

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.
Supply, North Carolina

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**As of and for the Years Ended
June 30, 2024 and 2023**



Turlington and Company, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brunswick County Habitat for Humanity, Inc.
Supply, North Carolina

Opinion

We have audited the financial statements of Brunswick County Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brunswick County Habitat for Humanity, Inc. as of June 30, 2024 and 2023, 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.

Basis for Opinion

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Brunswick County Habitat for Humanity, 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 Brunswick County Habitat for Humanity, 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.

Furlington and Company, L.L.P.

Lexington, North Carolina
January 15, 2025

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 506,545	\$ 918,572
Accounts receivable	40,347	47,833
ReStore inventory	226,310	261,439
Program properties inventory	2,380,016	1,482,585
Current maturities on loans to homeowners	198,322	193,782
	<u>3,351,540</u>	<u>2,904,211</u>
Noncurrent assets:		
Construction in process	1,825,370	92,160
Loans to homeowners, net of discounts, less current maturities	1,743,272	1,694,502
Property and equipment, net of accumulated depreciation	2,186,380	2,259,674
	<u>5,755,022</u>	<u>4,046,336</u>
	<u>\$ 9,106,562</u>	<u>\$ 6,950,547</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 669,523	\$ 167,869
Escrows payable	23,020	14,960
Current maturities on notes payable	111,530	97,753
Current maturities on NCHFA notes payable	31,167	22,833
	<u>835,240</u>	<u>303,415</u>
Noncurrent liabilities:		
Notes payable, less current maturities	2,382,799	1,217,409
NCHFA notes payable, net of discounts, less current maturities	327,659	244,637
	<u>2,710,458</u>	<u>1,462,046</u>
	<u>3,545,698</u>	<u>1,765,461</u>
Net assets:		
With donor restrictions	<u>7,000</u>	<u>53,807</u>
Without donor restrictions:		
Undesignated	5,264,091	4,892,725
Board Designated Reserve	289,773	238,554
	<u>5,553,864</u>	<u>5,131,279</u>
	<u>5,560,864</u>	<u>5,185,086</u>
	<u>\$ 9,106,562</u>	<u>\$ 6,950,547</u>

The accompanying notes are an integral part of the financial statements

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2024 and 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total Fiscal</u> <u>Year 2024</u>	<u>Total Fiscal</u> <u>Year 2023</u>
Revenues and support:				
Private grants and contributions	\$ 430,171		\$ 430,171	\$ 482,251
NCHFA contributions	155,538		155,538	153,994
Home sales	1,058,590		1,058,590	944,017
Imputed interest on mortgage loans	150,321		150,321	130,385
Gross ReStore sales	2,343,577		2,343,577	2,395,071
Less, ReStore expenses	(1,512,896)		(1,512,896)	(1,541,138)
ReStore, net	830,681	-	830,681	853,933
Special events	100,336		100,336	25,238
Interest and other income	73,267		73,267	7,059
Gain on sale of assets			-	7,600
Net assets released from restrictions	46,807	(46,807)	-	-
Total revenues and support	<u>2,845,711</u>	<u>(46,807)</u>	<u>2,798,904</u>	<u>2,604,477</u>
Expenses:				
Program services	1,802,996		1,802,996	1,664,804
Management and general	406,536		406,536	441,620
Fundraising	213,594		213,594	130,215
Total expenses	<u>2,423,126</u>	<u>-</u>	<u>2,423,126</u>	<u>2,236,639</u>
Change in net assets	422,585	(46,807)	375,778	367,838
Net assets at beginning of years	<u>5,131,279</u>	<u>53,807</u>	<u>5,185,086</u>	<u>4,817,248</u>
Net assets at end of years	<u>\$ 5,553,864</u>	<u>\$ 7,000</u>	<u>\$ 5,560,864</u>	<u>\$ 5,185,086</u>

