HABITAT FOR HUMANITY
LAKESIDE, INC.

AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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Huberty

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity Lakeside, Inc.
Sheboygan, Wisconsin

Opinion

We have audited the accompanying financial statements of Habitat for Humanity Lakeside, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Lakeside, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity Lakeside, 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 Lakeside, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity Lakeside, 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 Lakeside, 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.

Huberty & Associates, S.C.

Fond du Lac, Wisconsin
December 22, 2022

HABITAT FOR HUMANITY LAKESIDE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 445,120	$ 468,863
Accounts receivable	25,812	15,511
Grant receivable	243,161	-
Promises to give, net of discount	20,000	118,500
House construction in process	39,624	197,965
Prepaid expenses	8,765	8,631
Mortgages receivable, net of discounts	498,565	443,622
Land held for development	103,662	103,662
Property and equipment, net	537,604	506,474
Total Assets	$ 1,922,313	$ 1,863,228
LIABILITIES AND NET ASSETS		
Accounts payable	$ 35,809	$ 12,433
Escrow deposits	762	432
Accrued liabilities	26,580	18,435
Notes payable	341,683	323,927
Total Liabilities	404,834	355,227
Net Assets:		
Without donor restrictions:		
Undesignated	1,235,589	1,386,069
Board designated	16,362	1,065
Total Unrestricted	1,251,951	1,387,134
With donor restrictions	265,528	120,867
Total Net Assets	1,517,479	1,508,001
Total Liabilities and Net Assets	$ 1,922,313	$ 1,863,228

HABITAT FOR HUMANITY LAKESIDE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues and Other Support:						
Support:						
Contributions - cash	$ 147,650	$ -	$ 147,650	$ 393,029	$ 88,500	$ 481,529
Contributed nonfinancial assets	13,519	-	13,519	-	-	-
Grants	50,470	243,161	293,631	93,900	-	93,900
Net assets released from restrictions	98,500	(98,500)	-	75,853	(75,853)	-
Total Support	310,139	144,661	454,800	562,782	12,647	575,429
Revenues:						
Transfers to homeowners	473,668	-	473,668	1,000	-	1,000
Mortgage discount amortization	33,594	-	33,594	34,807	-	34,807
Resale store sales (less direct expenses of $164,062 and $200,626, respectively)	165,626	-	165,626	151,051	-	151,051
Fundraising proceeds (less direct expenses of $432 and $1,894, respectively)	69,980	-	69,980	42,206	-	42,206
Interest income	419	-	419	221	-	221
Program service fees	35,951	-	35,951	18,880	-	18,880
Loss on sale of property	-	-	-	5,500	-	5,500
Miscellaneous	2,991	-	2,991	3,880	-	3,880
Gain on sale of mortgages receivable	143,974	-	143,974			
Gain on extinguishment of PPP loan	-	-	-	153,990	-	153,990
Total Revenues	926,203	-	926,203	411,535	-	411,535
Total Revenues and Other Support	1,236,342	144,661	1,381,003	974,317	12,647	986,964
Operating Expenses:						
Program services	1,197,982	-	1,197,982	267,540	-	267,540
Management and general	122,659	-	122,659	123,161	-	123,161
Fundraising	50,884	-	50,884	49,534	-	49,534
Total Operating Expenses	1,371,525	-	1,371,525	440,235	-	440,235
Change in Net Assets	(135,183)	144,661	9,478	534,082	12,647	546,729
Net Assets:						
Beginning of year	1,387,134	120,867	1,508,001	853,052	108,220	961,272
End of year	$ 1,251,951	$ 265,528	$ 1,517,479	$ 1,387,134	$ 120,867	$ 1,508,001

