



Habitat for Humanity of Wake County, Inc.

Financial Statements
Years Ended June 30, 2022 and 2021

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Habitat for Humanity of Wake County, Inc.

Financial Statements
Years Ended June 30, 2022 and 2021

Habitat for Humanity of Wake County, Inc.

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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, 2022 and 2021, 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, 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 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.

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.



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, LLP

December 21, 2022

Financial Statements

Habitat for Humanity of Wake County, Inc.

Statements of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,197,637	\$ 4,358,909
Accounts receivable	175,775	157,612
Prepaid expenses	198,213	136,491
Materials inventory	928,135	724,829
Land, construction in progress and property held for sale	14,820,389	14,346,213
Current portion of mortgage loans receivable, net	1,676,532	1,774,961
Total Current Assets	22,996,681	21,499,015
Noncurrent Assets:		
Investment in joint venture	1,153,714	1,165,788
Interest in charitable remainder trusts	554,258	531,059
Other noncurrent assets	167,289	201,133
Noncurrent portion of mortgage loans receivable, net	16,177,079	17,419,422
Property and equipment, net	7,655,073	7,043,834
Total Noncurrent Assets	25,707,413	26,361,236
Total Assets	\$ 48,704,094	\$ 47,860,251
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,179,722	\$ 771,304
Accrued expenses	998,180	833,195
Current portion of lines of credit	-	550,000
Current portion of long-term debt	3,504,243	695,889
Total Current Liabilities	5,682,145	2,850,388
Noncurrent Liabilities:		
Deferred revenue	58,631	69,525
Due to joint venture	1,715,000	1,715,000
Lines of credit, net of current portion	-	822,525
Long-term debt, net of current portion	11,497,575	11,256,454
Total Noncurrent Liabilities	13,271,206	13,863,504
Total Liabilities	18,953,351	16,713,892
Net Assets:		
Without donor restrictions	29,016,876	30,164,379
With donor restrictions	733,867	981,980
Total Net Assets	29,750,743	31,146,359
Total Liabilities and Net Assets	\$ 48,704,094	\$ 47,860,251

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 Activities and Changes in Net Assets

Year Ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public Support:			
Contributions of cash and other financial assets:			
Contributions	\$ 1,163,245	\$ 28,000	\$ 1,191,245
House sponsorships	-	941,191	941,191
Contributions of nonfinancial assets:			
In-kind house sponsorships	-	174,013	174,013
In-kind ReStore donations	8,702,830	-	8,702,830
In-kind other contributions	74,277	-	74,277
Federal, state, and local grants	89,705	190,184	279,889
Total Public Support	10,030,057	1,333,388	11,363,445
Revenue:			
ReStore revenue	10,085,423	-	10,085,423
House sales	3,618,892	-	3,618,892
Investment income	399	60,204	60,603
Interest income on mortgage loans receivable	646,128	-	646,128
Gain on early extinguishment of mortgage loans receivable	191,438	-	191,438
Construction rent	12,052	-	12,052
Other income	1,194,177	-	1,194,177
Net assets released from restrictions	1,101,305	(1,101,305)	-
Total Revenue	16,849,814	(1,041,101)	15,808,713
Total Support and Revenue	26,879,871	292,287	27,172,158
Expenses:			
Program Services:			
Construction	5,962,258	-	5,962,258
Family services financing	1,051,335	-	1,051,335
Volunteer services	220,646	-	220,646
ReStore	17,191,945	-	17,191,945
Supporting Services:			
Management and general	1,023,013	-	1,023,013
Fundraising	917,189	-	917,189
Total Expenses	26,366,386	-	26,366,386
Net increase in net assets	513,485	292,287	805,772
Net assets, beginning of year	29,650,894	689,693	30,340,587
Net assets, end of year	\$ 30,164,379	\$ 981,980	\$ 31,146,359

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
	Construction	Family Services Financing	Volunteer Services	ReStore	Total	Management and General	Fundraising	Total	
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.