The accompanying notes are an integral part of the financial statements

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2024 and 2023

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Fiscal Year 2024</u>	<u>Total Fiscal Year 2023</u>
	<u>Home Ownership</u>	<u>ReStores</u>	<u>Management and General</u>	<u>Fundraising</u>		
Operating expenses:						
Wages, taxes, and benefits	\$ 464,711	\$ 899,888	\$ 315,001	\$ 139,334	\$ 1,818,934	\$ 1,641,676
Cost of homes sold	956,868				956,868	716,564
Discount on new mortgages	192,867				192,867	507,883
Contracted services			37,393		37,393	14,161
General operations	141,288	346,245	18,156	68,636	574,325	581,039
Occupancy	2,198	94,452	9,588		106,238	88,044
Interest		54,719			54,719	32,957
Imputed interest on mortgage loans	23,478				23,478	16,247
Insurance	18,759	52,234	12,716	5,624	89,333	93,131
Depreciation	2,827	65,358	13,682		81,867	86,075
	<u>1,802,996</u>	<u>1,512,896</u>	<u>406,536</u>	<u>213,594</u>	<u>3,936,022</u>	<u>3,777,777</u>
Less expense items netted against revenue on the Statements of Activities:						
ReStore expenses		<u>(1,512,896)</u>			<u>(1,512,896)</u>	<u>(1,541,138)</u>
Total functional expenses	<u>\$ 1,802,996</u>	<u>\$ -</u>	<u>\$ 406,536</u>	<u>\$ 213,594</u>	<u>\$ 2,423,126</u>	<u>\$ 2,236,639</u>

The accompanying notes are an integral part of the financial statements

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 375,778	\$ 367,838
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	81,867	86,075
Gain on sale of assets	-	(7,600)
Mortgage loan discount amortization	(150,321)	(130,385)
Home sales subject to noninterest-bearing mortgage loans	(117,133)	(316,634)
NCHFA notes payable discount amortization	23,478	16,247
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	7,486	(29,704)
Decrease in ReStore inventory	35,129	5,925
Decrease in prepaid expenses	-	617
Increase in program properties inventory	(897,431)	(528,432)
Increase in construction in process	(1,733,210)	(92,160)
Increase in accounts payable and accrued liabilities	501,654	2,995
Increase (decrease) in escrows payable	8,060	(7,103)
Net cash used for operating activities	<u>(1,864,643)</u>	<u>(632,321)</u>
Cash flows from investing activities:		
Mortgage payments received	214,144	250,286
Proceeds from sale of fixed assets	-	7,600
Purchase of equipment	(8,573)	(32,344)
Net cash provided by investing activities	<u>205,571</u>	<u>225,542</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	1,276,193	673,100
Proceeds from long-term borrowings - NCHFA	250,000	250,000
Discount on NCHFA notes payable	(155,538)	(153,994)
Principal payments on NCHFA notes payable	(26,584)	(18,389)
Principal payments on long-term debt	(97,026)	(31,668)
Net cash provided by financing activities	<u>1,247,045</u>	<u>719,049</u>
Net increase (decrease) in cash	(412,027)	312,270
Cash and cash equivalents at beginning of years	<u>918,572</u>	<u>606,302</u>
Cash and cash equivalents at end of years	<u>\$ 506,545</u>	<u>\$ 918,572</u>
Cash expended during the years for interest	<u>\$ 54,719</u>	<u>\$ 32,957</u>
Supplemental disclosure of non-cash investing and financing transactions:		
Issuance of noninterest-bearing mortgage loans	\$ 310,000	\$ 824,517
Discount on noninterest-bearing mortgage loans	(192,867)	(507,883)
Home sales subject to noninterest-bearing mortgage loans	<u>\$ 117,133</u>	<u>\$ 316,634</u>

The accompanying notes are an integral part of the financial statements

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2024 and 2023

1. Organization:

Brunswick County Habitat for Humanity, Inc. (“Habitat”) is a North Carolina nonprofit corporation organized in June 1993 operating in Brunswick County, North Carolina. It is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience for people everywhere.

Habitat is directly responsible for its own operations. It receives assistance from Habitat International in a variety of ways including assistance with training, publications, and prayer support. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3) under a group exemption letter granted to Habitat International. As such, contributions to the organization are generally tax deductible. Habitat has determined that it has no uncertain income tax positions as of June 30, 2024 and 2023. Also, Habitat does not anticipate any increase or decrease in unrecognized tax benefits during the next twelve months that would result in a material change to its financial position. Habitat’s income tax returns for years ended after June 30, 2021, remain open for examination.

2. Mission and Activities:

Habitat is an ecumenical Christian housing ministry partnering with community volunteers to assist families who are working toward the purchase of a Habitat house. Habitat has completed 85 houses since its inception. Through the homeownership program, it sells homes to income-qualified families who have actively participated in the construction process and homeowner education. The new homeowners receive an affordable loan from Habitat or its financial services partners and pay the loan off in the same way as a traditional mortgage.

