



Habitat for Humanity of Wake County, Inc.

Financial Statements
Years Ended June 30, 2023 and 2022

Habitat for Humanity of Wake County, Inc.

Financial Statements
Years Ended June 30, 2023 and 2022

Habitat for Humanity of Wake County, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	6
Statements of Activities and Changes in Net Assets	7-8
Statements of Functional Expenses	9-10
Statements of Cash Flows	11
Notes to Financial Statements	12-31



Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

421 Fayetteville Street
Suite 300
Raleigh, NC 27601

Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of Wake County, Inc.
Raleigh, North Carolina

Opinion

We have audited the financial statements of Habitat for Humanity of Wake County, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 the Organization 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective July 1, 2022, the Organization adopted amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

BDO USA, P.C.

December 18, 2023

Financial Statements

Habitat for Humanity of Wake County, Inc.

Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,168,549	\$ 5,197,637
Accounts receivable, net	227,176	175,775
Prepaid expenses	237,791	198,213
Materials inventory	1,036,588	928,135
Land, construction in progress and property held for sale	15,678,361	14,820,389
Current portion of mortgage loans receivable, net	1,567,358	1,676,532
Total Current Assets	25,915,823	22,996,681
Noncurrent Assets:		
Investment in joint venture	1,141,640	1,153,714
Interest in charitable remainder trusts	590,888	554,258
Other noncurrent assets	167,289	167,289
Noncurrent portion of mortgage loans receivable, net	15,587,051	16,177,079
Operating lease right-of-use assets	4,432,345	-
Property and equipment, net	7,342,839	7,655,073
Total Noncurrent Assets	29,262,052	25,707,413
Total Assets	\$ 55,177,875	\$ 48,704,094
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 926,944	\$ 1,179,722
Accrued expenses	1,141,068	998,180
Current portion of operating lease liabilities	1,178,990	-
Current portion of long-term debt	1,535,084	3,504,243
Total Current Liabilities	4,782,086	5,682,145
Noncurrent Liabilities:		
Deferred revenue	33,028	58,631
Due to joint venture	1,715,000	1,715,000
Operating lease liabilities, net of current portion	3,309,178	-
Long-term debt, net of current portion	14,050,522	11,497,575
Total Noncurrent Liabilities	19,107,728	13,271,206
Total Liabilities	23,889,814	18,953,351
Net Assets:		
Without donor restrictions	30,442,581	29,016,876
With donor restrictions	845,480	733,867
Total Net Assets	31,288,061	29,750,743
Total Liabilities and Net Assets	\$ 55,177,875	\$ 48,704,094

See accompanying notes to financial statements.

Habitat for Humanity of Wake County, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public Support:			
Contributions of cash and other financial assets:			
Contributions	\$ 1,833,854	\$ 88,900	\$ 1,922,754
House sponsorships	-	1,461,333	1,461,333
Contributions of nonfinancial assets:			
In-kind house sponsorships	-	56,883	56,883
In-kind ReStore donations	10,301,716	-	10,301,716
In-kind other contributions	163,941	-	163,941
Federal, state, and local grants	6,107	766,944	773,051
Total Public Support	12,305,618	2,374,060	14,679,678
Revenue:			
ReStore revenue	11,844,049	-	11,844,049
House sales	6,133,005	-	6,133,005
Investment income	40,915	36,630	77,545
Interest income on mortgage loans receivable	502,887	-	502,887
Gain on early extinguishment of mortgage loans receivable	20,644	-	20,644
Construction rent	900	-	900
Other income	162,363	-	162,363
Net assets released from restrictions	2,299,077	(2,299,077)	-
Total Revenue	21,003,840	(2,262,447)	18,741,393
Total Support and Revenue	33,309,458	111,613	33,421,071
Expenses:			
Program Services:			
Construction	8,140,722	-	8,140,722
Family services financing	1,114,408	-	1,114,408
Volunteer services	208,497	-	208,497
ReStore	19,977,090	-	19,977,090
Supporting Services:			
Management and general	1,505,245	-	1,505,245
Fundraising	937,791	-	937,791
Total Expenses	31,883,753	-	31,883,753
Net increase in net assets	1,425,705	111,613	1,537,318
Net assets, beginning of year	29,016,876	733,867	29,750,743
Net assets, end of year	\$ 30,442,581	\$ 845,480	\$ 31,288,061

See accompanying notes to financial statements.

Habitat for Humanity of Wake County, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public Support:			
Contributions of cash and other financial assets:			
Contributions	\$ 1,527,392	\$ 652,000	\$ 2,179,392
House sponsorships	-	1,071,934	1,071,934
Contributions of nonfinancial assets:			
In-kind house sponsorships	-	223,667	223,667
In-kind ReStore donations	8,865,489	-	8,865,489
In-kind other contributions	98,883	-	98,883
Federal, state, and local grants	30,044	7,250	37,294
Total Public Support	10,521,808	1,954,851	12,476,659
Revenue:			
ReStore revenue	10,200,946	-	10,200,946
House sales	8,871,063	-	8,871,063
Investment income	257	23,199	23,456
Interest income on mortgage loans receivable	537,714	-	537,714
Gain on early extinguishment of mortgage loans receivable	90,031	-	90,031
Construction rent	900	-	900
Other income	88,445	-	88,445
Net assets released from restrictions	2,226,163	(2,226,163)	-
Total Revenue	22,015,519	(2,202,964)	19,812,555
Total Support and Revenue	32,537,327	(248,113)	32,289,214
Expenses:			
Program Services:			
Construction	12,380,636	-	12,380,636
Family services financing	1,233,073	-	1,233,073
Volunteer services	226,634	-	226,634
ReStore	17,814,009	-	17,814,009
Supporting Services:			
Management and general	1,008,732	-	1,008,732
Fundraising	1,021,746	-	1,021,746
Total Expenses	33,684,830	-	33,684,830
Net decrease in net assets	(1,147,503)	(248,113)	(1,395,616)
Net assets, beginning of year	30,164,379	981,980	31,146,359
Net assets, end of year	\$ 29,016,876	\$ 733,867	\$ 29,750,743

See accompanying notes to financial statements.

