HABITAT FOR HUMANITY OF BROWARD, INC.

Financial Statements
and
Independent Auditor's Report

For the Year Ended June 30, 2022
(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

Habitat for Humanity of Broward, Inc.

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Independent Auditor's Report

The Board of Directors
Habitat for Humanity of Broward, Inc.
Fort Lauderdale, Florida

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Broward, Inc. (a Florida not-for-profit corporation), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Broward, Inc. as of June 30, 2022, and the changes in 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Broward, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Broward, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hancock Askew & Co., LLP

Miami, Florida
November 29, 2022

Habitat for Humanity of Broward, Inc.

Statements of Financial Position

(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

June 30,	**2022**	2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 19,312,321**	$ 11,114,829
Restricted cash	**58,958**	35,203
Receivables		
Mortgages receivable, net	**1,292,137**	1,317,735
Contributions receivable, net	**648,344**	1,159,845
Prepaid expenses and other current assets	**338,274**	457,295
Total current assets	**21,650,034**	14,084,907
Property and equipment, net	**1,589,730**	1,537,097
Other assets		
Receivables		
Mortgages receivable, net	**10,905,178**	10,948,675
Contributions receivable, net	**-**	193,705
Single family homes under construction	**5,795,320**	4,407,552
Investment in joint ventures	**6,315,438**	4,191,733
Total other assets	**23,015,936**	19,741,665
Total assets	**$ 46,255,700**	$ 35,363,669
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	**$ 372,875**	$ 275,285
Other liabilities	**58,958**	35,203
Total current liabilities	**431,833**	310,488
Long-term debt		
Notes payable - HFHI NMTC, net	**8,160,341**	5,540,461
Total liabilities	**8,592,174**	5,850,949
Net assets		
Without donor restriction	**34,843,171**	26,481,353
With donor restriction	**2,820,355**	3,031,367
Total net assets	**37,663,526**	29,512,720
Total liabilities and net assets	**$ 46,255,700**	$ 35,363,669

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

Habitat for Humanity of Broward, Inc.

Statements of Activities and Changes in Net Assets

(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

For the years ended June 30,			**2022**	2021
	Without Donor Restriction	**With Donor Restriction**	**Total**	Comparative Totals
Public support and revenue				
Home sales	**$ 1,389,373**	**$ -**	**$ 1,389,373**	$ 3,173,550
Contributions and grants	**8,083,918**	**1,196,124**	**9,280,042**	3,316,131
Sales - ReStore	**2,229,593**	**-**	**2,229,593**	2,079,377
Interest income	**1,743,387**	**-**	**1,743,387**	1,692,153
Donated goods and services	**244,515**	**-**	**244,515**	258,376
Program revenue	**376,667**	**-**	**376,667**	29,557
Special events revenue	**188,510**	**-**	**188,510**	486,782
Late-fee income	**11,859**	**-**	**11,859**	9,960
Rent income	**13,890**	**-**	**13,890**	25,810
Other	**75,682**	**-**	**75,682**	29,708
Total public support and revenue	**14,357,394**	**1,196,124**	**15,553,518**	11,101,404
Net assets released from restriction due to completion of purpose restrictions and expiration of time restriction	**1,407,136**	**(1,407,136)**	**-**	-
Expenses				
Program services	**6,276,436**	**-**	**6,276,436**	6,872,523
Supporting services				
Management and general	**470,016**	**-**	**470,016**	383,159
Development, public relations, and fund-raising	**656,260**	**-**	**656,260**	710,343
Total expenses	**7,402,712**	**-**	**7,402,712**	7,966,025
Changes in net assets	**8,361,818**	**(211,012)**	**8,150,806**	3,135,379
Net assets - beginning of year	**26,481,353**	**3,031,367**	**29,512,720**	26,377,341
Net assets - end of year	**$ 34,843,171**	**$ 2,820,355**	**$ 37,663,526**	$ 29,512,720