Statement of Functional Expenses

Year Ended June 30, 2021	Program Services					Supporting Services			Total Expenses
	Construction	Family Services Financing	Volunteer Services	ReStore	Total	Management and General	Fundraising	Total	
Salaries	\$ 988,704	\$ 650,268	\$ 152,252	\$ 3,272,324	\$ 5,063,548	\$ 229,385	\$ 617,679	\$ 847,064	\$ 5,910,612
Payroll taxes and benefits	260,439	92,737	24,530	788,074	1,165,780	185,205	84,265	269,470	1,435,250
Publicity and marketing	2,904	2,993	1,389	189,075	196,361	8,723	35,245	43,968	240,329
Postage and direct mail cost	48	2,013	125	118	2,304	3,580	8,905	12,485	14,789
Telephone	7,508	2,755	686	46,950	57,899	5,477	2,494	7,971	65,870
Cost of sales	3,836,039	536	-	-	3,836,575	-	-	-	3,836,575
Americorp	161,328	-	-	-	161,328	-	-	-	161,328
Warranty and lot maintenance	27,070	-	-	-	27,070	-	-	-	27,070
Rental and maintenance	108,636	7,104	2,028	1,356,667	1,474,435	12,698	8,118	20,816	1,495,251
Utilities	9,998	5,744	1,639	163,760	181,141	10,267	6,564	16,831	197,972
Professional services	9,080	7,585	5,876	22,323	44,864	8,012	6,944	14,956	59,820
Insurance	50,438	-	-	92,692	143,130	15,283	-	15,283	158,413
Taxes and licenses	1,434	1,017	-	65	2,516	202	-	202	2,718
Travel	-	-	-	1,065	1,065	163	-	163	1,228
Tools and supplies	27,115	-	-	87,991	115,106	-	-	-	115,106
Office and stationary expenses	2,189	2,860	262	20,683	25,994	10,441	1,991	12,432	38,426
Computer tech support and training	26,731	20,504	10,399	113,012	170,646	25,528	33,986	59,514	230,160
Contract labor	2,930	68,463	-	284,947	356,340	299,164	55,912	355,076	711,416
Vehicle expense	31,065	508	-	240,861	272,434	449	919	1,368	273,802
Distribution to Affiliates	-	-	-	526,699	526,699	-	-	-	526,699
Bank and credit card fees	1,467	74,735	-	199,471	275,673	15,488	8,445	23,933	299,606
Dues	1,380	1,697	100	625	3,802	29,448	2,201	31,649	35,451
Family services applications	13,239	20,594	-	-	33,833	73,791	-	73,791	107,624
Board and staff development	3,191	7,165	212	4,427	14,995	25,650	7,249	32,899	47,894
Depreciation	43,506	24,472	2,719	166,182	236,879	29,910	16,315	46,225	283,104
Meetings and conferences	6,169	1,541	1,354	5,971	15,035	6,360	1,909	8,269	23,304
Interest expense	180,985	15,363	1,707	103,110	301,165	18,777	10,242	29,019	330,184
In-kind expense	2,831	-	-	8,577,795	8,580,626	-	-	-	8,580,626
Contributions	144,579	-	-	-	144,579	-	-	-	144,579
Promotional items	-	104	2,426	263	2,793	1,689	3,264	4,953	7,746
Volunteer services	-	25,570	12,829	-	38,399	-	-	-	38,399
Cost of inventory	70	-	-	894,557	894,627	-	-	-	894,627
Miscellaneous	11,185	15,007	113	32,238	58,543	7,323	4,542	11,865	70,408
Total	\$ 5,962,258	\$ 1,051,335	\$ 220,646	\$ 17,191,945	\$ 24,426,184	\$ 1,023,013	\$ 917,189	\$ 1,940,202	\$ 26,366,386

See accompanying notes to financial statements.

Habitat for Humanity of Wake County, Inc.