Habitat for Humanity of Wake County, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023	Program Services					Supporting Services			Total Expenses
	Family Services		Volunteer	ReStore	Total	Management and General		Total	
	Construction	Financing	Services			Fundraising			
Salaries	\$ 964,236	\$ 513,136	\$ 131,335	\$ 3,541,755	\$ 5,150,462	\$ 378,694	\$ 611,859	\$ 990,553	\$ 6,141,015
Payroll taxes and benefits	257,259	105,445	18,335	744,709	1,125,748	157,194	98,817	256,011	1,381,759
Publicity and marketing	170	1,094	141	129,251	130,656	34,115	25,509	59,624	190,280
Postage and direct mail cost	850	874	805	13,917	16,446	6,771	25,256	32,027	48,473
Telephone	12,096	5,123	1,181	54,202	72,602	5,905	5,262	11,167	83,769
Cost of sales	6,061,202	-	-	-	6,061,202	-	-	-	6,061,202
Americorp	25,139	-	-	-	25,139	-	-	-	25,139
Warranty and lot maintenance	18,134	-	-	-	18,134	-	-	-	18,134
Rental and maintenance	137,773	7,015	2,002	1,419,369	1,566,159	12,540	8,018	20,558	1,586,717
Utilities	11,183	7,010	2,001	180,701	200,895	12,530	8,012	20,542	221,437
Professional services	14,873	12,343	10,445	35,748	73,409	13,608	11,394	25,002	98,411
Insurance	54,988	1,391	1,391	130,013	187,783	12,564	1,391	13,955	201,738
Taxes and licenses	272	1,366	-	1,885	3,523	-	203	203	3,726
Travel	3,242	3,173	-	6,795	13,210	8,935	87	9,022	22,232
Tools and supplies	79,565	-	-	46,759	126,324	-	-	-	126,324
Office and stationary expenses	4,028	897	178	35,607	40,710	13,502	3,938	17,440	58,150
Computer tech support and training	41,265	104,676	15,218	175,156	336,315	62,195	55,474	117,669	453,984
Contract labor	4,055	142,535	-	343,140	489,730	538,148	11,142	549,290	1,039,020
Vehicle expense	36,382	1,642	-	320,310	358,334	992	1,060	2,052	360,386
Distribution to Affiliates	-	-	-	647,551	647,551	-	-	-	647,551
Bank and credit card fees	26	109,839	-	386,097	495,962	25,127	13,502	38,629	534,591
Dues	2,779	1,802	100	2,222	6,903	28,309	2,401	30,710	37,613
Family services applications	11,700	18,987	-	-	30,687	50,552	-	50,552	81,239
Board and staff development	11,532	4,152	450	26,988	43,122	40,146	881	41,027	84,149
Depreciation	91,144	45,572	11,393	172,772	320,881	68,358	28,482	96,840	417,721
Meetings and conferences	3,377	3,548	4,010	5,900	16,835	5,807	10,459	16,266	33,101
Interest expense	175,158	13,336	3,334	286,725	478,553	20,004	8,335	28,339	506,892
In-kind expense	-	-	-	10,214,446	10,214,446	-	-	-	10,214,446
Contributions	108,250	-	-	-	108,250	-	-	-	108,250
Promotional items	-	1,167	3,095	3,578	7,840	-	5,400	5,400	13,240
Volunteer services	-	-	3,083	-	3,083	-	-	-	3,083
Cost of inventory	-	-	-	1,024,940	1,024,940	-	-	-	1,024,940
Miscellaneous	10,044	8,285	-	26,554	44,883	9,249	909	10,158	55,041
Total	\$ 8,140,722	\$ 1,114,408	\$ 208,497	\$ 19,977,090	\$ 29,440,717	\$ 1,505,245	\$ 937,791	\$ 2,443,036	\$ 31,883,753

See accompanying notes to financial statements.

Habitat for Humanity of Wake County, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022	Program Services					Supporting Services			Total Expenses
	Family Services		Volunteer	ReStore	Total	Management and General		Total	
	Construction	Financing	Services			Fundraising			
Salaries	\$ 1,065,789	\$ 712,219	\$ 148,806	\$ 3,415,990	\$ 5,342,804	\$ 189,664	\$ 660,140	\$ 849,804	\$ 6,192,608
Payroll taxes and benefits	267,915	112,589	20,033	683,422	1,083,959	166,985	95,918	262,903	1,346,862
Publicity and marketing	1,304	4,074	-	145,056	150,434	75,838	29,692	105,530	255,964
Postage and direct mail cost	1,392	3,163	1,894	12,357	18,806	3,779	32,983	36,762	55,568
Telephone	12,824	4,185	1,286	59,348	77,643	3,874	4,657	8,531	86,174
Cost of sales	9,940,264	-	-	-	9,940,264	-	-	-	9,940,264
Americorp	71,710	-	-	-	71,710	-	-	-	71,710
Warranty and lot maintenance	14,939	-	-	-	14,939	-	-	-	14,939
Rental and maintenance	168,582	6,231	1,778	1,358,928	1,535,519	11,138	7,122	18,260	1,553,779
Utilities	17,477	6,539	1,866	182,639	208,521	11,688	7,473	19,161	227,682
Professional services	14,585	13,225	10,776	34,450	73,036	13,225	12,136	25,361	98,397
Insurance	46,374	489	-	107,259	154,122	12,151	311	12,462	166,584
Taxes and licenses	2,394	411	-	4,552	7,357	16	-	16	7,373
Travel	7	5	1,665	1,097	2,774	6,032	307	6,339	9,113
Tools and supplies	127,054	-	-	69,836	196,890	-	-	-	196,890
Office and stationary expenses	5,564	1,671	131	33,636	41,002	10,055	7,644	17,699	58,701
Computer tech support and training	32,828	60,959	12,603	129,373	235,763	26,181	43,296	69,477	305,240
Contract labor	-	112,156	-	270,883	383,039	241,878	43,979	285,857	668,896
Vehicle expense	54,027	680	-	260,561	315,268	710	2,267	2,977	318,245
Distribution to Affiliates	-	-	-	721,386	721,386	-	-	-	721,386
Bank and credit card fees	730	90,055	-	241,537	332,322	27,568	11,617	39,185	371,507
Dues	2,858	1,184	-	4,299	8,341	31,864	2,391	34,255	42,596
Family services applications	25,403	25,857	-	-	51,260	46,537	-	46,537	97,797
Board and staff development	8,807	6,998	1,916	7,411	25,132	24,895	5,074	29,969	55,101
Depreciation	60,895	41,865	7,612	165,995	276,367	41,865	26,641	68,506	344,873
Meetings and conferences	4,836	2,763	1,663	9,565	18,827	17,583	8,017	25,600	44,427
Interest expense	171,624	11,019	2,003	103,110	287,756	11,019	7,012	18,031	305,787
In-kind expense	-	-	-	8,850,626	8,850,626	-	-	-	8,850,626
Contributions	251,957	-	-	-	251,957	-	-	-	251,957
Promotional items	416	1,108	8,443	443	10,410	925	5,295	6,220	16,630
Volunteer services	-	-	3,022	-	3,022	-	-	-	3,022
Cost of inventory	-	-	-	890,765	890,765	-	-	-	890,765
Miscellaneous	8,081	13,628	1,137	49,485	72,331	33,262	7,774	41,036	113,367
Total	\$ 12,380,636	\$ 1,233,073	\$ 226,634	\$ 17,814,009	\$ 31,654,352	\$ 1,008,732	\$ 1,021,746	\$ 2,030,478	\$ 33,684,830