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

Statements of Functional Expenses

(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

For the years ended June 30, 2022 and 2021

	Program Services				Supporting Services				
	Home Constructions	ReStore	Family Services and Others	Total Program Services	Management and General	Development, Public Relations, and Fund-Raising	Total Supporting Services	Total 2022	Comparative Totals 2021
Salaries and wages	$ 565,807	$ 644,023	$ 349,420	$ 1,559,250	$ 114,494	$ 353,583	$ 468,077	$ 2,027,327	$ 2,009,561
Payroll taxes	46,589	53,029	28,772	128,390	9,428	29,114	38,542	166,932	157,360
Benefits	76,498	87,073	47,242	210,813	15,480	47,805	63,285	274,098	248,857
Cost of homes sold	2,766,451	-	-	2,766,451	-	-	-	2,766,451	3,930,371
Affiliate dues and tithing	60,000	-	-	60,000	-	-	-	60,000	47,000
Home repairs	315,549	-	-	315,549	-	-	-	315,549	32,273
Property taxes	-	4,116	-	4,116	-	-	-	4,116	4,017
Cost of purchased ReStore inventory sold	-	138,196	-	138,196	-	-	-	138,196	141,206
Homeowner mortgage/escrow relief	-	-	26,387	26,387	-	-	-	26,387	95,268
Contract labor	5,627	39,944	3,000	48,571	-	1,000	1,000	49,571	17,219
Telephone and utilities	10,457	104,043	2,739	117,239	23,048	46	23,094	140,333	125,770
Vehicle and machinery expenses	15,698	72,192	16	87,906	813	-	813	88,719	80,360
Insurance	46,797	53,968	9,833	110,598	17,166	9,817	26,983	137,581	153,604
Professional fees	7,465	9,639	109,694	126,798	102,120	56,645	158,765	285,563	200,516
Bank and credit card fees	1,300	28,175	96	29,571	2,266	5,205	7,471	37,042	33,531
Rent	35,437	-	34,631	70,068	18,792	16,376	35,168	105,236	71,094
Repairs and maintenance	526	46,348	-	46,874	12,743	-	12,743	59,617	35,850
Office supplies and expenses	1,615	15,530	3,585	20,730	11,872	3,822	15,694	36,424	24,566
Office equipment and software	-	7,342	554	7,896	11,329	12,350	23,679	31,575	41,470
Advertising	89	90,268	9,145	99,502	21,411	84,416	105,827	205,329	225,764
Depreciation and amortization expense	4,303	69,611	-	73,914	1,330	-	1,330	75,244	88,532
Bad debt expense	-	-	7,030	7,030	105,244	-	105,244	112,274	24,277
Interest expense	78,753	-	-	78,753	-	-	-	78,753	54,404
Other	67,189	23,677	50,968	141,834	2,480	36,081	38,561	180,395	123,155
Total expenses	$ 4,106,150	$ 1,487,174	$ 683,112	$ 6,276,436	$ 470,016	$ 656,260	$ 1,126,276	$ 7,402,712	$ 7,966,025

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

Habitat for Humanity of Broward, Inc.

Statements of Cash Flows

(With Summarized Comparative Financial Information for the Year Ended June 30, 2021)

For the years ended June 30,	**2022**	2021
Cash flows from operating activities		
Change in net assets	**$ 8,150,806**	$ 3,135,379
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	**75,244**	88,532
Bad debt expense	**112,274**	24,277
Non-cash contributions	**(42,612)**	(136,241)
Imputed interest on non-interest bearing notes	**(1,743,387)**	(1,692,153)
Discount of mortgages on new home sales	**1,551,627**	2,304,043
Amortization of debt issuance costs included in interest expense	**78,750**	54,396
(Increase) decrease in assets		
Mortgages receivable, net	**260,855**	(1,166,429)
Contributions receivable, net	**592,932**	652,610
Prepaid expenses and other assets	**119,021**	432,380
Single family homes under construction	**(1,345,156)**	1,573,554
(Decrease) increase in liabilities		
Accounts payable and accrued expenses	**97,590**	22,076
Other liabilities	**23,755**	(5,375)
Net cash provided by operating activities	**7,931,699**	5,287,049
Cash flows from investing activities		
Purchase of property and equipment	**(127,877)**	(37,570)
Purchase of investment in joint ventures	**(2,123,705)**	-
Net cash used in investing activities	**(2,251,582)**	(37,570)
Cash flows from financing activities		
Proceeds from note payable - HFHI NMTCs	**2,864,763**	-
Payments for deferred financing costs	**(323,633)**	-
Net cash provided by investing activities	**2,541,130**	**-**
Net increase in cash, cash equivalents, and restricted cash	**8,221,247**	5,249,479
Cash, cash equivalents, and restricted cash, beginning of year	**11,150,032**	5,900,553
Cash, cash equivalents, and restricted cash, end of year	**$ 19,371,279**	$ 11,150,032

