

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021



HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Citrus County, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Citrus County, Inc., a not-for-profit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Citrus County, Inc. as of June 30, 2022 and 2021, 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. 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 Habitat for Humanity of Citrus County, 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 Habitat for Humanity of Citrus County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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.

INDEPENDENT AUDITORS' REPORT - Continued

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 Citrus County, 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 Citrus County, 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.



Certified Public Accountants

New York, New York
November 7, 2022

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	As of June 30,	
	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,418,092	\$ 1,388,248
Mortgages receivable - net, current portion	153,268	140,285
Accounts receivable	359,132	-
Prepaid expenses	27,561	95
Land inventory	3,623	216,167
Homes under construction	70,662	178,112
	<u>2,032,338</u>	<u>1,922,907</u>
NON-CURRENT ASSETS:		
Property and equipment - net	4,353,553	3,123,314
Mortgages receivable - net, non-current portion	4,878,847	4,855,117
Security deposits	700	700
	<u>9,233,100</u>	<u>7,979,131</u>
TOTAL ASSETS	<u>\$ 11,265,438</u>	<u>\$ 9,902,038</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 57,833	\$ 59,771
Homeowner escrow	103,323	96,267
Deposits	39,375	15,690
Long-term debt, current portion	138,266	132,565
	<u>338,797</u>	<u>304,293</u>
LONG-TERM LIABILITIES:		
Long-term debt, non-current portion	<u>2,235,070</u>	<u>2,363,668</u>
Total liabilities	2,573,867	2,667,961
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>8,691,571</u>	<u>7,234,077</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,265,438</u>	<u>\$ 9,902,038</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	For the Years Ended	
	June 30,	
	2022	2021
UNRESTRICTED SUPPORT:		
Contributions	\$ 501,150	\$ 287,273
Grants	276,500	761,832
Contributions in-kind	5,500	61,103
Sales of residences - net	256,065	759,387
Sales of foreclosed homes - net	369,860	46,777
Mortgage loan discount amortization	431,645	232,823
ReStore sales	2,043,605	1,913,333
Fundraising	-	110,275
Sale of land	-	44,415
Rental income - net	2,100	7,801
Interest income	413	244
Other income	7,629	8,384
	<u>3,894,467</u>	<u>4,233,647</u>
FUNCTIONAL EXPENSES:		
Program services:		
Other program services	1,343,376	2,394,832
Home store	964,499	874,131
Fundraising	35,524	17,972
Administrative and general	93,574	114,441
	<u>2,436,973</u>	<u>3,401,376</u>
Total functional expenses		
	<u>2,436,973</u>	<u>3,401,376</u>
Increase in net assets from operations	1,457,494	832,271
OTHER INCOME - Paycheck Protection Program loan forgiveness		
	<u>-</u>	<u>190,927</u>
Increase in net assets without donor restrictions	1,457,494	1,023,198
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR		
	<u>7,234,077</u>	<u>6,210,879</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR		
	<u>\$ 8,691,571</u>	<u>\$ 7,234,077</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services		Fundraising	Administrative and General	Total
	Other	Home Store			
Advertising and promotional	\$ 402	\$ 14,612	\$ -	\$ -	\$ 15,014
Auto and truck	5,513	45,735	-	-	51,248
Annual audit expense	609	-	-	11,693	12,302
Bank charges	1,382	32,823	-	-	34,205
Computer	16,742	-	-	-	16,742
Construction costs	565,639	-	-	-	565,639
Dues and subscriptions	4,479	106	-	-	4,585
Fundraising	-	-	35,524	-	35,524
Insurance	37,775	55,837	-	8,359	101,971
Interest expense	71,358	51,440	-	-	122,798
Licenses and permits	255	229	-	-	484
Miscellaneous expense	5,502	-	-	515	6,017
Office expense	17,240	34,334	-	-	51,574
Postage and freight	1,785	-	-	-	1,785
Professional fees	33,159	-	-	12,945	46,104
Public relations	3,842	-	-	-	3,842
Repairs and maintenance	2,713	23,034	-	-	25,747
Salaries and wages	463,793	673,746	-	23,762	1,161,301
Telephone	9,083	8,811	-	-	17,894
Tithe - Habitat International	-	-	-	36,300	36,300
Travel	2,971	-	-	-	2,971
Training	4,752	-	-	-	4,752
Utilities	6,370	22,291	-	-	28,661
Volunteer recognition	3,569	1,501	-	-	5,070
Total functional expenses before depreciation	1,258,933	964,499	35,524	93,574	2,352,530
Depreciation	84,443	-	-	-	84,443
TOTAL FUNCTIONAL EXPENSES	\$ 1,343,376	\$ 964,499	\$ 35,524	\$ 93,574	\$ 2,436,973