See accompanying notes to financial statements.

Habitat for Humanity of Wake County, Inc.

Statements of Cash Flows

Year Ended June 30,	2023	2022
Net cash flows from operating activities:		
Net increase (decrease) in net assets	\$ 1,537,318	\$ (1,395,616)
Adjustments to reconcile net increase (decrease) in net assets to net cash flows provided by operating activities:		
Depreciation	417,721	344,873
Accretion of mortgage loans receivable discounts	(338,725)	(364,774)
Amortization of debt issuance costs	28,489	28,489
In-kind house sponsorships	(56,883)	(223,667)
In-kind ReStore donations	(10,301,716)	(8,865,489)
In-kind other contributions	(163,941)	(98,883)
In-kind expense	10,214,446	8,850,626
Gain on early extinguishment of mortgage loans receivable	(20,644)	(90,031)
Change in value of investment in joint ventures	12,074	12,074
Gain on interest in charitable remainder trust	(36,630)	(23,199)
Payments on operating leases	(1,530,893)	-
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable, net	(51,401)	(18,163)
Prepaid expenses	(39,578)	(61,722)
Materials inventory	(21,183)	(188,443)
Mortgage loans receivable	1,058,571	1,795,577
Land, construction in progress and property held for sale	(691,089)	(250,509)
Operating lease right-of-use assets	1,234,315	-
Other noncurrent assets	-	33,844
Increase (decrease) in operating liabilities:		
Accounts payable	(252,778)	408,418
Accrued expenses	142,888	164,985
Operating lease liabilities	352,401	-
Deferred revenue	(25,603)	(10,894)
Net cash flows provided by operating activities	1,467,159	47,496
Net cash flows from investing activities:		
Purchases of property and equipment	(51,546)	(857,229)
Net cash flows used in investing activities	(51,546)	(857,229)
Net cash flows from financing activities:		
Payments on lines of credit	-	(1,372,525)
Proceeds from long-term debt	1,452,111	4,246,228
Principal payments on long-term debt	(896,812)	(1,225,242)
Net cash provided by financing activities	555,299	1,648,461
Net increase in cash and cash equivalents	1,970,912	838,728
Cash and cash equivalents, beginning of year	5,197,637	4,358,909
Cash and cash equivalents, end of year	\$ 7,168,549	\$ 5,197,637
Supplemental disclosure:		
Cash paid for interest expense	\$ 368,225	\$ 303,130

See accompanying notes to financial statements.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

1. Organization and Description of Services

Habitat for Humanity of Wake County, Inc. (the “Organization”) was incorporated as a non-profit organization on November 19, 1985. The Organization develops partnerships that build healthy, affordable homes with and for God’s people in need. The Organization also promotes self-reliance through home ownership, providing affordable mortgages, and preparing its applicant families for home ownership through the provision of family support services, credit counseling, and resource management training.

Program services provided by the Organization are as follows:

Construction - This program constructs or rehabilitates modest housing for sale to low-income residents.

Family Services Financing - This program recruits and selects eligible homeowners, and recruits and trains volunteers who provide family support and services. Additionally, it provides access to affordable mortgage financing for low-income residents.

Volunteer Services - This program recruits and trains volunteers to assist in the construction of homes.

ReStore - This program sells donated home materials, appliances, furnishings and salvaged building materials to the general public at below-market prices, with the net proceeds going towards the support of the Organization’s mission.

2. Summary of Significant Accounting Policies

Basis of Presentation

As required by generally accepted accounting principles in the United States of America (“U.S. GAAP”), the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Without Donor Restrictions - Net assets without donor restrictions include resources which are available for the support of the Organization’s operating activities and are both undesignated and designated in nature. In addition, they include the Organization’s net investment in property and equipment and other resources designated by the board for specific purposes.

With Donor Restrictions - Net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor and net assets subject to stipulations imposed by a third party that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. The Organization maintains its cash and cash equivalents in several North Carolina financial institutions. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts in the United States. The Organization from time to time may have amounts on deposit in excess of the insured limits. The Organization has not experienced significant losses in such accounts and does not believe it is exposed to any significant risk.

Accounts Receivable, net

Pledges receivable are presented within accounts receivable on the accompanying statements of financial position. Pledges receivable are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give. The allowance was \$0 as of June 30, 2023 and 2022.

The remaining accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance method is based on experience, third party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. The allowance was \$0 as of June 30, 2023 and 2022.

Materials Inventory

Inventory is donated and valued at fair value which, due to the quick turnover of inventory (generally within a month of receipt), approximates the value at which the items are subsequently sold.

Land, Construction in Progress and Property Held for Sale

Land held for future construction is recorded at cost when payment is made or at estimated fair value when donated.