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

1. Summary of Significant Accounting Policies

Nature of Operations

Habitat for Humanity of Broward, Inc. (the Organization) was incorporated in June of 1983 and is an affiliate of Habitat for Humanity International, Inc. (HFHI). HFHI and its affiliates (collectively, Habitat) are tax-exempt, not-for-profit ecumenical ministries whose mission is to provide low-income families with decent, affordable housing.

In fulfilling its mission, the Organization builds single family homes in Broward County, Florida, sells them to low-income families (homeowners) and holds non-interest bearing mortgage receivables with payments commensurate with the family's ability to pay. The Organization also provides prospective homeowners in its program with counseling and training to prepare them for home ownership and its responsibilities. Homeowners are required to pledge a minimum of four hundred hours of service to the building of their home or the homes of other Habitat homeowners.

The Organization receives support from the local community by enlisting volunteer labor when practical and soliciting donations of land, building materials, and cash necessary in its building efforts. These donations and the cash from the collection of mortgages receivable are used to continue building houses for those in need.

The Organization operates a resale store (ReStore) as a supporting service to raise funds. The resale store primarily sells construction related materials and household furnishings and receives a majority of its merchandise from donations.

Financial Statement Presentation

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

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's Board may designate assets without restrictions for specific operational purposes from time to time. In addition, net assets whose donor restrictions are met in the same reporting period are also considered to be net assets without donor restrictions. As of June 30, 2022 and 2021, the Organization had $34,843,171 and $26,481,353, respectively, in net assets without donor restrictions.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2022 and 2021, the Organization had $2,820,355 and $3,031,367, respectively, in net assets with donor restrictions.

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

All highly liquid cash investments with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash

Restricted cash represents deposits made by future homeowners for the purchase of homes and escrow payments made by current homeowners for property taxes and insurance (see Note 2).

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents (deposit and money market accounts) and mortgages. The Organization maintains cash and cash equivalents in what it believes to be high quality financial institutions, which it believes limits its risk. As of June 30, 2022 and 2021, the Organization had approximately $18,349,000 and $9,989,000, respectively, of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation (FDIC). Mortgages receivable are secured by real property.

Mortgages Receivable

The Organization's mortgages consist of amounts due from homeowners. The Organization performs extensive credit and work history evaluations before the sale of a home. The Organization also has a perfected security interest in all homes they sell. Mortgage receivable balances are stated net of discount and if applicable, net of an allowance for uncollectible amounts based on management's judgment and analysis of the credit-worthiness of the homeowners, past payment experience, and other relevant factors. As of June 30, 2022 and 2021, management determined that no allowance for mortgage receivables was necessary.

Contributions, Contributions Receivable and Allowance for Doubtful Accounts

Contributions received with no restrictions or specified uses identified by the donor are included in net assets without donor restriction revenue in the statements of activities and changes in net assets when received. Contributions received with donor stipulations that limit the use of donated assets are reported as net assets with donor restriction revenue in the statements of activities and changes in net assets when received.

When donor restrictions expire or are fulfilled by actions of the Organization, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received, are reflected as revenue without donor restrictions in the accompanying statements of activities and changes in net assets.

Contributions receivable that are expected to be collected in future years, are recorded at their fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made (0% and 3.25% as of June 30, 2022 and 2021, respectively). The discount rates used reflect the assumptions about market risks that are not otherwise considered in the cash flows.

