

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**Year Ended June 30, 2023
(With Comparative Totals for 2022)**

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Santi & Associates, PC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Habitat for Humanity-North Central Georgia, Inc.
Roswell, Georgia

Opinion

We have audited the accompanying financial statements of Habitat for Humanity-North Central Georgia, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, 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-North Central Georgia, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity-North Central Georgia, 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 these 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 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-North Central Georgia, 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, including omissions, 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-North Central Georgia, 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-North Central Georgia, 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 Habitat for Humanity-North Central Georgia, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Alpharetta, Georgia

November 3, 2023

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 421,424	\$ 817,471
Contributions receivable	88,437	56,594
Grants receivable	294,846	393,711
Current portion of mortgages receivable, net	220,923	217,963
Due from related party	3,181	88,552
Other receivables	250,485	53,898
Prepaid expenses	7,081	22,631
Construction in progress	251,262	177,271
Land held for development	777,221	6,600
Land held for sale	350,000	350,000
	<u>2,664,860</u>	<u>2,184,691</u>
Total current assets		
Property and Equipment		
Property and equipment, net	<u>9,512</u>	<u>18,926</u>
Other Assets		
Mortgages receivable, net, less current portion	<u>7,480,989</u>	<u>7,487,258</u>
<hr/>		
Assets	\$ 10,155,361	\$ 9,690,875

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

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Current portion of notes payable, net	\$ 479,504	\$ 130,845
Accounts payable	49,193	75,748
Accrued expenses	55,002	-
Other payable	1,116	-
Homeowner deposits	17,181	23,650
Deferred revenue	-	66,455
Unearned revenue	11,166	15,282
	<u>613,162</u>	<u>311,980</u>
Total current liabilities		
Long-Term Debt		
Notes payable, less current portion	<u>1,415,675</u>	<u>1,533,861</u>
Net Assets		
Without donor restrictions	7,575,887	7,394,808
With donor restrictions	<u>550,637</u>	<u>450,226</u>
	<u>8,126,524</u>	<u>7,845,034</u>

Liabilities and Net Assets

\$ 10,155,361

\$ 9,690,875

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without	With	Total	
	Donor Restrictions	Donor Restrictions	2023	2022
Revenues, Grants, and Other Support				
Transfers to homeowners	\$ 1,059,169	\$ -	\$ 1,059,169	\$ 1,185,248
Contributions	595,478	409,828	1,005,306	1,215,526
In-kind contributions	120,851	-	120,851	503,353
Grant revenue	162,902	72,809	235,711	474,913
Mortgage discount amortization	580,676	-	580,676	578,998
Interest income	19,078	-	19,078	163
Other revenue	62,384	-	62,384	50,154
Forgiveness of PPP loan	-	-	-	168,728
Employee retention credits	163,572	-	163,572	-
	<u>2,764,110</u>	<u>482,637</u>	<u>3,246,747</u>	<u>4,177,083</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	224,133	(224,133)	-	-
Satisfaction of program restrictions	158,093	(158,093)	-	-
	<u>382,226</u>	<u>(382,226)</u>	<u>-</u>	<u>-</u>
Total revenues, grants, and other support	<u>3,146,336</u>	<u>100,411</u>	<u>3,246,747</u>	<u>4,177,083</u>
Expenses and Losses				
Program services	2,356,608	-	2,356,608	2,675,998
Management and general	384,811	-	384,811	347,013
Fundraising	223,838	-	223,838	126,790
Total expenses and losses	<u>2,965,257</u>	<u>-</u>	<u>2,965,257</u>	<u>3,149,801</u>
Change in Net Assets	181,079	100,411	281,490	1,027,282
Net Assets, Beginning of Year	<u>7,394,808</u>	<u>450,226</u>	<u>7,845,034</u>	<u>6,817,752</u>
Net Assets, End of Year	<u>\$ 7,575,887</u>	<u>\$ 550,637</u>	<u>\$ 8,126,524</u>	<u>\$ 7,845,034</u>