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

HABITAT FOR HUMANITY LAKESIDE, INC
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Building expenses:								
Materials, supplies and property acquisition costs	$ 507,016	$ -	$ -	$ 507,016	$ 15,675	$ -	$ -	$ 15,675
On-site expenditures	2,541	-	-	2,541	-	-	-	-
Mortgage discount expense	249,444	-	-	249,444	2,969	-	-	2,969
Mission specific cost	3,291	-	-	3,291	1,208	-	-	1,208
HFHI fees	5,000	-	-	5,000	5,500	-	-	5,500
Payroll expenses	306,160	87,393	49,215	442,768	164,544	96,295	48,337	309,176
Office expenses:								
Insurance	5,636	3,757	-	9,393	2,068	1,379	-	3,447
Telephone	904	1,806	904	3,614	732	1,462	732	2,926
Seminars	5,017	5,017	-	10,034	1,801	1,800	-	3,601
Office supplies	11,089	11,088	-	22,177	9,253	9,253	-	18,506
Postage and printing	765	383	765	1,913	465	233	465	1,163
Professional fees	-	11,904	-	11,904	-	11,428	-	11,428
Depreciation	24,508	1,311	-	25,819	21,932	1,311	-	23,243
Facilities	10,911	-	-	10,911	11,561	-	-	11,561
Advertising expenses	10,887	-	-	10,887	1,907	-	-	1,907
Vehicle	3,633	-	-	3,633	3,144	-	-	3,144
Interest expense	4,287	-	-	4,287	5,563	-	-	5,563
Other expense	3,545	-	-	3,545	1,122	-	-	1,122
Fundraising event supplies	-	-	432	432	-	-	1,894	1,894
Program expenses	32,475	-	-	32,475	16,201	-	-	16,201
Home dedication	10,873	-	-	10,873	1,895	-	-	1,895
Resale store expenses	164,062	-	-	164,062	200,626	-	-	200,626
	1,362,044	122,659	51,316	1,536,019	468,166	123,161	51,428	642,755
Less: resale store expenses and fundraising expenses netted against revenue	164,062	-	432	164,494	200,626	-	1,894	202,520
Total Expenses	$ 1,197,982	$ 122,659	$ 50,884	$ 1,371,525	$ 267,540	$ 123,161	$ 49,534	$ 440,235

HABITAT FOR HUMANITY LAKESIDE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	$ 9,478	$ 546,729
Adjustments to reconcile change in net assets to net cash from operating activities:		
Discounts on mortgages issued	246,077	-
Mortgage discount amortization	(33,594)	(34,807)
Gain from sale of mortgages receivable	(143,974)	-
Gain on extinguishment of PPP loan	-	(153,990)
Transfers to homeowners	(415,678)	-
Depreciation	25,819	23,243
Loss on sale of property	-	(5,500)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(10,301)	(11,637)
Grant receivable	(243,161)	-
Promises to give	98,500	(16,168)
Escrow Deposits	330	432
House construction in process	158,341	(195,995)
Prepaid expenses	(134)	(2,080)
Accounts payable	23,376	11,618
Accrued liabilities	8,145	125
Net Cash Flows from Operating Activities	(276,776)	161,970
Cash Flows from Investing Activities:		
Proceeds from sale of mortgages receivable	246,059	-
Purchase of property and equipment	(29,949)	-
Proceeds from sale of property	-	5,500
Payments on mortgages receivable	46,167	47,378
Net Cash Flows from Investing Activities	262,277	52,878
Cash Flows from Financing Activities:		
Proceeds from notes payable	-	226,490
Payments on notes payable	(9,244)	(5,719)
Proceeds from line of credit	-	16,000
Payments on line of credit	-	(79,000)
Net Cash Flows from Financing Activities	(9,244)	157,771
Net Change In Cash	(23,743)	372,619
Cash:		
Beginning of year	468,863	96,244
End of year	$ 445,120	$ 468,863

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity Lakeside, Inc., (the “Organization”) is a non-profit organization that is an affiliate of Habitat for Humanity International, Inc. (HFHI). HFHI is a non-denominational Christian not-for-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere.

Although HFHI assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. Such operations are conducted within the Habitat for Humanity Lakeside, Inc. area (Sheboygan County) and include acquisition of real estate to be improved, purchase of building materials, organization of construction/rehabilitation labor (volunteer and paid) and financing of the sale of its completed projects. The Organization targets those in low income economic groups, selling homes at no profit and financing them with non-interest bearing loans.

The Organization also operates a resale store in Sheboygan County, the profits from which help further the Organization’s purpose.

A summary of the Organization’s significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States of America generally accepted accounting principles.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.
>
> Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual 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.