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services		Fundraising	Administrative and General	Total
	Other	Home Store			
Advertising and promotional	\$ 368	\$ 17,304	\$ -	\$ -	\$ 17,672
Auto and truck	6,960	33,625	-	-	40,585
Annual audit expense	1,525	-	-	12,337	13,862
Bank charges	1,841	30,924	-	-	32,765
Computer	12,758	-	-	-	12,758
Construction costs	1,608,045	-	-	-	1,608,045
Dues and subscriptions	2,082	13	-	-	2,095
Fundraising	-	-	11,427	-	11,427
Insurance	30,401	45,144	-	9,741	85,286
Interest expense	52,169	55,534	-	-	107,703
Licenses and permits	759	791	-	-	1,550
Miscellaneous expense	3,108	120	-	338	3,566
Office expense	10,998	35,554	-	-	46,552
Postage and freight	2,068	85	-	-	2,153
Professional fees	33,761	-	-	21,394	55,155
Public relations	16,825	-	-	-	16,825
Repairs and maintenance	2,454	13,200	-	-	15,654
Salaries and wages	490,103	616,658	6,545	34,629	1,147,935
Telephone	8,406	7,485	-	-	15,891
Tithe - Habitat International	-	-	-	36,002	36,002
Travel	2,888	-	-	-	2,888
Training	2,509	-	-	-	2,509
Utilities	5,465	17,119	-	-	22,584
Volunteer recognition	998	575	-	-	1,573
Total functional expenses before depreciation	2,296,491	874,131	17,972	114,441	3,303,035
Depreciation	98,341	-	-	-	98,341
TOTAL FUNCTIONAL EXPENSES	\$ 2,394,832	\$ 874,131	\$ 17,972	\$ 114,441	\$ 3,401,376

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets without donor restrictions	\$ 1,457,494	\$ 1,023,198
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	84,443	98,341
Amortization of mortgage discount	(431,645)	(232,823)
New mortgages transferred to owners - net	(87,055)	(599,030)
Donated land	(160,845)	(119,217)
Land used in construction of homes	373,389	191,078
Forgiveness of Paycheck Protection Program loan	-	(190,928)
(Increase) decrease in assets:		
Other receivables	(359,132)	-
Prepaid expenses	(27,466)	-
Homes under construction	107,450	(160,852)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,938)	1,037
Homeowner escrow	7,056	14,550
Deposits	23,685	(5,550)
Net cash provided by operating activities	<u>985,436</u>	<u>19,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,314,682)	(328,875)
Payments received on mortgages	481,987	436,366
Net cash (used in) provided by investing activities	<u>(832,695)</u>	<u>107,491</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(1,524,389)	(141,274)
Proceeds from long-term debt	1,401,492	144,965
Net cash (used in) provided by financing activities	<u>(122,897)</u>	<u>3,691</u>
Net increase in cash and cash equivalents	29,844	130,986
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,388,248</u>	<u>1,257,262</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,418,092</u>	<u>\$ 1,388,248</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 STATEMENTS OF CASH FLOWS - Continued

	For the Years Ended	
	June 30,	
	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Non-interest bearing mortgage notes:		
Issuance of non-interest bearing mortgage notes	\$ 319,235	\$ 1,407,750
Discounts on newly issued non-interest bearing mortgage notes	<u>(147,435)</u>	<u>(636,173)</u>
Net non-interest bearing mortgage notes	<u>\$ 171,800</u>	<u>\$ 771,577</u>
Interest paid	<u>\$ 122,240</u>	<u>\$ 105,123</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Liquidity

Habitat for Humanity of Citrus County, Inc. ("Habitat") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization, whose goal is to eliminate poverty housing and homelessness worldwide. Habitat is primarily and directly responsible for its own operations.

To help finance its operations, Habitat operates two home stores which sell household items including appliances, furnishings, and building materials to the general public. The stores are located in Citrus County, Florida.

Habitat's financial assets available within one year of the date of the statement of financial position for general expenditure is cash of approximately \$1,400,000.