3. Summary of Significant Accounting Policies:

Habitat prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by Habitat are described below to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Habitat’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Habitat’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Asset Classes

The Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, “Not-for-Profit Entities,” requires the reporting of an organization’s activities by net asset class. The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on their use are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (Continued):

Net Asset Classes (Continued)

Board-Designated Funds

The board has set aside a portion of its unrestricted net assets as an operating reserve. Since none of the funds are donor-restricted, the board of directors may remove or change the designation at any time as it sees fit.

Net assets with donor restrictions are resources that are subject to donor (or certain grantor) -imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2024, Habitat held no net assets with permanent donor restrictions.

Cash and Cash Equivalents

Habitat considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation.

Contributions, Grants, and Contracts

Habitat accounts for contributions in accordance with *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from donor restrictions.

Contributed services are only recorded if they meet the requirements for recognition discussed in Note 16, Contributed Services, Donated Lots, and Materials.

Functional Allocation of Expenses

The Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, "Not-for-Profit Entities," requires the reporting of Habitat's expenses in the Statements of Activities using functional classifications (program, management and general, and fundraising). The Statements of Functional Expenses present these same expenses by both functional and natural classification (e.g., wages, contracted services).

Management and General activities include the functions necessary to provide support for Habitat's program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Habitat hosts occasional special events to raise awareness of its mission and to raise funds for its programs. In recognizing special events revenue, it follows the guidance provided by FASB ASC-958-605, Revenue Recognition. Habitat considers its events to be on-going and central to its operations and, therefore, records revenues at the gross amount. All costs of the events appear within the fundraising category on the Statements of Functional Expenses.

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (Continued):

Property and Equipment

Habitat capitalizes property and equipment costing more than \$2,500 with a useful life of more than one year. Lesser amounts are expensed. Purchased property and equipment is capitalized at acquisition cost, including costs necessary to prepare the asset for its intended use. Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use. See Note 10 and Note 16 for additional information regarding Habitat's property and equipment.

Escrow

Habitat makes loans to homeowners as described in Note 9. The homeowner escrow accounts are held as cash on the balance sheet and are offset by a corresponding liability within the accounts payable and accrued liabilities section since Habitat retains no ownership of the escrow funds.

Real Estate Owned and Homes under Construction

Real estate, including pre-acquisition, acquisition, and development costs, building materials and skilled labor, are recorded at cost when assets are acquired or services are provided, or at estimated fair market value when donated. Foreclosed homes purchased by Habitat are recorded at cost when the homes are acquired. No interest is capitalized as a cost of houses. Reclaimed houses are recorded as a component of real estate owned at the outstanding balance of the interest-free mortgage at the date of reclamation plus any related legal fees.

The costs of homes under construction are capitalized until the transfer to the homeowner is made. They appear as an asset on the Statements of Financial Position included in the line item "Program Properties Inventory." Once the home is occupied and title has passed to the homeowner, the construction costs are expensed and appear on the Statements of Functional Expenses as the line item "Cost of Homes Sold." Also see Note 8, Program Properties Inventory / Housing Activities.

Home Sales/Loans to Homeowners

Habitat transfers ownership of properties to homeowners when the homes are occupied, and title is transferred. The transfers are recorded as revenue on the Statements of Activities at the gross amount of payments to be received over the lives of the associated mortgages plus any cash payments received at closing. Management has established no provision for loan losses because Habitat is the secured creditor and can reclaim the homes through foreclosure.

Historically, the non-interest-bearing mortgages have been discounted at a rate provided by Habitat International based upon market rates for similar types of loans. The rate provided for the current year was 8.02%. Discounts are amortized using the effective interest method over the lives of the mortgages.

In addition to the interest-free mortgages, most homeowners are obligated to another mortgage which is forgiven based on compliance with various requirements including timely mortgage payments and occupancy over 20 to 30 years. The forgivable mortgages are a contingent asset of Habitat and are, therefore, not recorded on the financial statements unless they are realized due to a home foreclosure, re-purchase, or refinancing with a new lender.

ReStore Donations and Inventory

Habitat receives support in the form of in-kind donations of building materials and household items. It operates ReStores in Ocean Isle Beach, Southport, and Leland, NC in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (when the items are sold).