Statements of Cash Flows

<i>Year Ended June 30,</i>	2022	2021
Net cash flows from operating activities:		
Net (decrease) increase in net assets	\$ (1,395,616)	\$ 805,772
Adjustments to reconcile net (decrease) increase in net assets to net cash flows used in operating activities:		
Depreciation	344,873	283,104
Amortization of mortgage loans receivable discounts	(364,774)	(428,003)
Amortization of debt issuance costs	28,489	28,488
In-kind house sponsorships	(223,667)	(174,013)
In-kind ReStore donations	(8,865,489)	(8,702,830)
In-kind other contributions	(98,883)	(74,277)
Gain on early extinguishment of mortgage loans receivable	(90,031)	(191,438)
Gain on extinguishment of debt	-	(1,072,200)
Change in value of investment in joint ventures	12,074	12,074
Gain on interest in charitable remainder trust	(23,199)	(60,204)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	(18,163)	(9,865)
Prepaid expenses	(61,722)	57,782
Materials inventory	8,662,183	8,718,095
Mortgage loans receivable	1,795,577	3,080,152
Land, construction in progress and property held for sale	(250,509)	(2,844,984)
Other assets	33,844	8,580
Increase (decrease) in operating liabilities:		
Accounts payable	408,418	466,477
Accrued expenses	164,985	465,425
Deferred revenue	(10,894)	(5,728)
Net cash flows provided by operating activities	47,496	362,407
Net cash flows from investing activities:		
Purchases of property and equipment	(857,229)	(39,004)
Net cash flows used in investing activities	(857,229)	(39,004)
Net cash flows from financing activities:		
Proceeds from lines of credit	-	1,372,525
Payments on lines of credit	(1,372,525)	-
Proceeds from long-term debt	4,246,228	153,437
Principal payments on long-term debt	(1,225,242)	(692,775)
Net cash provided by financing activities	1,648,461	833,187
Net increase in cash and cash equivalents	838,728	1,156,590
Cash and cash equivalents, beginning of year	4,358,909	3,202,319
Cash and cash equivalents, end of year	\$ 5,197,637	\$ 4,358,909
Supplemental disclosure:		
Cash paid for interest expense	\$ 303,130	\$ 327,527

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.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

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.

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

Pledges receivable are presented within accounts receivable on the accompanying statement 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 unconditional promises 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, 2022 and 2021.

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, 2022 and 2021.

Contract Assets and Contract Liabilities

Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606") defines a contract asset as an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. It arises when an entity has performed part or all of a performance obligation but does not yet have the right to bill the customer. As the Organization receives payment for goods sold at ReStore locations at the time of sale and as house sales are settled through the issuance of mortgage loans receivable, the Organization did not have material contract assets as of June 30, 2022 and 2021.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

ASC 606 defines a contract liability as an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. Due to the nature of the Organization's contracts with customers, the Organization does not have any material contract liabilities as of June 30, 2022 and 2021.

Materials Inventory

All 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 were sold for subsequently.

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 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.

When homes are completed, all construction costs are capitalized and recorded as property inventory along with land and site development costs. At year end, construction costs for homes not yet completed are recorded as construction in progress. Under guidelines provided by Habitat for Humanity International, 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

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:

Estimated Description	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

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Assets under capital lease arrangements are depreciated over the lesser of the estimated life and lease term of the underlying asset. 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.

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 has an investment balance of \$1,153,714 in the joint venture as of June 30, 2022 and \$1,165,788 as of June 30, 2021.

Additionally, the Organization was able to secure 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 for the mortgage notes receivable approximates fair value as the outstanding mortgage loan balances are net of discounts which were estimated using discount rates that approximated prevailing market rates at the time of origination and the discounts have been amortized using the effective interest method. 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.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

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 statement 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.

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 Revenues

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 sale 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.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

Home Sales

A portion of the Organization's revenue is derived from home 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 home and closing procedures have been completed, buyers take possession of the home 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 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 amortized 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, 2022 and 2021. All other loans are evaluated for impairment on an individual basis.

Habitat for Humanity of Wake County, Inc.

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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, 2022 and 2021.

Interest Income on Mortgage Loans Receivable

The Organization recognizes interest income from mortgage loans receivable and the amortization 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 individually. However, as discussed further in Note 12, during the year ended June 30, 2021, the Organization recognized a \$1,072,200 gain on extinguishment of debt, which is not a recurring other income revenue stream for the Organization.

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 receivable, event costs, and tithe 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, 2022 and 2021. Management has evaluated all other tax

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

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, 2022 and 2021.

