Directors permitted Habitat to borrow from the board-designated net assets for home construction.

As part of Habitat's liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit and savings accounts.

#### NOTE 3 - CONCENTRATION OF CREDIT RISK

Habitat maintains cash and money market balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Habitat has cash balances on deposit with financial institutions, which may at times exceed insured limits. Habitat has not experienced any losses in such accounts.

Habitat provides mortgage assistance primarily to low and very low-income buyers. Mortgages receivable with an undiscounted balance of \$903,255 and \$960,249 at June 30, 2023 and 2022, respectively, are secured by the property purchased.

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Unconditional promises expected to be collected in		
Less than one year	\$ 380,176	\$ 3,500
One year to five years	<u>770,000</u>	<u>1,000</u>
	1,150,176	4,500
 Less discount to present value	 <u>33,691</u>	 <u>      </u>
	\$ <u>1,116,485</u>	\$ <u>4,500</u>

Habitat considers all pledges receivable to be fully collectible and, consequently, has made no allowance for uncollectible contributions.

A board member has an outstanding pledge receivable in the amount of \$15,000 and \$2,500 at June 30, 2023 and 2022.

#### NOTE 5 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 482,892	\$ 482,892
Buildings and improvements	875,991	872,067
Furnishings and equipment	<u>132,758</u>	<u>128,597</u>
	1,491,641	1,483,556
 Less accumulated depreciation	 <u>364,544</u>	 <u>329,335</u>
	\$ <u>1,127,097</u>	\$ <u>1,154,221</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$35,209 and \$37,428, respectively.

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 6 - MORTGAGES RECEIVABLE

Habitat holds 14 non-interest-bearing mortgages, which are secured by sold homes at June 30, 2023. U.S. GAAP requires that interest be imputed on below-market interest instruments. The effect is to discount each note with an offsetting charge to mortgage discounts. The discount is then amortized over the life of each note as interest income. The resulting carrying value of the mortgages receivable approximates fair value. The notes are due upon the earlier of the sale of the home, refinance or at maturity.

Uncollectible notes are expected to be insignificant. Accordingly, no provision for doubtful accounts has been included in the consolidated financial statements. The notes have been discounted at rates of 5.00% to 8.48%, according to rates established by Habitat's finance committee.

Mortgages receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Face value	\$ 903,255	\$ 960,249
Less discount	<u>503,159</u>	<u>537,768</u>
	<u>\$ 400,096</u>	<u>\$ 422,481</u>

There was no mortgage discount expense recognized either in the year ended June 30, 2023 or 2022.

#### NOTE 7 - CONSTRUCTION IN PROGRESS

Habitat is in the process of building homes to provide additional affordable housing. The costs are being funded by contributions, mortgage payments by homeowners and Store sales.

#### NOTE 8 - LAND HELD FOR DEVELOPMENT

Land held for development consists of 11 buildable lots, 31 undeveloped lots in need of infrastructure and 2 buildable lots restricted for development at June 30, 2023. Land held for development at June 30, 2022 consisted of 11 buildable lots, 35 undeveloped lots in need of infrastructure and 2 buildable lots restricted for development.

## **HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **NOTE 9 - FAIR VALUE DISCLOSURES**

Assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on Habitat's own assumptions on how knowledgeable parties would price assets or liabilities and are developed using the best information available in the circumstances.

The assets measured at fair value on a nonrecurring basis as of June 30, 2023 and 2022 consisted of land held for development totaling \$2,696,829 and \$2,763,102, respectively. The fair value measurements were valued using level 2 inputs.

#### **NOTE 10 - ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 842**

Effective July 1, 2022, Habitat adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). Habitat elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, Accounting Standards Codification ("ASC") 840. Operating lease costs are recognized in the consolidated statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense; Habitat exclusively has operating leases.

As a result of the adoption of the new lease accounting guidance, Habitat recognized on July 1, 2022, the beginning of the adoption period, operating lease liability of \$7,369 and an operating right-of-use asset of \$7,369. The adoption of the new standard did not materially impact Habitat's consolidated statements of activities or consolidated statements of cash flows. See Note 11 for further disclosure of Habitat's lease contracts.

#### **NOTE 11 - LEASES**

Habitat leases office equipment for terms under a long-term, non-cancelable operating lease agreement. The lease expires in January 2028. Habitat included in the determination of the right-of-use asset and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, Habitat estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Habitat's applicable borrowing rates and the contractual lease term.



## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 11 - LEASES (Continued)

Total lease costs for the year ended June 30, 2023 were as follows:

Operating lease costs	\$ <u>590</u>
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Total lease expense under noncancelable leases was \$2,130 for the year June 30, 2022.