Management has valued donated inventory held at the ReStores based on guidance provided by Habitat for Humanity International. Using an inventory turnover rate of one month, the value of the inventory has been estimated as the amount of the subsequent month's sales (see Note 7). Purchased inventory for sale at the ReStores is recorded at cost.

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (Continued):

Advertising Costs

Habitat expenses advertising costs as they are incurred. Advertising costs incurred for the years ended June 30, 2024 and 2023, amounted to \$18,490 and \$38,190, respectively.

Recently Adopted Accounting Standards

Credit Losses

In June 2016, the FASB issued guidance *Financial Instruments - Credit Losses (Topic 326)*, which has changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change for the accounting standard is a shift from the incurred loss model to the expected loss model. Under ASC 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by Habitat that are subject to the guidance in FASB ASC 326 were mortgage receivables. The impact of the adoption was not considered material to the financial statements.

4. Concentration of Credit Risk:

Habitat places its cash and cash equivalents on deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to at least \$250,000. At various times during the year, Habitat's cash balance in financial institutions has exceeded the FDIC insurance limit. At June 30, 2024, Habitat had \$191,409 in excess of the insured amount. These financial institutions have strong credit ratings, and management believes that the credit risks related to these deposits are minimal.

5. Liquidity and Availability:

The following represents Habitat's financial assets at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 506,545	\$ 918,572
Accounts receivable	40,347	47,833
Loans to homeowners, net	<u>1,941,594</u>	<u>1,888,284</u>
Total financial assets at year-end	<u>\$ 2,488,486</u>	<u>\$ 2,854,689</u>

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 506,545	\$ 918,572
Accounts receivable	40,347	47,833
Loans to homeowners, current	<u>198,322</u>	<u>193,782</u>
Total financial assets available within one year	745,214	1,160,187
Less, amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	<u>-</u>	<u>53,807</u>
Total financial assets and liquidity resources available within one year	<u>\$ 745,214</u>	<u>\$ 1,106,380</u>

Habitat operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying Statements of Cash Flows identifies the sources and uses of cash. Habitat regularly monitors liquidity required to meet its operating needs and other contractual commitments.

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

6. Accounts Receivable:

For the years ended June 30, 2024 and 2023, the accounts receivable balances of \$40,347, and \$47,833, respectively, consisted of sales tax and negative escrow receivables. Management believes the amount is fully collectible. Accordingly, no provision is made for uncollectible amounts.

7. ReStore Inventory:

ReStore inventory had a value of \$226,310 and \$261,439, respectively, at June 30, 2024 and 2023.

8. Program Properties Inventory / Housing Activities:

Program properties inventory consists of land held for development or under contract, homes under construction, and repurchased homes available for resale.

The following table summarizes program properties inventory and home building activity for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Program properties inventory, beginning	\$ 1,482,585	\$ 954,153
Additional costs incurred	1,853,987	1,320,020
Less, cost of 6 (5 for 2023) properties sold	<u>(956,556)</u>	<u>(791,588)</u>
Program properties inventory, ending	<u>\$ 2,380,016</u>	<u>\$ 1,482,585</u>

9. Homes Sales / Loans to Homeowners:

Habitat sells homes to program participants who finance the purchase using an interest-free mortgage from Habitat plus any cash payments at closing. Home acquisition financing is also provided at below-market rates through a partnership with First Bank. In the event a home financed with First Bank is in default, it may be resolved in different ways by Habitat, including the possibility that Habitat makes the loan current or purchases the loan from First Bank at par. The Habitat notes are payable over 20 to 30 years and appear on the Statements of Financial Position discounted to their present value. This method of accounting reflects the present value of the interest-free loans at inception and recognizes imputed interest income over the life of the loans.

As each house is sold, an expense is calculated for the difference between the face value of the mortgage loan receivable and the present value of the loan. The face value of the new loan appears on the Statements of Activities as "Home sales" revenue. The discount expense appears on the Statements of Functional Expenses as "Discount on new mortgages". As imputed interest income is earned over the life of the loan, it appears on the Statements of Activities as the revenue line item "Imputed interest on mortgage loans".