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

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023				2022
	Program Services	Management & General	Fundraising	Total	Total
Salaries and related expenses	\$ 525,597	\$ 61,095	\$ 153,086	\$ 739,778	\$ 698,678
Payroll taxes and benefits	74,211	21,224	27,371	122,806	123,392
Cost of houses sold	796,939	-	-	796,939	1,082,761
Mortgage discounts	535,305	-	-	535,305	459,655
Property expenses	9,407	-	-	9,407	21,447
Bad debt expense	2,220	-	-	2,220	6,980
Occupancy and rentals	5,280	25,625	-	30,905	31,300
Professional fees	51,208	89,562	8,187	148,957	108,453
Insurance	65,810	12,649	-	78,459	100,546
Dues and memberships	-	28,415	-	28,415	27,626
Automobile expense	26,429	-	-	26,429	16,662
Advertising	228	-	-	228	3,000
Office supplies and expense	3,389	31,694	14,231	49,314	42,247
Telephone	5,470	10,346	1,400	17,216	16,392
Postage and delivery	83	510	1,768	2,361	2,062
Training	647	8,498	424	9,569	4,011
Repairs and maintenance	-	2,255	-	2,255	43
Retirement plan fees	-	2,056	-	2,056	2,279
Homeowner and volunteer	22,168	-	2,393	24,561	13,091
Printing and publications	1,070	195	4,430	5,695	5,244
Small tools	3,113	-	-	3,113	2,781
Travel, meals and entertainment	9,290	2,719	5,178	17,187	17,085
Loan fees	-	-	-	-	750
Interest	-	76,068	-	76,068	80,864
Community investment repairs	216,038	-	-	216,038	229,263
Contribution - Habitat Int'l	2,183	-	-	2,183	1,652
Depreciation	-	9,414	-	9,414	20,760
Miscellaneous	523	2,486	5,370	8,379	30,777
	<u>\$2,356,608</u>	<u>\$ 384,811</u>	<u>\$ 223,838</u>	<u>\$2,965,257</u>	<u>\$3,149,801</u>

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

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 281,490	\$ 1,027,282
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,414	20,760
Noncash contribution of land	-	(350,000)
(Increase) Decrease in:		
Contributions receivable	(31,843)	118,406
Grants receivable	98,865	(354,261)
Mortgages receivable	3,309	(25,528)
Due from related party	85,371	(88,552)
Other receivables	(196,587)	15,539
Prepaid expenses	15,550	2,663
Construction in progress	(73,991)	39,656
Land held for development	(420,621)	145,255
Increase (Decrease) in:		
PPP loan	-	(168,728)
Accounts payable	(26,555)	(79,616)
Accrued expenses	55,002	(9,231)
Due to related party	-	(12,588)
Other payable	1,116	-
Homeowner deposits	(6,469)	7,400
Deferred revenue	(66,455)	66,455
Unearned revenue	(4,116)	(2,875)
Net cash provided by (used in) operating activities	<u>(276,520)</u>	<u>352,037</u>
Cash Flow from Financing Activities		
Net payments on notes payable	<u>(119,527)</u>	<u>(92,828)</u>
Net cash used in financing activities	<u>(119,527)</u>	<u>(92,828)</u>
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(396,047)	259,209
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>817,471</u>	<u>558,262</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u><u>\$ 421,424</u></u>	<u><u>\$ 817,471</u></u>

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

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity-North Central Georgia, Inc. (Habitat) is presented to assist in understanding Habitat's financial statements. The financial statements and notes are representations of Habitat's management, who is responsible for their integrity and objectivity.

1. **Nature of Organization**

Habitat is a non-profit, tax-exempt, non-denominational Christian housing ministry that works in partnership with community sponsors and volunteers to build decent, affordable homes for, and with, responsible low-income families selected by Habitat. Habitat also repairs homes of non-Habitat, low income homeowners through a home repair program targeted primarily at veterans and senior citizens on fixed incomes. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Like other such affiliates, Habitat is an independent, locally run organization that is responsible for its own funding, family selection and education, land acquisition and development, and home construction. Although Habitat International assists Habitat with information resources, training, publications, flow-through contributions, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat, in its current form, took shape in January 2006 when the affiliates in North Fulton, Cherokee, Forsyth, and Dawson counties merged. Habitat's homeownership program is open to all people, regardless of race, religion, color, or creed.