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, 2022 and 2021, the Organization contributed \$86,441 and \$115,730, respectively, to the plan.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*. ASU 2020-05 also allowed for deferral of adoption of ASU 2016-02. The Organization elected this deferral of ASU 2016-02, and will adopt ASU 2016-02 during the fiscal year ending June 30, 2023. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Organization is currently evaluating the impact of adopting this ASU on its financial statements. Upon adoption, the Organization expects to record right of use assets and lease liabilities to the statement of financial position.

In October 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07") to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. Under the standard, contributed nonfinancial assets will be presented as a separate line in the statement of activities apart from contributions of cash and other financial assets and specific disclosures will be required regarding the contributed nonfinancial assets. The effective date for this standard is for fiscal years beginning after June 15, 2021. The Organization adopted ASU 2020-07 during the year ended June 30, 2022. Retrospective application of the adoption was required, therefore the impact is reflected for both fiscal years presented within these financial statements. The impact to the statement of activities and changes in net assets was minimal as the Organization has historically disclosed contributed gifts-in-kind separately from contributed cash and other financial assets. Additional disclosures were added within the *Public Support Revenues Without and With Donor Restrictions* section of Note 2.

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, 2022 and 2021:

<i>June 30,</i>	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 5,197,637	\$ 4,358,909
Accounts receivable	175,775	157,612
Current portion of mortgage loans receivable	1,676,532	1,774,961
Total financial assets	7,049,944	6,291,482
Less those unavailable for general expenditures within one year:		
Financial assets with donor restrictions	(179,609)	(450,921)
Financial assets available to meet cash needs for general within one year	\$ 6,870,335	\$ 5,840,561

Additionally, at June 30, 2022 and 2021, the Organization also had a total of \$1,000,000 and \$627,475, respectively, 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.

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

<i>June 30, 2021</i>	Level 1	Level 2	Level 3	Total Fair Value
Interest in charitable remainder trusts	\$ -	\$ -	\$ 531,059	\$ 531,059

Changes in Level 3 inputs are as follows:

<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

<i>Year Ended June 30, 2021</i>	Interest in Charitable Remainder Trust
Beginning balance	\$ 470,855
Current year unrealized gain	60,204
Ending balance	\$ 531,059

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>	2022	2021
Various homebuyers	\$ 37,637,196	\$ 37,050,086
Less: Equity forgiveness, unamortized discounts, and second mortgages due to third parties	(19,783,585)	(17,855,703)
Total mortgages loans receivable, net	17,853,611	19,194,383
Less: Current portion	(1,676,532)	(1,774,961)
Noncurrent portion of mortgage loans receivable	\$ 16,177,079	\$ 17,419,422

At June 30, 2022 and 2021, the payments in delinquencies in mortgages receivable consisted of the following:

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
2021				
30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total Mortgage Receivable, net
\$ 119,297	\$ 9,653	\$ 72,690	\$ 201,640	\$ 19,194,383

At June 30, 2022 and 2021, 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 being 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.

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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, 2020	\$ 39,726,067	\$ 1,187,396	\$ 5,640,847	\$ 6,965,495	\$ 25,932,329	\$ (4,508,840)	\$ 21,423,489
New loans	2,792,605	-	245,000	1,106,700	1,440,905	117,902	1,558,807
Sales	(3,222,112)	(85,727)	(168,448)	(118,377)	(2,849,560)	291,109	(2,558,451)
Payments received	(2,246,474)	(122,247)	(393,262)	(291,073)	(1,439,892)	210,430	(1,229,462)
Ending 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

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, 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

The following table summarizes land, construction in progress and property held for sale for the year ended June 30, 2021:

	2021					
	Land	Land Gift in Kind	Land Development	Construction in Progress	Finished Houses	Total
Beginning balance	\$ 4,216,396	\$ 807,023	\$ 1,661,158	\$ 3,840,636	\$ 802,003	\$ 11,327,216
Additions	1,560,010	-	621,067	5,527,173	264,849	7,973,099
Closed jobs	(926,787)	(174,988)	(395,221)	(3,111,273)	(345,833)	(4,954,102)
Ending balance	\$ 4,849,619	\$ 632,035	\$ 1,887,004	\$ 6,256,536	\$ 721,019	\$ 14,346,213