Loans to homeowners at June 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Loans to homeowners	\$ 4,245,278	\$ 4,149,422
Less, unamortized present value discount	<u>2,303,684</u>	<u>2,261,138</u>
	<u>\$ 1,941,594</u>	<u>\$ 1,888,284</u>

Scheduled annual mortgage receipts for the next five years and thereafter are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2025	\$ 198,322
2026	191,971
2027	187,549
2028	182,284
2029	181,534
Thereafter	<u>3,303,618</u>
	<u>\$ 4,245,278</u>

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

10. Property and Equipment:

Habitat's property and equipment consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 667,077	\$ 667,077
Buildings and improvements	2,128,985	2,128,912
Machinery and equipment	<u>187,592</u>	<u>179,092</u>
	2,983,654	2,975,081
Less, accumulated depreciation	<u>797,274</u>	<u>715,407</u>
Property and equipment, net	<u>\$ 2,186,380</u>	<u>\$ 2,259,674</u>

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, up to 39 years for buildings and improvements, and 5 - 10 years for machinery and equipment.

Depreciation expense totaled \$81,867 and \$86,075, respectively, for the years ended June 30, 2024 and 2023, and appears as a line item on the Statements of Functional Expenses.

11. Accounts Payable & Accrued Liabilities:

For the year ended June 30 2024, the accounts payable and accrued liabilities balance of \$669,523 consisted of operational accounts payable of \$589,950 and payroll and related liabilities of \$79,573. For the year ended June 30, 2023, the accounts payable and accrued liabilities balance of \$167,869 consisted of operational accounts payable of \$81,399 and payroll and related liabilities of \$86,470.

12. Line of Credit:

Habitat obtained a line of credit from First Bank that provided maximum borrowings of \$250,000 during the year ended June 30, 2022. The line of credit provides for interest at a variable rate and matures on December 20, 2024. The balance of this note was \$0 for both years ended June 30, 2024 and 2023.

13. Notes Payable:

Habitat's debt at June 30, 2024 and 2023, is summarized in the following table and further described below:

	<u>2024</u>	<u>2023</u>
First Bank	\$ 2,101,378	\$ 862,062
Habitat Mortgage Solutions	<u>392,951</u>	<u>453,100</u>
	2,494,329	1,315,162
Less, current maturities	<u>111,530</u>	<u>97,753</u>
	<u>\$ 2,382,799</u>	<u>\$ 1,217,409</u>

During the year ended June 30, 2022, Habitat received loan proceeds from First Bank. The note requires monthly installments of \$2,290, including interest at a fixed rate of 3.15%. The loan matures in November 2031. At that time, a balloon payment of approximately \$237,250 will be due. The note is secured by the Southport ReStore. The balance of this note was \$366,713 and \$380,790 at June 30, 2024 and 2023, respectively.

During the year ended June 30, 2022, Habitat received loan proceeds from First Bank. The note requires monthly installments of \$1,625, including interest at a fixed rate of 3.15%. The loan matures in November 2031. At that time, a balloon payment of approximately \$168,385 will be due. The note is secured by the Ocean Isle Beach ReStore. The balance of this note was \$257,210 and \$268,203 at June 30, 2024 and 2023, respectively.

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

13. Notes Payable (Continued):

During the year ended June 30, 2023, Habitat received loan proceeds from First Bank. The note requires monthly installments of \$1,777, including interest at a fixed rate of 5.25%. The loan matures in October 2032. At that time, a balloon payment of approximately \$95,205 will be due. The note is secured by land next to the Southport ReStore. The balance of this note was \$201,662 and \$213,069 at June 30, 2024 and 2023, respectively.

During the year ended June 30, 2023, Habitat received loan proceeds from Habitat Mortgage Solutions. The note requires quarterly installments of \$19,687, including interest at a fixed rate of 4.25%. The loan matures in February 2029. The note is secured by certain consumer mortgage loans held by Habitat. The balance of this note was \$392,951 and \$453,100 at June 30, 2024 and 2023, respectively.

During the year ended June 30, 2024, Habitat received loan proceeds from First Bank. The note requires monthly installments after the project is complete. The project is not currently complete and there are no specific repayment terms noted in the agreement. The loan matures in July 2033. The note is secured by the Leland ReStore. The balance of this note was \$1,051,194 at June 30, 2024.

During the year ended June 30, 2024, Habitat received loan proceeds from First Bank. The note requires monthly installments of \$1,891, including interest at a fixed rate of 7.95%. The loan matures in May 2031. At that time, a balloon payment of approximately \$184,240 will be due. The note is secured by the administrative office. The balance of this note was \$224,600 at June 30, 2024.