2. **Basis of Presentation**

Habitat has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two classes of net assets. A description of the two classes of net assets follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Habitat has adopted a policy to classify donor restricted contributions as without donor restrictions when those donor restrictions are met in the year the contributions were received.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. **Cash and Cash Equivalents**

Habitat considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

4. **Receivables**

Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible. At June 30, 2023, Habitat considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Bad debt expense was \$2,220 for the year ended June 30, 2023.

5. **Construction in Progress**

Construction in progress represents houses that are currently under construction for families. Purchased materials and land for the construction of these houses are recorded at cost. Donated materials, labor, and land, if applicable, are recorded at their fair market value. Overhead and administration expenses of houses built by Habitat are included in the overall program expenses of Habitat.

6. **Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line method.

The estimated useful lives in determining depreciation are:

	<u>Years</u>
Vehicles	5
Building tools	5

Expenditures for property and equipment and for improvements, which extend the original estimated economic life of the asset, exceeding \$2,500, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is sold or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense, for the year ended June 30, 2023, was \$9,414.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. **Contributions and Other Revenues**

Unconditional contributions and special grants, those that do not include a measurable performance-related or other barrier or are those in which Habitat has limited discretion over how the contribution should be spent, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions that include a measurable barrier or those for which Habitat has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

8. **Functional Allocation of Expenses**

The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services, based on their nature and purpose, while other costs are directly charged to the functions they benefit. Expenses have been classified based on actual direct expenditures and cost allocations based on estimates made by Habitat.

9. **Income Taxes**

Habitat, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state, and local income taxes; and accordingly, no provision for income taxes is included in the accompanying financial statements for Habitat.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Habitat and recognize a tax liability (or asset) if Habitat has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and Georgia Department of Revenue. Management has analyzed the tax positions taken by Habitat, and has concluded that as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2020.

10. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

11. Donated Services

Many volunteers have made significant contributions of their time to develop and promote the programs of Habitat. The value of these donated services is not included in the accompanying financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

12. Advertising

Advertising costs are expensed as incurred. Advertising expense, for the year ended June 30, 2023, was \$228.

13. Subsequent Events

Subsequent events have been evaluated through November 3, 2023, which is the date the financial statements were available to be issued.

14. Prior Year Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2022, from which the summarized totals were derived. Certain reclassifications of prior year comparative totals have been made in order to conform to the current year presentation. These changes did not affect net assets.

NOTE B – CASH AND CASH EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and cash equivalents	\$	-
Restricted cash		<u>421,424</u>
	\$	<u><u>421,424</u></u>

Habitat maintains a separate bank account for grant funds received from the SHOP programs as required by the grants.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Habitat's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents.

Habitat maintains its cash deposits with a highly rated financial institution. At times, such deposits may be in excess of federally insured limits. At June 30, 2023, Habitat did not maintain any uninsured cash deposits. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

NOTE D – MORTGAGES RECEIVABLE

Habitat holds mortgages on one hundred and ninety-three houses as of June 30, 2023. No interest is charged to the homeowners by Habitat. Although for accounting purposes, an interest rate is imputed, and the mortgages are discounted with discounts being amortized over the life of the loans. Mortgage discount rates used vary from 7.23% to 9.00%, according to guidance provided by Habitat International. Management believes all mortgage receivables are recoverable; therefore, no allowance for doubtful accounts has been provided at June 30, 2023. All of the mortgages receivable of Habitat serves as collateral for the line of credit and term loan payable to Synovus.

The mortgages receivable and unamortized discount at June 30, 2023 are as follows:

Total mortgages receivable before unamortized discount	\$ 15,570,763
Less unamortized discount	<u>(7,868,851)</u>
	<u>\$ 7,701,912</u>

These mortgages at their discounted values will be received as follows:

Year Ended	
<u>June 30,</u>	
2024	\$ 220,923
2025	233,484
2026	235,830
2027	246,159
2028	252,917
Thereafter	<u>6,512,599</u>
	<u>\$ 7,701,912</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE D – MORTGAGES RECEIVABLE, continued

Long-term portion	\$ 7,480,989
Current portion	<u>220,923</u>
	<u>\$ 7,701,912</u>