1. Summary of Significant Accounting Policies (cont.)

Contributions, Contributions Receivable and Allowance for Doubtful Accounts

The Organization carries contributions receivable net of an estimated allowance for doubtful accounts. The Organization provides for losses on contributions receivable using the allowance method. The allowance is based on the Organization's experience with third party contracts and other circumstances which may affect the ability of clients to meet their obligations. Receivables are considered impaired if payments are not received in accordance with contractual terms. It is the Organization's policy to charge off uncollectible contributions receivable against the allowance when management determines the receivable will not be collected. Allowance for doubtful accounts as of June 30, 2022 and 2021 was $118,289 and $15,000, respectively. Bad debt expenses for the years ended June 30, 2022 and 2021 amounted to $112,274 and $24,277, respectively.

Donated Goods and Services

Donated services (in-kind donations) are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Code (ASC) Topic 958, *Not-for-Profit Entities*, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers have made contributions of their time by providing construction, administrative and fund-raising services to the Organization, the value of these amounts are not recorded because they don't require specialized skills. Donations of construction materials are received and used in the construction of homes. U.S. GAAP requires contributions (including donated materials) to be recorded at fair value at the date of receipt. During the year ended June 30, 2022, the Organization recognized in-kind donations for advertising, construction materials, software, and rent of approximately $49,000, $43,000, $8,000, and $144,000, respectively. During the year ended June 30, 2021, the Organization recognized in-kind donations for advertising, construction materials, food and beverage, and rent of approximately $69,000, $136,000, $3,000 and $50,000, respectively.

Property and Equipment

Property and equipment are capitalized when the cost is in excess of $500 and with a useful life over one year. Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease.

The estimated useful lives of each asset group are as follows:

Asset Group	Years
Buildings	50
Leasehold improvements	10
Office furniture and equipment	3
Computer equipment and software	3
Automobiles	5

1. Summary of Significant Accounting Policies (cont.)

Single Family Homes Under Construction

Vacant land and construction in progress are stated at cost and include direct and indirect costs of housing construction, property taxes, and overhead incurred during the development period. Donated land and construction materials are required to be recorded at fair value at the time received. Land and offsite development costs associated with homes under construction are also included in construction in progress. Vacant land and construction in progress are evaluated for impairment if impairment indicators are present. U.S. GAAP requires vacant land and construction in progress to be recorded at the lower of its carrying amount or fair value. Since the purpose and mission of the Organization is to build affordable housing for low-income families, the Organization does not generally write down the value of construction in progress to estimated sales value, because any excess cost over sales value is a component of program services.

Investment in Joint Ventures

The Organization records its investments in HFHI NMTC Leverage Lender 2018, LLC and HFHI NMTC Leverage Lender 2021, LLC on the cost basis method since the Organization does not have significant influence over the joint ventures as the operating agreements executed by the investors restricts individual investors' rights as members (see Note 7). Accordingly, the investments are recorded at transaction cost and distributions received from the investments are reported as revenue on the statements of activities and changes in net assets.

Revenue Recognition

The Organization accounts for revenue from contracts with customers under a single five-step model under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Organization's main revenue streams accounted for as exchange transactions derive from home sales and ReStore sales.

The Organization generates revenue through the sales of homes to program participants and financing the sale through a mortgage agreement with 0% interest. The Organization has identified two performance obligations associated with the sales of homes: 1) to transfer the title of the home to the homeowner, and 2) to finance the purchase price of the home. The transaction price for the property is identified and stated on the closing agreement and is consistent with the gross amount of revenue recorded at the time of an executed closing agreement. With respect to home sales, the Organization is the principal in the arrangement as the Organization maintains control of the property up until the time at which the property is sold to the homeowner. As the mortgages are at 0% interest, the Organization imputes interest on the mortgage by discounting the transaction price to present value based on a discount rate set by HFHI at the end of each fiscal year. The present value of the transaction price is allocated to the first performance obligation, with development costs of homes included as construction hard costs. The imputed interest or "discount" is allocated to the second performance obligation.

Revenue allocated to the first performance obligation is recorded at the point in time when control of the property transfers. This is the point in time at which the Organization has satisfied its first performance obligation to transfer control of the property to the homeowner as evidenced by an executed closing statement. Revenue allocated to the second performance obligation is recognized over the mortgage term as payments are collected. Contract liabilities relate mainly to homeowner deposits in escrow.

Revenue related to the ReStore sales is recognized at the time of sale. The income derived from ReStore sales are exempt from unrelated business income tax because substantially all sales consist of merchandise that the Organization received as gifts or contributions.