Costs of construction in progress consist of direct home construction costs only. Once a home is completed, the actual direct construction costs are transferred from construction in progress to finished houses inventory along with transferring the actual cost of the land from land inventory. Construction overhead is allocated to the completed job at that time. Homes completed pending closing are presented as finished houses within Note 6 until delivered. The Organization reviews the

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

capitalized home costs in the month the home is completed and if the proposed sales price as determined by an appraisal is less than the capitalized home costs, an impairment loss is recorded in that same month. U.S. GAAP requires that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

At year end, construction costs for homes not yet completed are recorded as construction in progress. A portion of administrative costs is allocated to the cost of each home and becomes a part of the final cost of the home.

Property and Equipment, net

Property and equipment is recorded at cost or, if donated, at the estimated fair value at the date of donation. Property and equipment is capitalized if each individual item is \$2,000 or more in value. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

The following are the estimated useful lives of the respective assets:

Description	Estimated Useful Lives
Buildings	30 years
Leasehold improvements	Lesser of lease term or useful life
Computer and equipment	3 to 7 years
Furniture and fixtures	5 to 7 years
Vehicles	5 years

Expenditures for repairs and maintenance to property and equipment is expensed as incurred. The cost of major renewals and betterments to property and equipment is capitalized and depreciated or amortized over their estimated useful lives. Upon disposition of property and equipment, the respective assets, and accumulated depreciation and amortization accounts are relieved, and any related gain or loss is reflected in current activities.

Split Interest Agreements

The Organization accepts gifts subject to split interest agreements. These gifts may be in the form of annuities or charitable remainder trusts, and they provide for the payment of distributions to the grantor or other designated beneficiaries over the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are available for the Organization's use. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates. On an annual basis, the Organization revalues the liability for future payments to beneficiaries based on actuarial assumptions. Fair value of interest in charitable remainder trusts is determined as described in Note 4.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Investment in Joint Venture

On December 20, 2017, the Organization invested, along with five other Habitat for Humanity affiliates, in a partnership (“Harbor Habitat Leverage II, LLC”) with 16.67% ownership to take advantage of New Market Tax Credit (“NMTC”) financing. The Organization had an investment balance of \$1,141,640 in the joint venture as of June 30, 2023 and \$1,153,714 as of June 30, 2022.

Additionally, the Organization secured a 20-year loan in the amount of \$1,715,000 payable to a community development entity. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing, and/or constructing single-family homes in qualified census tracts and selling 100% of such homes to low-income persons. The loan accrues interest annually at a rate of 0.7041%.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, which qualify as financial assets and financial liabilities, approximate fair value due to the relative terms and short maturity of these financial instruments. The carrying amount of the investment in joint venture approximates fair value as it represents the discounted return of the Organization’s 16.667% investment interest in Harbor Habitat Leverage II, LLC. The carrying amounts of the debt (including amounts due to joint venture) approximate fair value as these financial instruments bear interest at variable rates which approximate current market rates for debt with similar maturities and credit quality.

Deferred Revenue

Deferred revenue represents mortgage forgiveness that is amortized over the term of the mortgage and NMTC affiliate guaranty fee which is amortized over the term of the loan.

Public Support Revenues Without and With Donor Restrictions

Donor support, contributions and government grants received are recognized as revenue when received or unconditionally promised. The Organization receives government grants from Wake County and local townships in the area. Public support revenue streams are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, including for support in which the restriction expires in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Contributed nonfinancial assets consist of in-kind house sponsorships, in-kind ReStore donations, and in-kind other contributions. In-kind house contributions are utilized for construction or maintenance of homes and are reported under the construction program on the statements of functional expenses. In-kind ReStore donations include inventory received and subsequently sold at ReStore locations and reported under the ReStore program on the statements of functional expenses. In-kind other contributions include specialized services and use of facilities that is reported under the volunteer services and management and general programs on the statements of functional expenses.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Donated materials, specialized services, and use of facilities received by the Organization are reflected as both contributions of nonfinancial assets and expenses in the accompanying statements of activities and changes in net assets at their estimated fair market value at the time of receipt.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in the construction of Habitat homes. Only donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received. Non-professional construction-related volunteer services do not meet these criteria, are not estimable, and are not recorded in the financial statements.

Revenues from Contracts with Customers

ReStore Revenue

A portion of the Organization's revenue is derived from ReStore sales during the year. Such revenue is conditioned upon meeting one performance obligation, the sales transaction is completed at a ReStore location, and amounts received are recognized as revenue at the point in time that the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payment at the time of sale in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

House Sales

A portion of the Organization's revenue is derived from house sales. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon fulfilling a certain performance obligation, and amounts received are recognized as revenue at the point in time the requirement has been met. Once construction is complete on a house and closing procedures have been completed, buyers take possession of the house and the performance obligation is considered to have been met. Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms.

Mortgage Loans Receivable, Interest Income and Other Income Related to Mortgage Loans Receivable

Mortgage Loans Receivable

Homebuyers enter into equity agreements with the Organization at the time the mortgage loan notes are signed. Prior to the fiscal year ended June 30, 2001, homebuyers purchased houses from the Organization at less than fair value with the equity amount determined as the difference between the purchase price and the fair value. Beginning with the fiscal year ended June 30, 2001, homebuyers purchased houses at fair value and the Organization provided the homebuyers with a discounted interest rate on their mortgage loans. Under both methods, homebuyers earn the equity over the life of their mortgages, typically 30 years or as the mortgages are repaid. As of July 1, 2016, the deferred equity on mortgage receivable is due at the time of sale. If the homebuyers default on their mortgages, the Organization retains all or a portion of the equity in the house. If

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

homebuyers wish to dispose of their property, the Organization retains the right of first refusal. Homebuyers' equity agreements are included in the deeds of trust on their property as restrictive covenants.

In accordance with ASC 835, *Interest*, the Organization recognizes discounts on non-interest-bearing mortgage loans receivable as well as mortgage loans issued with interest rates below the prevailing market rates at the inception of the mortgage loan. These discounts are presented as a reduction to mortgage loans receivable on the accompanying statement of financial position and are accreted into interest income over the respective lives of the underlying loans using the effective interest method.