Income Tax Status

Habitat is a Florida not-for-profit corporation under Section (501)(c)(3) of the Internal Revenue Code (IRC) that is funded through donations, federal and state grants, corporate sponsorship, and other not-for-profit corporations. Under these provisions, no taxes are paid on income received as long as Habitat maintains its tax exempt status. Accordingly, no provision for income taxes is provided in the accompanying financial statements. Although Habitat is exempt from income tax, it may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded under the IRC. As of June 30, 2022, Habitat determined that there are no significant, uncertain tax positions within its financial statements.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), using the accrual basis of accounting.

Basis of Presentation

The classification of Habitat's net assets is based upon the existence or absence of donor-imposed restrictions as follows:

Habitat's financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require an organization to report information regarding its financial position and activities according to the following net assets classifications:

- 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. These net assets may be used at the discretion of the organization's management and the Board of Directors.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

- 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 the organization's actions or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

There are no net assets with donor restrictions as of June 30, 2022 or 2021.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Balances may exceed insured amounts at various times during the year.

Accounts Receivable

Accounts receivable are stated at their net uncollected balance at year end. There were outstanding accounts receivable of \$359,132 and \$0 as of June 30, 2022 and 2021.

Concentrations of Credit Risk

All of Habitat's mortgage loans are to low income individuals and are secured by real estate located in Citrus County, Florida.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages that are secured by real estate and are payable in monthly installments. The mortgages have original maturities of twenty to thirty years and arose in connection with Habitat's homebuilding initiatives in Citrus County, Florida. These receivables have been discounted at rates of 5%. Mortgage loan discount amortization income is recorded using the straight-line method of amortization. These mortgages are secured by the underlying real estate that is located primarily in Citrus County, Florida. Past due and delinquent mortgage loans are assessed at the discretion of the Board of Directors.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Mortgages Receivable - Continued

Management considers a loan to be delinquent or past due if a borrower fails to make a contractually scheduled principal payment that is over 120 days past due. Habitat's management periodically reviews mortgage balances to determine whether an allowance for bad debts should be established for any amounts determined to be unrecoverable. Factors considered by management include principal, collections experience, collateral value, borrowers' financial conditions, and other factors.

Habitat considers a loan to be impaired when it is "probable" that repayment obligations due according to the contractual terms will not be met. The term "probable" is used consistent with its use in Accounting Standards Codification (ASC) 450. In this instance, the mortgage carrying value is written down, if deemed necessary by management, based on review of collateral and other considerations by management. The receivables are collateralized by mortgage liens on the underlying housing units.

Land Inventory

Inventory consists of residential lots for use in building Habitat homes. Residential lots donated are recorded at assessed value for county tax purposes at time of gift; purchased lots are recorded at cost. Because of the inherent uncertainties of real estate valuation, market value may differ significantly.

Homes Under Construction

Homes under construction consist of building materials and construction costs, excluding labor. Purchased items are recorded at cost; donated items are recorded at fair market value. Costs incurred in conjunction with home construction, excluding labor, are expensed when the home is occupied by the homeowner and title is transferred to the homeowner.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of receipt. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are charged to expense as incurred, while renewals and betterments are capitalized. Gains and losses on sales are credited or charged to operations in the year of sale. Depreciation expense is calculated using the straight line method over estimated useful lives, ranging from five to seven years on equipment and thirty-nine years on commercial real estate and leasehold improvements.

Homeowner Escrow

Homeowner escrow consists of amounts collected from homeowners on a monthly basis for property taxes, hazard insurance premiums, and termite bonds. These funds are collected to protect Habitat's interest in the underlying property and are disbursed in a manner that ensures the maximum tax discount available is obtained for property taxes and that insurance coverage and termite protection do not lapse.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits

Deposits consist of down payments made by future homeowners. The deposits are held until the date of closing, at which time they are applied to the closing costs of the home. Deposits are refunded if the Habitat program is not successfully completed.

Contributed Goods and Services

Habitat records the fair value of donated goods when there is an objective basis available to measure their value as contributions in-kind in the accompanying statements of activities. Habitat does not record the fair value of donated building supplies and materials that are subsequently sold in the home store. These items are recorded as revenue as the items are sold to the public.

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements, since it does not require a specialized skill.

However, other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donations, are recognized as revenue and expense.

Sales of Residences

Sales of residences represent the sale of houses built by Habitat. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The discount used for mortgages closed during the years ended June 30, 2022 and 2021 was 5%. The sales to homeowners presented in the statements of activities are net of this discount for the years ended June 30, 2022 and 2021. The discount was \$147,435 and \$644,173, respectively.

Construction Costs

Construction costs include the cost of land sold, construction materials for homes sold, supplies, title search costs, and recording fees.