1. Summary of Significant Accounting Policies (cont.)

Revenue Recognition (cont.)

The Organization also recognizes revenue through both unconditional and conditional contributions and grants. Unconditional contributions are recognized when received, while a conditional contribution is recognized upon satisfaction of the donor's condition or when the grant funds have been expended in accordance with the provisions of the respective agreements. Management has determined that contributions and grants are non-reciprocal transactions and therefore fall under the scope of ASU 2018-08, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).*

The Organization generates revenue from special events. ASU 2018-08 notes that the exchange of assets or performance of services in exchange for assets of substantially lower value may be deemed to be a partial contribution. Such contribution would be measured at the difference between the fair value of the products provided or services performed, and the consideration received. Management concludes that the benefit to donors related to special events is immaterial in comparison to the consideration received from the donor as typically all that is received are insignificant amounts of food and beverages during the events. As such, consideration received through the conducting of special events is considered a contribution transaction.

The Organization's other revenue streams include interest income, rent income, late-fee income, and other income which are not included within the scope of ASC 606.

Home Sales

Homes are sold to qualified buyers and the mortgage terms are based on the amount the purchaser is able to pay. Consideration received is mortgages receivable which are non-interest bearing. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at 7.49% and 7.23% for the years ended June 30, 2022 and 2021, respectively, based upon prevailing market rates for low-income housing at inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages with rates ranging from 7.23% to 9.00% and is recorded as interest income in the accompanying statements of activities and changes in net assets. During the years ended June 30, 2022 and 2021, 9 homes and 20 homes, respectively, were sold.

Sales - ReStore

Revenue related to the ReStore sales are recognized at the time of the sale. The value for the purchased inventory of the ReStore is included in other assets within the statements of financial position. Habitat ReStore inventory includes donated and purchased household building materials, appliances, and furniture that are sold at the Habitat ReStore. Donated merchandise is recorded at fair market value where objectively measurable. Purchased merchandise is recorded at lower of cost or market, with cost being determined by the first-in, first-out method. As of June 30, 2022 and 2021, the Organization had $51,330 and $41,226, respectively, of purchased inventory and is included within prepaid expenses and other current assets in the accompanying statements of financial position.

1. Summary of Significant Accounting Policies (cont.)

Land Lease

The Organization entered into a 99-year land lease agreement during December 2015, to maintain the common area land of the Hallandale Beach Townhome community, consisting of approximately 16 homes. The Organization is responsible for all operating expenses on the common area land. During the year ended June 30, 2022, the Organization recognized $13,890 of land lease income and $15,772 of land lease expenses. During the year ended, June 30, 2021, the Organization recognized $14,595 of land lease income and $26,114 of land lease expenses. These amounts are included in rent income and program services expenses, respectively, in the accompanying statements of activities and changes in net assets.

Development and Public Relations Activities

The Organization's financial statements are presented in accordance with FASB ASC 958, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising*. ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Directly identifiable development and public relations activities expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Functional Allocation of Expenses

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the time spent.

Income Taxes

The Organization received a determination (via HFHI) from the Internal Revenue Service (IRS) indicating that it is exempt from federal income tax on all income except unrelated business income under Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes has been recorded in the accompanying financial statements. For the years ended June 30, 2022 and 2021, the Organization had no unrelated business income tax resulting from unrelated business income.

The Organization accounts for uncertainty in income taxes in accordance with U.S. GAAP, which requires recognition in the accompanying financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its financial position, activities or cash flows were required.

The Organization did not record any interest or penalties on uncertain tax positions in the statements of financial position as of June 30, 2022 and 2021, or the statements of activities and changes in net assets for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization is generally no longer subject to examination by the IRS for years before 2019.

1. Summary of Significant Accounting Policies (cont.)

Subsequent Events

The Organization's management has evaluated subsequent events through November 29, 2022, the date which the financial statements were available for issue.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2022 and 2021 amounted to $205,329 and $225,764, respectively, and is included in the accompanying statements of functional expenses.

Recently Adopted Accounting Pronouncements

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021. The Organization adopted the standard on July 1, 2021. The standard did not have a material impact on the financial statements.

2. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

	2022	2021
Cash and cash equivalents	**$ 19,312,321**	$ 11,114,829
Restricted cash	**58,958**	35,203
Total cash, cash equivalents, and restricted cash	**$ 19,371,279**	$ 11,150,032

3. Mortgages Receivable, Net

A home is considered sold when a formal closing transaction has been finalized. At that time, a first non-interest bearing mortgage is given to the homeowner based on the amount the homeowner is able to pay. The Organization records the revenue for the sale at the amount equal to the first mortgage net of imputed interest. If the fair value of the property is greater than the first mortgage, the Organization obtains a second mortgage for the difference of the sales price and the fair value. The second mortgage is to protect the value of the collateral and is not recorded in the books and records of the Organization. At the time the first mortgage is paid in full, the Organization cancels the second mortgage.

3. Mortgages Receivable, Net (cont.)

As of June 30, 2022, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

For the year ending June 30,		Amount
2023	$	1,292,137
2024		1,265,708
2025		1,237,901
2026		1,184,719
2027		1,145,648
Thereafter		19,738,523
		25,864,636
Less unamortized discount		(13,667,321)
Mortgage receivable, net	$	12,197,315

4. Contributions Receivable, Net

Contributions receivable, net, consists of the following as of June 30, 2022 and 2021:

		2022		2021
Due in less than one year	**$**	**766,633**	$	1,174,845
Due in one to three years		**-**		200,000
Less: allowance for doubtful accounts		**(118,289)**		(15,000)
Less: unamortized discount on pledges		**-**		(6,295)
Contributions receivable, net	**$**	**648,344**	$	1,353,550

5. Property and Equipment, net

Property and equipment, net, consists of the following as of June 30, 2022 and 2021:

		2022		2021
Land, building, and improvements	**$**	**2,643,698**	$	2,632,573
Vehicles		**145,665**		145,665
Leasehold improvements		**111,046**		-
Construction equipment		**46,621**		46,621
Computer equipment and software		**41,361**		35,655
Office furniture and equipment		**22,624**		22,624
		3,011,015		2,883,138
Less: accumulated depreciation and amortization		**(1,421,285)**		(1,346,041)
Property and equipment, net	**$**	**1,589,730**	$	1,537,097

Depreciation and amortization expense was $75,244 and $88,532, for the years ended June 30, 2022 and 2021, respectively.

6. Single Family Homes Under Construction

Single family homes under construction at June 30, 2022 and 2021, consist of the following:

		2022		2021
Construction in progress	**$**	**3,978,941**	$	2,876,192
Land		**1,816,379**		1,531,360
Total	**$**	**5,795,320**	$	4,407,552

Potential homeowners must meet certain requirements before they can close on a home. If the home is completed before these requirements are met, then the family is allowed to rent the home while working to meet the requirements. There was no rent income from unsold homes for the year ended June 30, 2022. Rent income from unsold homes for the year ended June 30, 2021 was $11,217, and is included within rent income in the accompanying statements of activities and changes in net assets. Before closing on a home, potential homeowners must prepay a certain amount of closing costs. At June 30, 2022 and 2021, these prepayments were $49,105 and $25,350, respectively, and are included within other liabilities in the accompanying statements of financial position.

7. New Market Tax Credits and Associated Joint Ventures

On August 22, 2018, the Organization closed on a transaction to participate in a New Market Tax Credit (NMTC) program. The program provides funds to eligible organizations for investment in "qualified low-income community investment". The Organization invested, along with other similar Habitat affiliates, in a joint venture (HFHI NMTC Leverage Lender 2018, LLC) with a 27.75% ownership to take advantage of the NMTC financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. As a result, the Organization invested $4,197,654 in the joint venture and secured a 30-year loan in the amount of $6,022,743 (see Note 8), payable to a community development entity (an affiliate of the joint venture). The net proceeds less fees are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

On July 30, 2021, the Organization closed on another transaction to participate in the NMTC program. The Organization invested, along with other similar Habitat affiliates, in a joint venture (HFHI NMTC Leverage Lender 2021, LLC) with a 14.44% ownership to take advantage of the NMTC financing. As a result, the Organization invested $2,117,784 in the joint venture and secured two 30-year loans in the amounts of $2,578,287 and $286,476 (see Note 8), payable to a community development entity (an affiliate of the joint venture). The net proceeds less fees are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

Program compliance requirements include creation of promissory notes and investments in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period. A portion of the Leverage Lender proceeds are used to pre-fund the joint expenses accounts. The joint expenses will be used during the seven-year compliance period to pay for the expenses of the affiliates and the CDE associated with the reporting obligations required in these transactions. These expenses are administered by the CDE and any unused amounts will be returned to the affiliates at the end of the compliance period.