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. The Organization considers one-to-four family mortgage loans and consumer installment loans to be homogeneous and, therefore, does not generally evaluate them for impairment unless they are considered troubled debt restructurings. There were no troubled debt restructurings as of June 30, 2023 and 2022. All other loans are evaluated for impairment on an individual basis.

Allowance for credit loss on mortgage loans receivable is determined on the basis of loss experience, known and inherent risk in the mortgage loan portfolio, the estimated value of the underlying collateral, and current economic conditions. Based on the terms of the loans, the Organization can reclaim homes through foreclosure in the event that a mortgage loan is deemed to be uncollectible. Assets repossessed that are expected to be re-sold in the normal course of the Organization's operations are included in land, construction in progress and property held for sale on the accompanying statements of financial position at the lower of cost or recoverable value. The allowance was \$0 as of June 30, 2023 and 2022.

Interest Income on Mortgage Loans Receivable

The Organization recognizes interest income from mortgage loans receivable and the accretion on discounts on mortgage loans receivable in accordance with ASC 835, *Interest*.

Gain on Early Extinguishment of Mortgage Loans Receivable

The amount of unamortized discount at the time of extinguishment of mortgage loans receivable (due to prepayment, etc.) is recognized as a gain on early extinguishment of mortgage loans receivable on the accompanying statements of activities and changes in net assets.

Other Income

Other income represents miscellaneous revenue streams earned by the Organization which are generally and historically immaterial.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While a majority of these costs are specifically identifiable to a functional expense category (cost of construction, interest expense on notes payable and on mortgages

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

receivable, event costs, and tithes to Habitat International), other costs are allocated. Allocation bases primarily include the following: estimates of time and effort (e.g. for salaries and wages, payroll taxes, pension contributions); square footage (e.g. for occupancy); headcount (e.g. for supplies, telephone); and employee-specific (e.g. telephone, staff development, employee mileage reimbursement). Advertising costs are expensed as incurred and presented on the statements of functional expenses as publicity and marketing.

Income Tax Status

The Organization is exempt from Federal and state income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and the applicable state tax statutes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been qualified as an organization that is not a private foundation under Section 509(a)(2) of the IRC. Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization as of June 30, 2023 and 2022. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Organization had no significant uncertain income tax positions as of June 30, 2023 and 2022.

Retirement Plan

Effective January 1, 2004, the Organization adopted a 401(k) profit-sharing plan for the benefit of its employees. An employee must be 21 years or older to obtain the 401(k) employer match. Employees may contribute from 1% to 97% of their compensation. The Organization will match 100% of each employee’s contributions up to a maximum of 4% of compensation. For the years ended June 30, 2023 and 2022, the Organization contributed \$81,701 and \$86,441, respectively, to the plan.

New Accounting Pronouncements

In January 2020, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. For non-public entities, ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The ASU requires credit losses on most financial assets carried at amortized cost and certain other instruments to be measured using an expected credit loss model. The Organization is currently evaluating the impact of ASU 2016-13.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (referred to herein as “ASC 842”). The new guidance primarily impacts lessee accounting by requiring the recognition of a right-of-use asset and a corresponding lease liability on the statement of financial position for long-term lease agreements. The lease liability is equal to the present value of all reasonably certain, fixed remaining lease payments. The right-of-use asset is based on the liability, subject to adjustment for initial direct costs. Lease agreements that are 12 months or less are permitted to be excluded from the statements of financial position. In general, leases will be amortized on a straight-line basis with the exception of finance lease agreements. Under ASU 2016-02, lessees are permitted to use a modified retrospective approach, which requires an entity to recognize and measure leases existing at, or entered into after, the beginning of the earliest comparative period presented for the year beginning January 1, 2022, with early adoption permitted. In July 2018, the FASB issued

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

ASU No. 2018-11, *Leases (Topic 842)*, permitting the use of an alternative modified retrospective approach that would result in an entity recognizing a lease liability and ROU asset as of the effective date of the requirements, with all comparative periods presented and disclosed, in accordance with the requirements under ASC 840, *Leases*, changing the date of initial application to the beginning of the period of adoption.

On July 1, 2022, the Organization adopted the new accounting standard using the alternative modified retrospective approach, applying ASC 840 to all comparative periods, including disclosures. Pursuant to the adoption of the new standard, the Organization elected the practical expedients upon transition that did not require it to reassess existing contracts to determine if they contain leases under the new definition of a lease, or to reassess historical lease classification or initial direct costs. The Organization also adopted the practical expedient to not separate lease and non-lease components for new leases after adoption of the new standard and practical expedient for private companies allowing the organization to use the risk-free rate as the incremental borrowing rate. In addition, the Organization applied a policy election to exclude leases with an initial term of twelve months or less from recognition.

Adoption of the standard had a material impact on the statement of financial position, statement of cash flows and related disclosures and resulted in recognition of right-of-use assets and lease liabilities as of July 1, 2022. The standard did not have a material impact on the Organization's statements of activities and changes in net assets and functional expenses.

The effects of the changes made to the Organization's statement of financial position as of July 1, 2022 for the adoption of ASC 842 were as follows:

	June 30, 2022	Adjustments due To ASC 842	July 1, 2022
Non-current assets:			
Operating lease right-of-use assets	\$ -	\$ 5,666,660	\$ 5,666,660
Current liabilities:			
Operating lease liabilities	-	1,178,492	1,178,492
Non-current liabilities:			
Operating lease liabilities	-	4,488,168	4,488,168

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

3. Liquidity and Availability

Financial assets available for general expenditures consisting of expenses for program, fundraising, and management and general expenses that are without donor or other restrictions, limiting their use within one year of the statement of financial position date, are comprised of the following as of June 30, 2023 and 2022:

<i>June 30,</i>	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 7,168,549	\$ 5,197,637
Accounts receivable	227,176	175,775
Current portion of mortgage loans receivable	1,567,358	1,676,532
Total financial assets	8,963,083	7,049,944
Less those unavailable for general expenditures within one year:		
Financial assets with donor restrictions	(254,592)	(179,609)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,708,491	\$ 6,870,335

Additionally, as of June 30, 2023 and 2022, the Organization also had a total of \$2,000,000 available from unused lines of credit.