In June 2018, the Organization amended their by-laws to establish a cash reserve fund that will maintain a balance of no less than $250,000. If the balance is below the $250,000 minimum, the Board of Directors shall allocate no less than $10,000 in the fiscal year budget. Any transfers to cover operational cash flow shortages must be approved by the Board President or Treasurer. Such transfers must be repaid within 3 months. The Finance Committee may grant an extension until the next board meeting, and then the Board of Directors may grant extensions with a 2/3 majority. This reserve fund may be used for capital improvements or to fund new initiatives, as long as the expense does not deplete the fund to below $50,000. The entire reserve fund may be used to cover emergency expenses with a unanimous vote of the Board of Directors.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Cash includes all highly liquid investment with an initial maturity of three months or less. At June 30, 2022 and 2021 the Organization had deposits in excess of insured limits.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of grantors or purchasers of services to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that the allowance for doubtful accounts is zero at June 30, 2022 and 2021.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give at June 30, 2022 and 2021 were $20,000 and $118,500, respectively. All promises to give are expected to be collected within the next two years.

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management has determined that the valuation allowance for pledges receivable were $0 at June 30, 2022 and 2021, respectively.

Property and Equipment

Property and equipment are stated at cost or, if donated, at estimated fair value. The Organization's capitalization policy is to capitalize all assets with an economic life greater than three years with a minimum cost of $1,000.

Depreciation for financial statement purposes has been computed using a straight-line method based on a useful life of five to seven years for equipment and thirty-nine years for building and improvements. Depreciation charged to operations for the years ended June 30, 2022 and 2021 was $25,819 and $23,243, respectively.

Liquidity and Availability of Resources

As part of the Organization's liquidity management, it strives to maintain liquid financial assets sufficient to cover at least 180 days of general expenditures and maintain a checking account with a balance generally sufficient to pay between 30 and 90 days of general expenditures. Funds in excess of the requirements will be invested in short-term investments, such as money market accounts. The Organization holds assets in the form of first mortgages that could be sold to banks. The Organization could also draw upon an additional $200,000 available from a line of credit (as discussed in Note H).

Mortgages Receivable

Mortgages receivable consists of non-interest bearing mortgages which are secured by real estate and are payable in monthly installments over the life of the mortgage. The mortgage loans are discounted to recognize that they do not bear interest using a rate determined annually by Habitat for Humanity International, Inc. Once the rate is determined, it is not revised for any market changes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Mortgages Receivable – Continued

The Organization considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist the homeowners who have been delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept a deed in lieu of foreclosure where homeowners mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished in partnership with, and sold to, other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgage receivables as of June 30, 2022 and 2021.

Each home that the Organization sells will be sold at the fair market value determined by an independent appraiser. The repayable first mortgage must be affordable for the homebuyer over the life span of the loan. The Organization defines affordability as setting a homeowner's monthly mortgage payment at 23% of gross monthly income at the time of consummation (loan closing). The mortgage payment shall include principal and escrow for property taxes and homeowner's insurance. All mortgage terms shall be at minimum of 20 years. However, if the monthly payment on a 20-year term is not affordable, the term will be increased up to a maximum of 30 years.

The Organization will provide a subsidy in the form of a subordinate lien to protect any equity at closing. The difference between the sales price (appraised value) and the first mortgage (repayable), plus any other funds applied to the sale, will be secured with a deferred subordinate lien (referred to as a "silent second mortgage"). The term of the silent second mortgage will match the term of the first mortgage. No monthly payments will be due from the homeowner on this note. The silent second mortgage will be forgiven at an equal percent per year on the anniversary date of the loan. Early payment in full of the first mortgage will not satisfy the terms of the subordinate mortgage. The homeowner would be responsible to repay any remaining balance on the silent second mortgage at the point in time the homeowner sells, transfers, conveys any beneficial interest in the property, or upon the refinancing of the first mortgage.

The second mortgage is collected after the first mortgage is satisfied and after certain other liens are satisfied. The second mortgages are designed to prevent the homeowner from selling the home and reaping a substantial benefit. The value of second mortgages not recorded totaled $408,187 and $268,655 at June 30, 2022 and 2021, respectively.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. 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 the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A large number of volunteers have contributed their time during the years ended June 30, 2022 and 2021 to the Organization's construction program. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

The Organization recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized when services are rendered in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for the goods or services. The Organization satisfies a performance obligation by transferring services to the customers which is satisfied over the performance period on a straight-line basis and at point in time. See Note K of the Notes to Financial Statements for information regarding the Organization's revenue recognition practices.