8. Notes Payables – HFHI NMTC, Net

HFHI NMTC Sub-CDE III, LLC

Note payable due to HFHI NMTC Sub-CDE III, LLC is a result of the NMTC financing (see Note 7). The note is a 30-year loan in the amount of $6,022,743. The Organization had unamortized debt issuance costs of $427,886 and $482,282, respectively, as of June 30, 2022 and 2021. Unamortized debt issuance costs are netted against the principal outstanding on the note payable as presented on the statements of financial position. Amortization of debt issuance costs are recorded as interest expense. The note accrues interest for 7 years at a rate of .6941% on an annual basis commencing on November 5, 2018. Commencing on August 23, 2025, the principal balance of the loan is reduced by a 23-year amortization at the same rate of .6941%. The loan matures on August 22, 2048 and is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The note has a put option feature that is exercisable after August 22, 2025. This put option is expected to be exercised and this exercise of the put option will effectively allow the Organization to extinguish its outstanding debt.

Pursuant to the agreement, the Organization is required to comply with the NMTC requirements as generally set forth in the Internal Revenue Code (IRC) Section 45D, including that the Organization maintain a separate business activity such that the separate business activity will qualify as a qualified active low-income community business as defined in IRC Section 45D.

In accordance with the agreement, the Organization is required to maintain a separate affiliate expense reserve, which is used to fund guaranteed obligations and the servicing fee to HFHI. The initial required funding under the agreement as it relates to the Organization was $636,404.

8. Notes Payables – HFHI NMTC, Net (cont.)

HFHI NMTC Sub-CDE IV, LLC and HFHI NMTC Sub-CDE V, LLC

Note payables due to HFHI NMTC Sub-CDE IV, LLC and HFHI NMTC Sub-CDE V, LLC is a result of the NMTC financing (see Note 7). The notes are 30-year loans in the amounts of $2,578,287 and $286,476. The Organization had unamortized debt issuance costs of $299,279 as of June 30, 2022. Unamortized debt issuance costs are netted against the principal outstanding on the note payables as presented on the statements of financial position. Amortization of debt issuance costs are recorded as interest expense. The notes accrue interest for 7 years at a rate of .7379%, on an annual basis commencing on November 5, 2021. Commencing on January 1, 2029, the principal balance of the loan is reduced by a 23-year amortization at the same rate of .7379%. The loans mature on July 30, 2051 and are secured by substantially all the assets acquired by the Organization from the project loan proceeds. The notes have a put option feature that is exercisable after December 31, 2028. This put option is expected to be exercised and this exercise of the put option will effectively allow the Organization to extinguish its outstanding debt.

Pursuant to the agreement, the Organization is required to comply with the NMTC requirements as generally set forth in the IRC Section 45D, including that the Organization maintain a separate business activity such that the separate business activity will qualify as a qualified active low-income community business as defined in IRC Section 45D.

In accordance with the agreement, the Organization is required to maintain a separate affiliate expense reserve, which is used to fund guaranteed obligations and the servicing fee to HFHI. The initial required funding under the agreement as it relates to the Organization was $323,633.