4. Fair Value Measurements of Financial Instruments

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Interest in Charitable Remainder Trusts - These Level 3 investments are valued on factors not easily observable in similar instruments in an active market.

Financial instruments carried at fair value by level are as follows:

<i>June 30, 2023</i>	Level 1	Level 2	Level 3	Total Fair Value
Interest in charitable remainder trusts	\$ -	\$ -	\$ 590,888	\$ 590,888

<i>June 30, 2022</i>	Level 1	Level 2	Level 3	Total Fair Value
Interest in charitable remainder trusts	\$ -	\$ -	\$ 554,258	\$ 554,258

Changes in Level 3 inputs are as follows:

<i>Year Ended June 30, 2023</i>	Interest in Charitable Remainder Trust
Beginning balance	\$ 554,258
Current year unrealized gain	36,630
Ending balance	\$ 590,888

<i>Year Ended June 30, 2022</i>	Interest in Charitable Remainder Trust
Beginning balance	\$ 531,059
Current year unrealized gain	23,199
Ending balance	\$ 554,258

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

5. Mortgage Loans Receivable

Mortgage loans receivable consisted of the following:

<i>June 30,</i>	2023	2022
Various homebuyers	\$ 37,801,989	\$ 37,637,197
Less: Equity forgiveness, unamortized discounts, and second mortgages due to third parties	(20,647,580)	(19,783,586)
Total mortgage loans receivable, net	17,154,409	17,853,611
Less: Current portion	(1,567,358)	(1,676,532)
Noncurrent portion of mortgage loans receivable	\$ 15,587,051	\$ 16,177,079

At June 30, 2023 and 2022, the payments in delinquencies in mortgages receivable consisted of the following:

2023				
30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total Mortgage Receivable, net
\$ 6,275	\$ 3,053	\$ 64,144	\$ 73,472	\$ 17,154,409

2022				
30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total Mortgage Receivable, net
\$ 315,698	\$ 10,569	\$ 367,076	\$ 693,343	\$ 17,853,611

At June 30, 2023 and 2022, management has not established an allowance for credit loss because, as discussed in Note 2, the Organization can reclaim homes through foreclosure in the event that a mortgage loan is deemed to be uncollectible and the fair value of the foreclosed homes is generally higher than the outstanding balance of the defaulted loans due to the equity requirements specified in the terms and conditions of the related equity agreements executed at the time of loan origination.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Certain changes in the mortgages receivable accounts are summarized as follows:

	Gross Loan Balance	City of Raleigh	North Carolina Housing Finance Agency	Equity Forgiveness	Loan Balance	Discount	Total Mortgages Receivable, Net
Beginning balance, June 30, 2021	\$ 37,050,086	\$ 979,422	\$ 5,324,137	\$ 7,662,745	\$ 23,083,782	\$ (3,889,399)	\$ 19,194,383
New loans	3,996,043	-	35,000	3,599,650	361,393	(34,587)	326,806
Sales	(1,064,028)	(69,125)	(241,532)	(184,809)	(568,562)	124,618	(443,944)
Payments received	(2,344,904)	(149,589)	(308,743)	(298,164)	(1,588,408)	364,774	(1,223,634)
Ending balance, June 30, 2022	37,637,197	760,708	4,808,862	10,779,422	21,288,205	(3,434,594)	17,853,611
New loans	3,112,874	-	-	2,070,569	1,042,305	117,902	1,160,207
Sales	(894,380)	(22,325)	(71,306)	(119,981)	(680,768)	291,109	(389,659)
Payments received	(2,053,702)	(106,541)	(303,541)	(223,512)	(1,420,108)	(49,642)	(1,469,750)
Ending balance, June 30, 2023	\$ 37,801,989	\$ 631,842	\$ 4,434,015	\$ 12,506,498	\$ 20,229,634	\$ (3,075,225)	\$ 17,154,409

6. Land, Construction in Progress, and Property Held for Sale

The following table summarizes land, construction in progress and property held for sale for the year ended June 30, 2023:

	2023					
	Land	Land Gift in Kind	Land Development	Construction in Progress	Finished Houses	Total
Beginning balance	\$ 6,407,032	\$ 423,035	\$ 3,021,150	\$ 4,721,558	\$ 247,614	\$ 14,820,389
Additions	112,915	-	2,660,508	4,222,163	264,211	7,259,797
Transfer to CIP	(331,516)	-	(100,738)	-	-	(432,254)
Closed jobs	(592,405)	-	(292,388)	(4,572,953)	(511,825)	(5,969,571)
Ending balance	\$ 5,596,026	\$ 423,035	\$ 5,288,532	\$ 4,370,768	\$ -	\$ 15,678,361

The following table summarizes land, construction in progress and property held for sale for the year ended June 30, 2022:

	2022					
	Land	Land Gift in Kind	Land Development	Construction in Progress	Finished Houses	Total
Beginning balance	\$ 4,849,619	\$ 632,035	\$ 1,887,004	\$ 6,256,536	\$ 721,019	\$ 14,346,213
Additions	3,373,276	-	2,477,211	5,589,970	1,017,297	12,457,754
Transfer to CIP	(497,659)	(209,000)	(719,147)	-	-	(1,425,806)
Closed jobs	(1,318,204)	-	(623,918)	(7,124,948)	(1,490,702)	(10,557,772)
Ending balance	\$ 6,407,032	\$ 423,035	\$ 3,021,150	\$ 4,721,558	\$ 247,614	\$ 14,820,389

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

7. Property and Equipment, net

Net property and equipment consisted of the following at June 30, 2023 and 2022:

<i>June 30,</i>	2023	2022
Land	\$ 2,530,129	\$ 2,530,129
Buildings	4,903,825	4,903,825
Leasehold improvements	1,620,572	1,565,715
Building improvements	32,656	28,112
Computer and equipment	450,131	437,105
Furniture and fixtures	398,783	365,723
Vehicles	330,633	330,633
Gross property and equipment	10,266,729	10,161,242
Less: accumulated depreciation	(2,923,890)	(2,506,169)
Property and equipment, net	\$ 7,342,839	\$ 7,655,073

8. Interest in Charitable Remainder Trusts

During the year ended June 30, 2003, the Organization was named the single vested beneficiary of a charitable remainder unitrust. Upon the death of the last surviving income beneficiary, the remaining assets of the trust will transfer to the Organization. During the year ended June 30, 2007, the Organization was named the single beneficiary of a charitable remainder annuity trust. Upon the death of the surviving income beneficiary, the remaining assets of the trust will transfer to the Organization. The trusts' value is classified within net assets with donor restriction on the Organization's statements of financial condition until the trust terminates, and the remaining assets are transferred to the Organization. The fair market value of the Organization's interest in the trusts was \$590,888 and \$554,258, respectively, as of June 30, 2023 and 2022. The fair market value approximates the present value of the future cash flows anticipated from the trust.