Maturities on the above debt for the next five years and thereafter are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2025	\$ 111,530
2026	116,255
2027	121,186
2028	126,332
2029	131,703
Thereafter	<u>1,887,323</u>
	<u>\$ 2,494,329</u>

14. NCHFA Notes Payable:

Habitat participates in the “Self-Help Loan Pool,” a program of the North Carolina Housing Finance Agency (NCHFA), a public agency of the State of North Carolina. The program provides Habitat up to \$50,000 per homeowner loan per year, to be repaid over the life of the loan (typically 30 years). The total balances of these notes as of June 30 2024 and 2023 were \$358,826 and \$267,470, respectively.

Because the NCHFA loans are interest-free, Habitat has discounted the liability on the Statements of Financial Position to reflect the time value of money. The imputed interest rate for loans issued during the year ended June 30, 2024, is 8.02% and corresponds to the associated homeowner loans.

During the years ended June 30, 2024 and 2023, Habitat received \$250,000 each year in financing from NCHFA. The difference between the cash proceeds received and the discounted value of the notes is considered contribution revenue. The NCHFA contribution was calculated at \$155,538 and \$153,994, respectively, for the years ended June 30, 2024 and 2023, and appears as a revenue line item on the Statements of Activities.

Imputed interest expense is calculated over the life of the loans and appears as a line item on the Statements of Functional Expenses. The amount of imputed expense for the years ended June 30, 2024 and 2023, was \$23,478 and \$16,247, respectively.

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

14. NCHFA Notes Payable (Continued):

Annual repayments and the discounted value of the loan pool are:

<u>Year Ended June 30</u>	<u>Amount</u>
2025	\$ 31,167
2026	31,167
2027	29,916
2028	29,500
2029	29,500
Thereafter	<u>726,569</u>
	877,819
Less, present value discount	<u>518,993</u>
NCHFA notes payable, net	<u>\$ 358,826</u>

15. Restrictions on Net Assets:

The restrictions on net assets at June 30, 2024 and 2023 of \$7,000 and \$53,807, respectively, are temporary and consist of contributions restricted to funding future home building or future repair projects.

Once Habitat has incurred substantially all costs associated with a build, it releases restrictions on any associated gifts. Funds released from restriction in this way appear on the Statements of Activities within the line item "Net Assets Released from Restriction".

16. Contributed Services, Donated Lots, and Materials:

The requirements for the recognition of contributed services in the financial statements are set forth in FASB ASC 958-605-25-16, "Contributed Services." They should be recorded when (1) they create or enhance non-financial assets; or (2) they require specialized skills provided by individuals possessing those skills and are services that would typically be purchased.

Volunteers provide substantial in-kind support to Habitat in the form of construction services and also administrative and fundraising support. Only the services of skilled construction personnel meet the criteria for recognition in the financial statements. Additionally, Habitat International provides the affiliate with advisory support and periodic assistance with information technology and training needs. However, it does not perform regular services for and under the direction of Habitat and, therefore, these services are not recognized in the financial statements. While a significant number of volunteers have donated their time to the Habitat's program, there were no contributed services meeting the requirements for recognition in the financial statements during the years ended June 30, 2024 and 2023.

Habitat receives donated lots and construction materials in the course of its construction activities. These in-kind donations are valued using an estimate of fair value for the service, land, or material provided.

17. Related-Party Transactions:

Habitat remits a portion of its revenues each year to Habitat International and Habitat North Carolina. A portion of these funds known as a "tithe" comes from unrestricted contributions and is used to help construct homes in economically depressed areas around the world. The rest of these funds are fees charged by Habitat International and Habitat North Carolina for the support services they provide their affiliates. Habitat contributed \$37,874 and \$31,981, respectively, to Habitat International and Habitat North Carolina during the years ended June 30, 2024 and 2023. This amount is included in the line item "General operations" on the Statements of Functional Expenses.

BRUNSWICK COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

18. Commitments:

Habitat received a grant from the American Rescue Plan Act of 2021 during the year ended June 30, 2023 to assist in funding construction for a new ReStore location in Leland, NC. The reimbursement grant provides for an amount up to \$100,000. At June 30, 2024, Habitat had incurred \$100,000 of expenses related to the grant and has received reimbursements totaling \$100,000.

19. Subsequent Events:

Habitat's management has evaluated all subsequent events through January 15, 2025, the date the financial statements were available to be issued. Habitat renewed the line of credit with First Bank with a maturity date of December 20, 2027. No other subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.