NOTE E – MORTGAGE LOAN ADMINISTRATION

Habitat's mortgage loans are currently being managed by Affiliate Mortgage Services (AMS), a dedicated mortgage loan servicer providing cost-effective mortgage origination and loan servicing solutions to Habitat for Humanity affiliates and their homeowners. AMS provides services that are necessary in effectively administering mortgage loans by handling payment collection, processing, and remittance, delinquency notices, escrow administration, and preparation of annual statements to homeowners and servicing reports to Habitat. Mortgage services fees totaled \$31,471 for the year ended June 30, 2023 and is included in professional fees on the statement of functional expenses.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment, as of June 30, 2023, is summarized as follows:

Vehicles	\$ 127,302
Building tools	<u>48,873</u>
	176,175
Less accumulated depreciation	<u>(166,663)</u>
	<u>\$ 9,512</u>

NOTE G – LINE OF CREDIT

Habitat has an open-end line of credit agreement with Synovus, which provides for borrowings up to \$600,000, expiring May 2024. Borrowings under the agreement bear interest at the lender's prime rate plus .5% and will not be more than 18% or less than 3.5%. The interest rate on the line of credit at June 30, 2023 was 8.75%. Balances outstanding are secured by substantially all assets of Habitat. Borrowings under the line of credit are subject to certain restrictive covenants, and at June 30, 2023, Habitat is in compliance with all covenants. As of June 30, 2023, there was no outstanding balance on the line of credit.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE H – LONG-TERM DEBT

Non-revolving term loan payable to Synovus, maturing April 2025, principal and interest monthly with a fixed rate of 4.75%. The monthly payment is \$13,367 with a balloon payment at maturity. Balances outstanding are secured by substantially all assets of Habitat. Under the terms of the loan, Habitat is obligated to comply with certain restrictive covenants, and at June 30, 2023, Habitat is in compliance with all covenants.	\$ 1,443,717
Note payable to Gravitt Investments, LLLP, matured in April 2023, now due on demand, with all principal due at maturity, bearing no interest, secured by underlying property.	350,000
Note payable to Habitat International, maturing November 2023, due in monthly installments of \$718 with a final payment of \$739, bearing no interest.	3,611
Note payable to Habitat International, maturing May 2024, due in monthly installments of \$390 with a final payment of \$420, bearing no interest.	4,320
Note payable to Habitat International, maturing May 2024, due in monthly installments of \$312 with a final payment of \$336, bearing no interest.	3,456
Note payable to Habitat International, maturing December 2024, due in monthly installments of \$78 with a final payment of \$84, bearing no interest.	1,410
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$78 with a final payment of \$83, bearing no interest.	2,345
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$608 with a final payment of \$624, bearing no interest.	18,256
Note payable to Habitat International, maturing December 2025, due in monthly installments of \$152 with a final payment of \$156, bearing no interest.	4,564

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE H – LONG-TERM DEBT, continued

Note payable to Habitat International, maturing December 2026, due in monthly installments of \$146 with a final payment of \$169, bearing no interest.	6,155
Note payable to Habitat International, maturing December 2026, due in monthly installments of \$366 with a final payment of \$376, bearing no interest.	15,382
Note payable to Habitat International, maturing December 2026, due in monthly installments of \$73 with a final payment of \$85 bearing no interest.	3,078
Note payable to Habitat International, maturing June 2027, due in monthly installments of \$437 with a final payment of \$461 bearing no interest.	21,000
Note payable to Habitat International, maturing June 2027, due in monthly installments of \$72 with a final payment of \$116 bearing no interest.	3,500
Note payable to Habitat International, maturing June 2028, due in monthly installments of \$153 with a final payment of \$166 bearing no interest.	7,357
Note payable to Habitat International, maturing June 2028, due in monthly installments of \$383 with a final payment of \$392 bearing no interest.	<u>18,393</u>
Total long-term debt before unamortized discount	<u>1,906,544</u>
Imputed interest has been applied in aggregate to the notes payable to Habitat International at a rate of 3.75% on all notes. The remaining unamortized discount at June 30, 2023:	<u>(11,365)</u>
Total long-term debt	<u>\$ 1,895,179</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE H – LONG-TERM DEBT, continued

Maturities of long-term debt are as follows:

Year Ended	
<u>June 30,</u>	
2024	\$ 479,504
2025	1,379,810
2026	24,613
2027	16,163
2028	<u>6,454</u>
	1,906,544
Less unamortized discount	<u>(11,365)</u>
Total long-term debt	<u>\$ 1,895,179</u>
Long-term portion	\$ 1,415,675
Current portion	<u>479,504</u>
	<u>\$ 1,895,179</u>