9. Investment in Joint Venture and Due to Joint Venture

In December 2017, the Organization participated in an NMTC program. These programs provide tax credits to eligible organizations for investment in "qualified low-income community investments." Program compliance requirements included creation of a promissory note and investment in a qualified community development entity. Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In December 2017, the Organization recorded its 16.667% investment in Harbor Habitat Leverage II, LLC at the cost of \$1,207,410. In December 2024, Twain Investment Fund 296, LLC (the "Twain Fund"), and the upstream effective owner of Harbor Community Fund XIII, LLC (holder of the promissory note due from the Organization) has the right to exercise its put option. Under the terms of the put option agreement, Harbor Habitat Leverage II, LLC would purchase the ownership interest of the Twain Fund. Exercise of the option would effectively allow the Organization to extinguish its outstanding debt owed to the Twain Fund (see below). As of June 30, 2023 and 2022, the investment in Harbor Habitat Leverage II, LLC balance was \$1,141,640 and \$1,153,714, respectively.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Due to joint venture consists of a promissory note to Harbor Community Fund XIII, LLC in the amount of \$1,715,000. The note requires interest only payments until December 2024 at an interest rate of 0.7041%. The note then requires principal payments in an amount sufficient to fully amortize the note over 13 years. The loan matures in December 2037. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. As discussed above, this debt has a put option feature that is exercisable December in 2024.

10. Escrow Funds Payable

As of June 30, 2023 and 2022, a total of \$101,623 and \$131,766, respectively, had been collected from homebuyers by the Organization for payment of property and insurance which is being held in escrow by the Organization. Escrow funds payable are presented within accrued expenses in the accompanying statements of financial position.

11. Lines of Credit

In July 2014, the Organization obtained a \$1,000,000 line of credit which has an extended maturity of March 2024. As of June 30, 2023, this line of credit had an interest rate of 7.18% and an outstanding balance of \$0. As of June 30, 2022, this line of credit had an interest rate of 3.63% and an outstanding balance of \$0.

In June 2020, the Organization obtained a \$1,000,000 line of credit with an extended maturity of January 2024. As of June 30, 2023, this line of credit had an interest rate of 4.57% and an outstanding balance of \$0. As of June 30, 2022, this line of credit had an interest rate of 5.68% and an outstanding balance of \$0.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

12. Long-term Debt

The Organization's obligations under debt agreements as of June 30, 2023 and 2022, consisted of the following:

<i>June 30,</i>	2023	2022
Board of Commissioners of the Wake County Industrial Facilities and Pollution Control Financing Authority bond payable for \$4,400,000, secured by the facility, with an interest rate of 5.93% at June 30, 2023. The loan will mature in November 2032, when any unpaid principal balance and accrued interest will become due.	\$ 2,342,531	\$ 2,553,612
Pacific Western Bank note for borrowing up to \$2,466,222 net of unamortized discount, with an interest rate of 2.00% at June 30, 2023. The loan will mature in September 2045. Secured by mortgage loans receivable.	1,318,245	1,416,267
Pacific Western Bank note for borrowing up to \$1,244,135 net of unamortized discount, with an interest rate of 2.00% at June 30, 2023. The loan will mature in June 2047. Secured by mortgage loans receivable.	787,348	780,483
Pacific Western Bank note for borrowing up to \$954,174 net of unamortized discount, with an interest rate of 2.00% at June 30, 2023. The loan will mature in March 2051. Secured by mortgage loans receivable.	901,008	921,788
Truist note payable with interest rate of 7.14% at June 30, 2023. The loan will mature March 2026, when any unpaid principal balance and accrued interest will become due.	336,458	439,509
Home Trust Bank note payable, with an interest rate of 2.00% at June 30, 2023. The loan will mature in January 2049, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	779,213	802,674
North State Bank note payable, with an interest rate of 2.00% at June 30, 2023. The loan will mature in April 2048, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	867,126	893,538
Towne Bank note payable, secured by eight mortgages, with an interest rate of 2.00% at June 30, 2023. The loan will mature in May 2049, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	1,697,707	1,747,866
Towne Bank note payable, with an interest rate of 3.49% at June 30, 2023. The loan will mature in November 2029, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	2,421,791	2,529,513
Towne Bank note payable, with an interest rate of 3.99% at June 30, 2023. The loan will mature in August 2027, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	1,825,000	1,825,000
United Bank notes payable that matured during the year ended June 30, 2023. They were secured by certain real estate.	-	262,989
United Bank note payable, with an interest rate of 7.75% at June 30, 2023. The loan will mature in May 2025, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	2,386,455	934,344
Total long-term debt	15,662,882	15,107,583
Less: unamortized debt issuance costs	(77,276)	(105,765)
Total long-term debt, net	\$ 15,585,606	\$ 15,001,818
Less: current portion of long-term debt	(1,535,084)	(3,504,243)
Long-term debt, net of current portion	\$ 14,050,522	\$ 11,497,575

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Scheduled maturities of long-term debt are as follows as of June 30, 2023:

<i>Year Ending June 30,</i>	<i>Amount</i>
2024	\$ 1,535,084
2025	2,047,209
2026	2,075,586
2027	1,253,425
2028	766,492
Thereafter	7,985,086
Total	\$ 15,662,882

13. ReStore Revenue

ReStore revenue by store location was as follows:

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Apex	\$ 806,473	\$ 749,090
Cary	1,121,131	1,120,726
Clayton	656,527	517,896
Durham	1,861,344	1,630,743
Fuquay-Varina	921,764	762,818
Glenwood	1,051,874	882,173
Hillsborough	683,804	593,796
Morrisville	659,571	619,177
Raleigh	2,706,623	2,356,712
Wake Forest	1,374,938	967,815
Total	\$ 11,844,049	\$ 10,200,946

14. Net Assets and Releases from Restriction

Net Assets Without Donor Restrictions

As of June 30, 2023 and 2022, the Organization's net assets without donor restrictions had no board designations and consisted entirely of net investment in property and equipment and net assets available for general use.