Grant revenue is recognized in the period in which the related expenditures are incurred and grant milestone deadlines and requirements are met. Revenue from transfers to homeowners is recognized in the period in which ownership of the home is transferred and is recorded at the gross mortgage amount of payments to be received over the lives of the mortgages. The gross mortgage amount generally approximates the construction cost incurred and paid for by the Organization.

Donations to Resale Stores

The Organization operates a resale store (ReStore) located in Sheboygan. All of the items sold in the ReStore are donated. Donations of ReStore items are not valued nor carried in inventory due to the uncertainty about the existence of value. The items are considered to have no value or indeterminate value until they are sold. Revenue from resale stores is recognized when payment is tendered at the time of sale.

Contributed Nonfinancial Assets

The Organization recognizes various types of non-cash supplies and services. The contributed assets are recognized as revenue and expenses at fair value when received. The amounts reflected in the accompanying financial statements as contributed support are generally offset by a like amount included in expenses.

Sales Tax

The Organization collects sales tax from its ReStore customers and remits the entire amount to the appropriate governmental entities. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and direct expenses of resale store sales.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was $13,794 and $2,928 for the years ended June 30, 2022 and 2021.

Functional Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The financial statements report certain categories of expenses that are attributed to program services, general administration, or fundraising. General ledger accounts that can be directly attributed to a category are assigned to that category. Payroll related accounts are allocated based on a time estimate at the discretion of management. All other general accounts that cannot be directly allocated to either category are allocated on the discretion of management.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

The Organization has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business. The Organization has evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2022 and 2021.

All years not closed by statute of limitations in jurisdictions remain open for examination.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting Standards Update

The Financial Accounting Standard Board has issued the following standards which will be effective in subsequent years and are expected to have an impact on the Organization:

Update 2016-02, *Leases (Topic 842),* effective for the fiscal year beginning after December 15, 2020. This standard was delayed until annual reporting periods beginning after December 15, 2021 with the issuance of Update 2020-05. This Update results in significant changes to financial reporting and disclosures related to both operating and capital (finance) leases. The new leases standard is intended to increase the transparency and comparability among companies that lease buildings, equipment and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. In conjunction with implementing 2016-02, the Organization will also implement the following Updates related to leases: 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, 2018-10 *Codification Improvements to Topic 842, Leases* and 2018-11 *Leases (Topic 842): Targeted Improvements,* 2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors* and 2019-01 *Leases (Topic 842): Codification Improvements*.

Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective for the fiscal year beginning after December 15, 2022. This standard will require changes in the methodology used to estimate credit losses and will require changes to financial statement presentation and disclosures. In conjunction with implementing 2016-13, the Organization will also implement the following Updates related to this topic: 2018-19 *Codification Improvements to Topic 326, Financial Instruments - Credit Losses,* 2019-05 *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief,* 2019-10 *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates,* 2019-11 - *Codification Improvements to Topic 326, Financial Instruments - Credit Losses,* 2020-03 *Codification Improvements to Financial Instruments, and 2022-02 Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.*

The Organization will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE B– NEW FASB PRONOUNCEMENT/CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2022, the Organization implemented the following statement of financial accounting standards issued by the Financial Accounting Standards Board:

Update 2020-07, *Not-for-profit Entities (Topic 952): Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets.* This Update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosures. There is no effect on net assets in connection with this implementation.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2022	2021
Financial assets, at year-end	$ 989,497	$ 1,046,496
Less those unavailable for general expenditures within one year, due to:		
Mortgage receivable	483,853	431,217
Funds designated by the board	16,362	1,065
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	265,528	120,867
Financial assets available to meet cash needs for general expenditures within one year	$ 223,754	$ 493,347

The board has designated $16,362 and $1,065 as a reserve fund as described in the net asset section of Note A for the years ended June 30, 2022 and June 30, 2021, respectively. Although the board does not intend to spend these amounts, they are available if deemed necessary.