NOTE I – SHORT-TERM OPERATING LEASE & DONATED OFFICE SPACE

Habitat has entered into a short-term lease agreement for office space at its Lanier location. The monthly rental payment for the Lanier location was \$208. Office space for the North Fulton location is donated with an annual facilities maintenance fee of \$1,200. The fair value of this donated rent is \$25,000 per year. The lease agreement for the Lanier location expired in September 2022, and the lease agreement for the North Fulton location expires in September 2025. The lease agreement for the Lanier location was not renewed. Expenses, included on the statement of functional expenses as occupancy, associated with the leases of office space for the Lanier and North Fulton locations was \$25,625 for the year ended June 30, 2023.

The future minimum lease payments (excluding the donated rent) are as follows:

Year Ended	
<u>June 30,</u>	
2024	\$ 1,200
2025	<u>1,200</u>
	<u>\$ 2,400</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE J – COMMITMENTS AND CONTINGENCIES

Habitat occasionally receives grants from a federally funded program to purchase building lots. To receive these funds, Habitat is required to sign either a ten or fifteen-year loan payable to the governmental entity issuing the grant. The loan is deemed paid in increments equal to annual installments calculated on a straight-line basis. At the end of the loan period, if the houses built on the land lots purchased with the grant funds continue to be mortgaged by a qualified family without refinancing over the loan period, the loan will be deemed paid in full. At June 30, 2023, there were no grant funds, which have been received by Habitat, that may have a future commitment. No liability for these loans is recorded at June 30, 2023 since funds have been used as required and no future liability is expected.

To provide assistance to homeowners in keeping monthly payments within the required percentage of income, Habitat often takes a second mortgage on a home at the time of closing, whether the mortgage is held by Habitat or another lender. The second mortgage serves to fill the gap between the appraised value of the home and the first mortgage balance as determined based on the homeowner's ability to pay and can be forgiven over time. Second mortgages are not reported in the financial statements because collection is uncertain and no estimate of future payments is available.

To encourage homeowners to remain in their homes for a specified period and to prevent the selling of their homes for a profit before their mortgages are paid, Habitat has adopted a policy entitling it to a share of the appreciated value of each repurchased home during the first fifteen years after the closing on the initial sale of the home. The shared appreciation cannot be reasonably estimated and is considered less than probable or remote. Therefore, no receivable has been recorded in the financial statements.

NOTE K – EMPLOYEE RETENTION CREDITS

In response to the coronavirus (COVID-19) pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, on March 27, 2020, to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for employee retention credits (ERC), which allows for employers to claim refundable tax credits. The ERC was designed to encourage businesses to keep employees on the payroll during the COVID-19 pandemic. As of June 30, 2023, Habitat determined it has reasonable assurance for the receipts of ERC and associated interest totaling \$182,559, which is included in other receivables on the statement of position. The ERC and associated interest was subsequently received in July and August 2023.

NOTE L – EMPLOYEE BENEFIT PLAN

Habitat maintains a 401(k) profit sharing plan and trust, covering all eligible employees credited with 1,000 hours of service annually, on January 1st. Each year, in addition to depositing 401(k) salary deferrals, Habitat may contribute to the plan discretionary profit sharing contributions. Habitat did not make discretionary contributions for the year ended June 30, 2023.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE M – IN-KIND CONTRIBUTIONS

Habitat has received donated rent, land, materials, and services. The estimated fair values of these donations are reported in the accompanying financial statements as contributions at the date of receipt. During the year ended June 30, 2023, Habitat recorded \$120,851 of in-kind contributions and related expense categories.

NOTE N – RELATED PARTIES

Habitat for Humanity-North Central Georgia, Inc. is an affiliate of Habitat for Humanity International, Inc. Habitat occasionally receives direct donations from Habitat International, as well as donations from other donors who use Habitat International as a conduit of funds. Habitat contributed \$2,183 to Habitat International in the year ended June 30, 2023. As of June 30, 2023, Habitat had notes payable to Habitat International in the aggregate amount of \$112,827, which are related to federal award grants received by Habitat from Habitat International as the pass-through entity.