Net Assets With Donor Restrictions

As of June 30, 2023 and 2022, net assets with donor restrictions of \$845,480 and \$733,867, respectively, represent unexpended amounts of cash and pledge receivables from house sponsors and grantors, the value of donated land, and interest in charitable remainder trusts in which the Organization is the single beneficiary.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

The components of net assets with donor restrictions are as follows:

<i>June 30,</i>		2023		2022
Sponsorship pledges	\$	130,500	\$	53,582
Donations		124,092		126,027
Interest in charitable remainder trusts		590,888		554,258
Total restricted by time and purpose	\$	845,480	\$	733,867

Net Assets Released from Restriction

Net assets with donor restrictions are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. The following table summarizes net assets released from restriction:

<i>Years Ended June 30,</i>		2023		2022
Pledges and donations	\$	1,532,133	\$	2,028,729
Grants		766,944		197,434
Total	\$	2,299,077	\$	2,226,163

15. Operating Leases and Maintenance Contracts

The Organization leases certain facilities and other property under the terms of operating lease agreements. The Organization determines if an arrangement is a lease at the agreement's inception. Certain operating leases include predetermined rent increases, which are charged to rental and maintenance expenses on a straight-line basis over the lease term. In addition, certain leases provide for additional variable costs including taxes and maintenance. When these additional costs are fixed, or measured based on an index or a rate, these are included in future lease payments when measuring lease liability. Variable increases not based on an index or rate are not measurable at inception and are excluded from future lease payments and the calculation of the operating lease liability. These amounts are included in lease cost when it is probable that the expense has been incurred and the amount is estimable. The Organization records operating lease right-of-use ("ROU") assets and current and noncurrent operating lease liabilities in the statements of financial position related to its operating leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of future lease payments over the lease term. Lease terms include the noncancellable period for which the Organization has the right to use the underlying asset plus any period covered by an option to extend the lease if the Organization is reasonably certain to exercise the option or if the exercise of the option is controlled by the lessor. As the Organization's leases do not provide an implicit rate, the Organization uses the risk-free rate available at the lease commencement date, based primarily on the underlying lease term, in measuring the present value of lease payments. The operating lease ROU asset may also include initial direct costs, prepaid and/or accrued lease payments and the unamortized balance of lease incentives received. ROU assets are reviewed for

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. No impairment was identified in the year ended June 30, 2023.

Payments arising from operating lease activity, as well as variable and short-term lease payments not included within the operating lease liability, are included as operating activities on the Organization's statement of cash flows.

The weighted average lease term and discount rate for the Organization's outstanding operating leases were as follows:

<i>June 30,</i>	2023
Weighted average remaining lease term (in years)	5.88
Weighted average discount rate	2.92%

Total lease costs are as follows:

<i>June 30,</i>	2023
Operating lease cost	\$ 1,396,989
Variable lease cost	189,728
Total lease costs	\$ 1,586,717

Supplemental cash flow information related to leases was as follows:

	2023
Operating lease right-of-use assets obtained in exchange for lease obligations	\$ 5,666,660
Reduction in the carrying amount of right-of-use assets	1,234,315

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

The future minimum operating lease payments for operating leases having initial or non-cancelable terms in excess of one year are as follows:

<i>Year Ending June 30,</i>	<i>Amount</i>
2024	\$ 1,338,654
2025	1,057,368
2026	775,027
2027	527,939
2028	238,007
Thereafter	1,017,000
Total Future Minimum Operating Lease Payments	4,953,995
Less: imputed interest	(465,827)
Present value of operating lease liabilities	4,488,168
Less: Current portion of operating lease liabilities	(1,178,990)
Operating lease liabilities, net of current portion	\$ 3,309,178

16. Grant Audits

The Organization receives grant funds at times from various Federal, state, and local governments. The grant amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements as well as the applicable federal, state, and local government laws and regulations.

17. Contributions to Habitat for Humanity International, Inc.

The Organization contributes to Habitat for Humanity International for their housing programs. The Organization's contributions served an additional 70 families globally. For the years ended June 30, 2023 and 2022, contributions to Habitat for Humanity International were \$108,250 and \$251,957, respectively.

18. Memorandum of Understanding

Effective July 1, 2019, the Organization entered into a Memorandum of Understanding ("MOU") agreement with Habitat for Humanity of Durham, Inc. ("Habitat Durham") and Habitat for Humanity of Orange County, Inc. ("Habitat Orange") regarding the operation of real estate and Habitat ReStore (the "Store") at the property known as 5501 Durham-Chapel Hill Boulevard, Durham, NC 27707, serving Durham, Orange and Wake Counties. An executed Management Agreement allows the Organization to operate the business on behalf of Habitat Durham and Habitat Orange. As a result of the new MOU agreement, the Organization purchased the land and building at 5501 Durham-Chapel Hill Boulevard for approximately \$2,800,000.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

The amount of Store earnings from all Stores in the Organization, Habitat Orange and Habitat Durham service areas shall be allocated between the three Organizations based on the percentage of product donations made to the Store by residents from each County. Per the MOU, the Organization shall pay all ReStore debt and related expenses out of the ReStore revenue prior to any distributions made to Habitat Durham or Habitat Orange. If this revenue is not sufficient to cover the necessary expenses, the Organization may make payments out of their own funds and credit future distributions to Habitat Durham and Habitat Orange. Distributions to Habitat Durham and Habitat Orange totaled \$647,551 and \$721,386 during the years ended June 30, 2023 and 2022.

19. Subsequent Events

The Organization has evaluated subsequent events through December 18, 2023, in connection with the preparation of these financial statements, which is the date the accompanying financial statements were available to be issued. No material recognizable events were identified.