Revenue Recognition

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Other unrestricted revenue, support, and gains are recorded as income when earned or realized.

Contributions that are restricted by a donor for a specific purpose or specified time period are recorded upon receipt as "with donor restrictions" and reclassified to "without donor restrictions" upon expenditure of the funds, based on the restricted purpose and/or the lapsing of the specified time period.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - Continued

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes when expenditures satisfy the donor's restrictions, if any, and such amounts are appropriated for expenditure. Income amounts that exceed related expenditures and appropriations remain classified as with donor restrictions.

Expense Allocations

The costs of various programs and activities have been summarized on a functional basis in the statements of activities. Within each group, transactions are recorded in specific expense categories and apportioned, when applicable, among the programs and supporting services benefited.

Fair Value of Financial Instruments

Habitat's financial instruments include cash, mortgages receivable, accounts payable, line of credit, and a note payable. The carrying values of these financial instruments approximate their fair values as of June 30, 2022 and 2021.

Advertising Costs

It is the policy of the organization to expense advertising costs when incurred. For the years ended June 30, 2022 and 2021, advertising costs were \$15,014 and \$17,672, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

NOTE 2 - MORTGAGES RECEIVABLE - Net

Mortgages receivable consist of the following:

	<u>As of June 30,</u>	
	<u>2022</u>	<u>2021</u>
Mortgages receivable at face value	\$ 8,156,701	\$ 8,397,927
Less: Unamortized discount	<u>(3,124,586)</u>	<u>(3,402,525)</u>
Mortgages receivable, net	<u>\$ 5,032,115</u>	<u>\$ 4,995,402</u>
Current portion of mortgages receivable	\$ 153,268	\$ 140,285
Non-current portion of mortgages receivable	<u>4,878,847</u>	<u>4,855,117</u>
Total	<u>\$ 5,032,115</u>	<u>\$ 4,995,402</u>

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2022 AND 2021

NOTE 2 - MORTGAGES RECEIVABLE - Net - Continued

Habitat holds a “silent second” mortgage on some completed homes. The second mortgage notes will become payable if, prior to the expiration of twenty to thirty years from the date of their making, the maker transfers, sells, refinances or assigns the maker’s right, title, or interest in and to the real property securing the second mortgage or ceases to occupy the real property as the maker’s principal residence. In that case, the second mortgage will become immediately due and payable, without notice. No value has been recorded in these financial statements for these notes. For the years ended June 30, 2022 and 2021, the value of the silent mortgages was \$2,240,652 net of accumulated forgiveness of \$436,545 and \$2,419,152 net of accumulated forgiveness of \$418,844, respectively.

Included in other income in the statements of activities is a gain from the write-off of mortgage discounts from foreclosed homes of approximately \$0 for the years ended June 30, 2022 and 2021.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	As of June 30,	
	2022	2021
Vehicles, home store	\$ 172,021	\$ 172,021
Equipment, home store	48,551	48,551
Improvements, home store	229,224	229,224
Improvements, administrative offices	236,642	113,198
Building, home store	352,790	350,882
Building, home store 2	926,814	926,814
Land, home store	758,782	758,782
Land, development	2,076,309	908,517
Building, office	137,025	137,025
Vehicles, construction	85,673	85,673
Equipment	<u>74,201</u>	<u>52,664</u>
Total	5,098,032	3,783,351
Less: accumulated depreciation	<u>(744,479)</u>	<u>(660,037)</u>
Total	<u>\$ 4,353,553</u>	<u>\$ 3,123,314</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$84,443 and \$98,341, respectively.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2022 AND 2021

NOTE 4 - LONG-TERM DEBT

Long-term debt was comprised of the following:

	<u>As of June 30,</u>	
	<u>2022</u>	<u>2021</u>
1) Mortgage payable to a bank, secured by real property and mortgages receivable, 4.5% interest, interest only payments of \$3,592 to April 13, 2015, then monthly principal and interest payments of \$9,375.75, matures March 13, 2034	\$1,174,856	\$1,214,696
2) Note payable to a bank, secured by real property and mortgages receivable, 4.25% interest, monthly payments of \$3,866 (principal and interest), matures March 13, 2034	430,106	457,659
3) Habitat for Humanity International, SHOP loan, non-interest bearing, due in 94 installments of \$598 and 48 installments of \$1,250	13,750	35,374
4) Capital City Bank, construction loan agreement converted to mortgage, maximum \$895,000, due in 240 installments of \$5,547. 4.2% interest	<u>754,624</u>	<u>788,504</u>
Total	2,373,336	2,496,233
Less current portion	<u>(138,266)</u>	<u>(132,565)</u>
Long-term debt, net of current portion	<u>\$2,235,070</u>	<u>\$2,363,668</u>