9. Contributions and Grants

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2022 consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Contributions			
Faith community	$ 12,819	$ 98,781	$ 111,600
Commerce and industry	354,692	217,408	572,100
Foundations and other charitable organizations	172,129	429,250	601,379
Individuals	7,335,778	102,130	7,437,908
Total contributions	7,875,418	847,569	8,722,987
Grants			
Commerce and industry	118,500	40,000	158,500
Foundations and other charitable organizations	90,000	308,555	398,555
Total grants	208,500	348,555	557,055
Total contributions and grants	$ 8,083,918	$ 1,196,124	$ 9,280,042

9. Contributions and Grants (cont.)

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2021 consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Contributions			
Faith community	$ 49,659	$ 4,739	$ 54,398
Commerce and industry	440,509	1,095,225	1,535,734
Foundations and other charitable organizations	326,666	112,745	439,411
Individuals	287,313	192,450	479,763
Paycheck Protection Program	427,325	-	427,325
Total contributions	1,531,472	1,405,159	2,936,631
Grants			
Commerce and industry	30,065	97,435	127,500
Foundations and other charitable organizations	210,000	42,000	252,000
Total grants	240,065	139,435	379,500
Total contributions and grants	$ 1,771,537	$ 1,544,594	$ 3,316,131

10. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of funds restricted for the construction of specific homes or that are time restricted to future periods and are included in cash and cash equivalents and contributions receivable on the statements of financial position as of June 30, 2022 and 2021. Net assets with donor restrictions are available with the following restrictions as of June 30, 2022 and 2021:

	2022	2021
Home sponsorships received – purpose and time restriction	**$ 150,000**	$ 200,000
Other contributions received – purpose restriction	**2,670,355**	2,831,367
Total net assets with donor restrictions	**$ 2,820,355**	$ 3,031,367

11. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$	**16,491,968**
Current portion of mortgages receivable, net		**1,292,137**
Current portion of contributions receivable, net		**438,819**
Other current assets		**305,278**
Total	$	**18,528,202**

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

12. Transactions with Affiliated Organization

During the years ended June 30, 2022 and 2021, the Organization contributed $60,000 and $47,000, respectively, to HFHI. These contributions are included within affiliate dues and tithing within the accompanying statements of functional expenses. These funds are used to construct homes in economically depressed areas around the world. As of June 30, 2021, $1,676 was included in accounts payable and accrued expenses as due to Habitat affiliates.

13. Mortgage Servicing Agreement

On June 1, 2019, the Organization transferred its mortgage servicing activities to Affiliate Mortgage Services, a third-party mortgage service provider. This agreement allows Affiliate Mortgage Services to collect all payments due under the terms of the mortgage loans and keep a complete, accurate and separate accounting of all sums collected by it from mortgagors. The agreement also provides that Affiliate Mortgage Services will act as the escrow agent for homeowners who have obtained mortgages through the purchase of a home from the Organization.

The agreement states that Affiliate Mortgage Services will initially fund the loan and prepare all loan origination documents. After closing, the loan proceeds are temporarily transferred to the Organization and remitted back once the mortgage loan is established. As of June 30, 2022 and 2021, the Organization has no liability in accounts payable and accrued expenses to be transferred to Affiliate Mortgage Services.

14. Revenue from Contracts with Customers

Disaggregation of Revenues

The Organization has disaggregated revenue into various categories in the accompanying statements of activities and changes in net assets which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

14. Revenue from Contracts with Customers (cont.)

Contract Balances

The timing of revenue recognition, billings and cash collections results in mortgages receivable from homeowners, net, unamortized discount on mortgages receivable, and homeowners' deposits in escrow on the statements of financial position. Mortgages receivable from homeowners are recorded at the time revenue is recognized, while cash collections occur after revenue recognition. Generally, billing and cash collections associated with homeowners' deposits in escrow occur before revenue recognition. These deposits are liquidated when revenue is recognized.

The beginning and ending contract balances were as follows:

June 30,		**2022**		2021
Mortgages receivable, net – current	**$**	**1,292,137**	$	1,317,735
Mortgages receivable, net – noncurrent		**24,572,499**		24,807,756
Unamortized discount on mortgages receivable		**(13,667,321)**		(13,859,081)
Homeowners deposits in escrow		**58,958**		35,203
Total	**$**	**12,256,273**	$	12,301,613

15. Employee Benefit Plans

The Organization sponsors a defined contribution retirement plan (the Plan) covering substantially all of its full-time employees. Employees become eligible for Plan participation after completing six months of service. The Organization contributes 3% of eligible employees' gross compensation to the Plan. All contributions made on behalf of employees become fully vested upon completing six months of service. For the years ended June 30, 2022 and 2021, the Organization contributed $49,764 and $50,543, respectively, to the Plan.