NOTE D – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30:

	2022	2021
Promises to give	$ 20,000	$ 118,500
Receivable in one year	10,000	98,500
Receivable in one to five years	10,000	20,000
Total promises to give	20,000	118,500
Less discount for present value	-	-
Promises to give, net	20,000	118,500
Less current portion	10,000	98,500
Long-term promises to give, net	$ 10,000	$ 20,000

Unconditional promises to give are discounted at 0% for June 30, 2022 and 2021, respectively.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2022	2021
Equipment	$ 138,361	$ 118,906
Building and improvements	525,248	525,248
Land	66,800	66,800
	730,409	710,954
Less accumulated depreciation	192,805	204,480
	$ 537,604	$ 506,474

NOTE F – HOUSE CONSTRUCTION IN PROCESS AND LAND HELD FOR DEVELOPMENT

The Organization purchases lots and homes for construction and renovation. Costs that are incurred before construction or renovation begins are capitalized as part of the lot or home. After construction or renovation has begun, costs associated with the project are accumulated in a construction in process account on the statements of financial position until the construction or renovation is completed. These homes are then sold to those in need based upon the Organization’s selection criteria. As of June 30, 2022, the total cost of house construction in process and land held for development was $39,624 and $103,662, respectively. As of June 30, 2021, the total cost of house construction in process and land held for development was $197,965 and $103,662, respectively.

NOTE G – MORTGAGES RECEIVABLE

The Organization services the mortgages on the homes constructed and sold to qualifying families. The mortgages are interest free and have been discounted at prevailing market rates for low income housing at the inception of the mortgages. Discounts are amortized using the straight-line method over the life of the loan. At June 30, 2022, the carrying value of the non-interest bearing mortgage loan receivables of $1,019,465 is shown net of the total unamortized discount of $520,900. At June 30, 2021, the carrying value of the non-interest bearing mortgage loan receivables of $900,130 is shown net of the total unamortized discount of $456,508.

Annual collection of mortgages receivables, net of the amortized discount, for the years subsequent to June 30, 2022 are due as follows:

2023	$ 14,712
2024	15,229
2025	16,459
2026	17,787
2027	19,217
Thereafter	415,161
	$ 498,565

All mortgages receivable payments were current as of June 30, 2022.

During the year ended June 30, 2022, mortgages with a carrying value of $102,075 were sold for $246,049. A gain of $143,974 was recognized as a result of the sale.

NOTE H – LINE OF CREDIT

The Organization has a $200,000 line of credit with a bank that expires February 2023. Under this agreement, interest is payable as of June 30, 2022 and 2021 at bank's prime rate plus 0.5% (5.25% and 3.75% as of June 30, 2021 and 2020, respectively). The line of credit is secured by all business assets of the Organization. The outstanding balances at June 30, 2022 and 2021 was $0.

NOTE I – LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	2022	2021
Economic Injury Disaster Loan from the United States Small Business Administration under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Organization's business with monthly payment of $641 beginning in March 2023 including principal and interest at 2.75%. Final payment due in February 2053.	$ 149,900	$ 149,900
Note payable to refinance a mortgage with a bank with monthly payment of $1,509 including principal and interest at 3.25%. Final payment due in June 2025 secured by building.	167,289	174,027
Note payable to purchase a box truck with a bank with a monthly payment of $489 including principal and interest at 3.25%. Final payment due in December of 2026 secured by a box truck.	24,494	-
	341,683	323,927
Less current maturities	(13,980)	(6,819)
	$ 328,054	$ 317,108

Future maturities of long-term debt for years subsequent to June 30, 2022 are as follows:

2023	$ 13,980
2024	13,141
2025	13,381
2026	13,772
2027	143,127
Thereafter	144,282
	$ 341,683

NOTE J – NET ASSETS RESTRICTIONS/DESIGNATIONS

The Organization's net assets with donor restrictions are subject to the following restrictions for the years ended June 30:

	2022	2021
Subject to purpose restrictions		
Foreclosure prevention	$ 2,367	$ 2,367
Subject to time restrictions		
Promises to give	20,000	118,500
Grant	243,161	-
Total net assets with donor restrictions	$ 265,528	$ 120,867

NOTE J – NET ASSETS RESTRICTIONS/DESIGNATIONS – Continued

The Organization's net assets without donor restrictions are designated by the Board for the following purpose for the years ended June 30:

	2022	2021
Reserve Fund	$ 16,362	$ 1,065

NOTE K – REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with Topic 606, the Organization accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the Organization will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

The Organization generates revenue from the following primary activities:

- Transfers to homeowners – houses sold at no profit to families in need
- Resale store sales – sells at a fraction of the retail price preowned home improvement items
- Other – miscellaneous program income

Mortgage discount amortization performance obligations are stand-ready and satisfied over time. Mortgage discount is recognized monthly over the life of the mortgage and it includes one distinct performance obligation.