Current maturities of long-term debt for each of the next five years and thereafter are as follows:

2023	\$ 138,266
2024	144,145
2025	150,456
2026	156,973
2027	163,786
Thereafter	<u>1,619,710</u>
Total long-term debt	<u>\$2,373,336</u>

Interest expense associated with long-term debt for the years ended June 30, 2022 and 2021 was \$122,798 and \$107,703, respectively.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2022 AND 2021

NOTE 5 - GRANTS

Habitat earned the following grant monies during the years ended:

	June 30,	
	<u>2022</u>	<u>2021</u>
Citrus County SHIP Grant	\$ 40,000	\$ 120,000
Florida Housing Finance (HOP)	145,000	400,000
Federal Home Loan Bank AHP Funds	40,000	140,000
Arthur B. Fairman Charity Trust	20,000	25,000
Publix	12,000	13,000
Capital City Bank Foundation	3,500	-
Wells Fargo Bank	-	15,000
BBVA Compass Bank	-	6,000
Bank of America Foundation	5,000	5,000
BB&T Bank	-	10,000
Candence	-	3,500
State Farm	5,000	5,000
Insite Community Foundation	1,000	1,000
Cares Assistance Citrus City	-	14,332
Bancorp South	5,000	-
Habitat Florida	-	4,000
	<u> </u>	<u> </u>
Total	<u>\$ 276,500</u>	<u>\$ 761,832</u>

Grants are subject to certain conditions (Note 7).

NOTE 6 - COMMUNITY CONTRIBUTION TAX CREDITS

Florida Statute 220.183 allows business entities that make contributions to programs, or organizations that support projects to provide home ownership to low income households, to use a community contribution credit to offset tax due in any one year. This contribution must be either 1) cash or other liquid assets, 2) real property, 3) goods or inventory, or 4) other physical resources as identified by the Florida Department of Revenue. These contributions must be verified by the sponsoring organization in an application that verifies receipt of the contribution, and this verification must accompany the application for tax credit.

NOTE 7 - CONTINGENCIES

Habitat receives grant money from Citrus County under the State Housing Initiative Program (“SHIP”) for eligible homeowners. Use of funds is restricted to infrastructure only and is credited towards the down payment on the home at closing. A lien is placed on the property at closing by Citrus County and is forgiven after a period of twenty years. In the event of homeowner default, Habitat would be required to repay these funds from the proceeds of the sale of foreclosed homes. The lien is subordinate to Habitat’s position as first and second mortgage holder.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

NOTE 8 - IN-KIND CONTRIBUTIONS

The value of donated goods and services included in the financial statements for the years ended is summarized as follows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Construction costs	\$ 5,500	\$ 61,103

NOTE 9 - TRANSACTONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world.

For the years ended June 30, 2022 and 2021, Habitat made contributions of \$36,300 and \$36,002, respectively, amounts which have been included in program services expense in the statements of activities.

NOTE 10 - UNRELATED BUSINESS INCOME

Habitat purchased land and a building for purposes of leasing office space and producing rental income. The lease expired in October 2020 and the space was converted for use by Habitat. The accompanying statements of activities include rental income, net of related expense. There was no unrelated business income tax for the years ended June 30, 2022 and 2021.

NOTE 11 - LOSS OF INVENTORY

For the years ended June 30, 2022 and 2021, Habitat adjusted all properties held in inventory to the 2021 certified tax roll, which was the most currently available certified tax roll. There was no write-down of land inventory for the years ended June 30, 2022 and 2021.

NOTE 12 - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2022 and 2021, Habitat used the services of Daly & Zilch Inc. ("Daly & Zilch") for renovations to the administrative offices. One member of Habitat's Board of Directors is an owner of Daly & Zilch. Payments of approximately \$106,000 and \$0 were paid to Daly & Zilch for the years ended June 30, 2022 and 2021, respectively.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022 AND 2021

NOTE 13 - CARES ACT

On March 27, 2020, Congress passed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act, among other things, includes provisions such as refundable payroll tax credits, deferment of employer social security payments and net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration Paycheck Protection Program loans that can be forgivable in certain situations to promote continued employment. Habitat applied and received \$190,927 in April 2020 under this program. The loan was forgiven in May 2021.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2022, the date on which financial statements were available for issue, and has concluded that no events or transactions took place, which require disclosure herein.