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ <u>725</u>
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ <u>7,369</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term	
Operating leases	5.0 years
Weighted-average discount rate	
Operating leases	6.98 %

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

	<u>Operating</u>
2024	\$ 1,740
2025	1,740
2026	1,740
2027	1,740
2028	<u>1,015</u>
Total Lease Payments	7,975
Less amounts representing interest	<u>(1,167)</u>
Present Value of Lease Liabilities	6,808
Less current portion of operating lease liability	<u>(1,306)</u>
Long-term Portion of Operating Lease Liability	\$ <u>5,502</u>

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 11 - LEASES (Continued)

The following disclosures are in accordance with FASB ASC 840 for June 30, 2022:

In November 2017, Habitat entered into an operating lease for equipment under a noncancelable lease that expires in 2022. Monthly lease payments of \$145 are included in the printing and publications category on the 2022 consolidated of functional expenses.

Future minimum payments for the remaining term of the lease agreement not qualified under ASC Topic 842, as determined by the current monthly or schedule payments, totaled \$725 at June 30, 2022.

#### NOTE 12 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
Note payable to First Federal Savings, monthly payments of \$2,317, including interest at a variable rate at the bank index, plus 4.110%, but no less than 4.875% (4.875% at June 30, 2022), matures June 2025, secured by property. Refinanced in 2023.		\$ 266,341
Note payable to First Federal Savings, monthly payments of \$1,435, including interest at 4.750%, secured by property. Refinanced in 2023.		146,944
Note payable to First Federal Savings, monthly payments of \$3,668, including interest at 6.980%, due November 2032.	\$ 396,856	
Note payable to First Federal Savings, monthly payments of \$1,932, including interest at 4.100%, matures July 2028, secured by property.	343,470	352,181
Note payable to Washington State Housing Finance Commission, monthly payments of \$3,082, including interest at 3.000%, due December 2047, secured by property.	<u>642,676</u> 1,383,002	<u>765,466</u>
Less amount due within one year classified as a current liability	<u>43,615</u>	<u>170,841</u>
	<u>\$ 1,339,387</u>	<u>\$ 594,625</u>

## HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### NOTE 12 - LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2024	\$	43,615	
2025		45,822	
2026		48,078	
2027		50,464	
2028		52,925	
Thereafter		<u>1,142,098</u>	
	\$		<u>1,383,002</u>

#### NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Purpose restrictions		
House construction projects	\$ 447,283	\$ 491,212
Other land	22,500	22,500
Permanent affordability		<u>19,838</u>
	<u>469,783</u>	<u>533,550</u>
Time restrictions		
Pledges from individuals	<u>1,116,485</u>	<u>4,500</u>
	<u>\$ 1,586,268</u>	<u>\$ 538,050</u>

#### NOTE 14 - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services consisted of the following:

	<u>2023</u>	<u>2022</u>
Rent	\$ 840	
Land held for investment		\$ 105,000
Construction materials	45,961	31,164
Habitat Store merchandise	397,948	446,148
Professional services	<u>83,030</u>	<u>58,264</u>
	<u>\$ 527,779</u>	<u>\$ 640,576</u>

## **HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023 and 2022

#### **NOTE 15 - RESTRICTED CASH**

Some cash is restricted for program use in compliance with certain loan requirements or deposits from participating homebuyers, and for future land purchases, and cannot be used for general operations. The aggregate balance of this restricted cash was \$454,433 and \$845,492, for the years ended June 30, 2023 and 2022, respectively.

#### **NOTE 16 - RETIREMENT PLAN**

Habitat has a defined contribution plan that covers all employees who are eligible to participate in employee contributions upon hire and employer contributions after three months of service. Habitat may contribute discretionary profit-sharing contributions. For the years ended June 30, 2023 and 2022, Habitat contributed \$44,988 and \$30,990, respectively, into the plan.

#### **NOTE 17 - BOARD-DESIGNATED NET ASSETS**

The Board of Directors designated \$425,453 and \$331,042 at June 30, 2023 and 2022, respectively, in net assets without donor restrictions to be exclusively used for acquisition and development of buildable land, future capital expansion and repairs of its office building.

#### **NOTE 18 - FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, telephone, equipment rental and maintenance and insurance, which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and benefits, supplies and equipment, professional fees, information technology, printing and publications, travel and vehicle and other, which are allocated on the basis of estimates of time and effort.

#### **NOTE 19 - RISKS, UNCERTAINTIES AND COMMITMENTS**

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for Habitat. The amounts, if any, of expenditures that may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. There were no adjustments for the years ended June 30, 2023 or 2022.