Disaggregation of Revenue

The table below presents net sales disaggregated by timing of revenue recognition and segment for the years ended June 30:

	2022			
Segments	**Transfers to homeowners**	**Resale store sales**	**Other**	**Total**
Timing of revenue recognition				
Services transferred at a point in time	$ 473,668	$ 165,626	$ 35,951	$ 675,245
Services transferred over time	33,594	-	-	33,594
	$ 507,262	$ 165,626	$ 35,951	$ 708,839

	2021			
Segments	**Transfers to homeowners**	**Resale store sales**	**Other**	**Total**
Timing of revenue recognition				
Services transferred at a point in time	$ 1,000	$ 151,051	$ 18,880	$ 170,931
Services transferred over time	34,807	-	-	34,807
	$ 35,807	$ 151,051	$ 18,880	$ 205,738

NOTE K – REVENUE FROM CONTRACTS WITH CUSTOMERS – Continued

Opening and Closing Balance of Accounts and Mortgage Receivables

The following table provides information about accounts and mortgage receivables balances:

	At June 30, 2022	At June 30, 2021
Accounts receivable	$ 25,812	$ 15,511
Mortgages receivable, net of discounts	498,565	443,622

Practical Expedients

The Organization has elected to apply the following practical expedients when determining revenue from contracts with customers and capitalization of related costs:

- The Organization has elected to not adjust revenue for the effects of a significant finance component when the timing difference between receipt of payment and recognition of revenue is less than one year.
- The Organization has elected to expense incremental costs to obtain a contract when the amortization period of the related asset is expected to be less than one year.

NOTE L – CONTRIBUTED NONFINANCIAL ASSETS

The Organization receives various professional services that require specialized skills. The following amounts have been recognized in the financial statements as contributed nonfinancial assets and represent the following for the years ended June 30:

	2022	2021
	Program Services	Program Services
Donated product for use in construction	$ 13,519	$ -

The Organization used the following valuation techniques and inputs to recognize contributed nonfinancial assets:

Donated product for use in construction – Valued at the estimated fair value based on market rates for similar services.

For the years ended June 30, 2022 and 2021, there were no donor restrictions on any of the contributed nonfinancial assets received.

NOTE M – RETIREMENT PLAN

The Organization offers a SIMPLE IRA plan. The plan covers all employees who are 18 years-old or older and who have received at least $5,000 in compensation prior to the current year. The Organization will contribute a matching contribution to each eligible employee’s account equal to the employee’s salary deferral up to a limit of 3% of the employee’s compensation for the year. Employees are immediately 100% vested. The Organization’s contributions totaled $9,551 and $5,890 for the years ended June 30, 2022 and 2021, respectively.

NOTE N – RESALE STORES DIRECT EXPENSES

Resale stores direct expenses consist of the following for the years ended June 30:

	2022	2021
Payroll expenses	$ 103,518	$ 134,131
Utilities	13,919	11,178
Repairs and maintenance	5,488	5,481
Insurance	7,701	9,868
Credit card fees	6,485	8,058
Volunteer expenses	155	-
Dumpster	3,530	11,084
Vehicle expense	5,175	5,453
Supplies	6,131	5,557
Telephone and internet	1,933	2,091
Interest expense	6,060	6,023
Advertising and printing	2,907	1,021
Professional fees	131	117
Other	929	564
	$ 164,062	$ 200,626

NOTE O – TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC. (HFHI)

The Organization annually remits a portion of its contributions (excluding in-kind contributions) and ReStore net profits to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2022 and 2021, the Organization contributed $5,000 and $5,500 to HFHI, respectively.

NOTE P – SIGNIFICANT CONCENTRATIONS

Contributions from two donors accounted for approximately 67% of contribution revenue for the year ended June 30, 2022. One donor accounted for approximately 35% of contribution revenue for the year ended June 30, 2021.

NOTE Q – SUPPLEMENTARY CASH FLOW DISCLOSURES

Cash paid for interest was $6,060 and $7,101 for the years ended June 30, 2022 and 2021, respectively.

The Organization financed truck through a note payable in the amount of $27,000 during the year ended June 30, 2022.

NOTE R – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 22, 2022, the date on which financial statements were available to be issued.