During the year ended June 30, 2023, Habitat was awarded grants, totaling \$5,014, from Habitat International for repair programs.

At June 30, 2023, Habitat had outstanding grant receivables, totaling \$177,106, from Habitat International, of which \$88,606 was received subsequent to year-end.

At June 30, 2023, Habitat has an outstanding receivable of \$3,181 due from North Georgia Community Housing Development Corporation, Inc. with no set repayment terms.

During the year ended June 30, 2023, Habitat received land, valued at \$74,798, from North Georgia Community Housing Development Corporation, Inc. In addition, the same related party contributed \$100,000 to Habitat for the year ended June 30, 2023.

NOTE O – AFFILIATION COMMITMENT

In December 2007, Habitat signed an affiliation agreement with Habitat International to comply with certain covenants, representations, and warranties. Habitat agreed to restrict its operations to a “service area” of a geographic area approved by Habitat International, to restrict fundraising to that service area, to conform to certain design criteria for its houses, to make its financial records available to Habitat International upon request, to cause its officers, directors, agents, and employees to comply with certain core tenets, and to be responsible for funding all its housing programs.

In addition, Habitat is expected to contribute 10% of its undesignated gifts to Habitat International on a quarterly basis. These funds are used to construct housing in economically depressed countries. For the year ended June 30, 2023, Habitat contributed \$2,183 to Habitat International.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE O – AFFILIATION COMMITMENT, continued

The term of the agreement is for one year and will automatically renew on an annual basis. Habitat International may conduct annual evaluations of Habitat's operations and may exercise certain remedies including placing Habitat on probation. Habitat may terminate the agreement upon delivering 180-day written notice; however, it must terminate the use of the name "Habitat" or "Humanity" and discontinue use of the group tax exempt status it presently has through Habitat International. If Habitat ceases operations but fails to dissolve its corporate existence, Habitat International will have the right to transfer the assets of Habitat to a nonprofit organization designated by Habitat International.

NOTE P – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023:

Subject to expenditure for specified purpose:	
House construction	\$ 409,828
Execution of repairs to low-income households	72,809
Rehabilitation and modification of veterans' housing	<u>68,000</u>
	<u>\$ 550,637</u>

NOTE Q – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the year ended June 30, 2023 are as follows:

Purpose restrictions accomplished:	
House construction	\$ 224,133
Execution of repairs for the Aging in Place program	60,000
Execution of repairs to low-income households	53,037
Rehabilitation and modification of veterans' housing	<u>45,056</u>
	<u>\$ 382,226</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE R – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year ended June 30, 2023 was as follows:

Interest	<u>\$ 76,068</u>
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All interest incurred was expensed.

Noncash investing and financing transactions:

In-kind contributions:

Land	\$ 74,798
Rent	25,000
Materials	7,000
Professional services	13,225
Miscellaneous	<u>828</u>
	<u>\$ 120,851</u>

Sale of property through issuance of mortgage receivable	<u>\$ 1,059,169</u>
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Purchase of land through issuance of note payable	<u>\$ 350,000</u>
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NOTE S – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Habitat has a policy to manage its liquidity by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat has a committed line of credit, which it could draw upon, in the amount of \$600,000, with the entire balance available at June 30, 2023. Additionally, Habitat has a term loan that can be renewed to allow for additional funding, if needed, and as approved by the Board.

Habitat's financial assets available within one year of the balance sheet date for general expenditure are as follows:

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE S – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, continued

Cash and cash equivalents	\$ 421,424
Contributions receivable	88,437
Grants receivable	294,846
Current portion of mortgages receivable, net	220,923
Due from related party	3,181
Other receivables	250,485
Prepaid expenses	7,081
Construction in progress	251,262
Land held for development	777,221
Land held for sale	<u>350,000</u>
Total financial assets	2,664,860
Less amounts unavailable for general expenditures within one year:	
Donor and program imposed restrictions	<u>(550,637)</u>
	<u>\$ 2,114,223</u>

NOTE T – SUBSEQUENT EVENTS

During the year and subsequent to year-end, Habitat has engaged in discussions with Krambo Corporation regarding the sale of residential mortgage loans to institutional investors, which is expected to occur during the year ending June 30, 2024.

The Organization determined that there were no other subsequent event matters that require disclosure in the financial statements.