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, 2022 and 2021:

<i>June 30,</i>	2022	2021
Land	\$ 2,530,129	\$ 2,530,129
Buildings	4,903,825	4,903,825
Leasehold improvements	1,565,715	1,165,181
Building improvements	28,112	-
Computer and equipment	437,105	383,980
Furniture and fixtures	365,723	62,997
Vehicles	330,633	196,268
Gross property and equipment	10,161,242	9,242,380
Less: accumulated depreciation	(2,506,169)	(2,198,546)
Property and equipment, net	\$ 7,655,073	\$ 7,043,834

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. The trust's value is classified within net assets with donor restriction on the Organization's financial statements until the trust terminates, and the remaining assets are transferred to the Organization. The fair market value of the Organization's interest in the trust was \$529,917 and \$506,718, respectively, as of June 30, 2022 and 2021. The fair market value approximates the present value of the future cash flows anticipated from the trust.

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 trust's value is classified within net assets with donor restriction on the Organization's financial statements until the trust terminates, and the remaining assets are transferred to the Organization. The estimated present value of the Organization's interest in the trust was \$24,341 and \$24,341, respectively, as of June 30, 2022 and 2021. 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 and 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.

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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, 2022 and 2021, the investment in Harbor Habitat Leverage II, LLC balance was \$1,153,714 and \$1,165,788, respectively.

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 2024.

10. Escrow Funds Payable

As of June 30, 2022 and 2021, a total of \$131,766 and \$123,385, 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 2023. 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 a maturity of July 2022. As of June 30, 2022, this line of credit had an interest rate of 5.68% and an outstanding balance of \$0.

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Notes to Financial Statements

12. Long-term Debt

The Organization's obligations under debt agreements as of June 30, 2022 and 2021, consisted of the following:

<i>June 30,</i>	2022	2021
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 2.47% at June 30, 2022. The loan will mature in October 2022, when any unpaid principal balance and accrued interest will become due.	\$ 2,553,612	\$ 2,758,112
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, 2022. The loan will mature in September 2045. Secured by mortgage loans receivable.	1,416,267	1,508,624
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, 2022. The loan will mature in June 2047. Secured by mortgage loans receivable.	780,483	811,806
Pacific Western Bank note for borrowing up to \$954,174 net of unamortized discount, with an interest rate of 2.00% at June 30, 2022. The loan will mature in March 2051. Secured by mortgage loans receivable.	921,788	-
Truist note payable with interest rate of 3.52% at June 30, 2022. The loan will mature March 2026, when any unpaid principal balance and accrued interest will become due.	439,509	552,280
Habitat for Humanity International note payable, interest free, matures in July 2021.	-	4,853
Habitat for Humanity International note payable, interest free, matures in July 2021.	-	435
Home Trust Bank note payable, with an interest rate of 2.00% at June 30, 2022. The loan will mature in January 2049, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	802,674	947,045
North State Bank note payable, with an interest rate of 2.00% at June 30, 2022. The loan will mature in April 2048, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	893,538	919,467
Towne Bank note payable, secured by eight mortgages, with an interest rate of 2.00% at June 30, 2022. The loan will mature in September 2045, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	1,747,866	1,797,053
Towne Bank note payable, with an interest rate of 3.49% at June 30, 2022. The loan will mature in November 2029, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	2,529,513	2,633,485
United Bank note payable, with an interest rate of 3.75% at June 30, 2022. The loan will mature in August 2022, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	68,429	153,438
Towne Bank note payable, with an interest rate of 3.89% at June 30, 2022. 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	-
United Bank note payable, with an interest rate of 3.75% at June 30, 2022. The loan will mature in July 2023, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	194,560	-

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Notes to Financial Statements

United Bank note payable, with an interest rate of 4.25% at June 30, 2022. The loan will mature in May 2025, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	934,344	-
Total long-term debt	15,107,583	12,086,598
Less: unamortized debt issuance costs	(105,765)	(134,255)
Total long-term debt, net	\$ 15,001,818	\$ 11,952,343
Less: current portion of long-term debt	(3,504,243)	(695,889)
Long-term debt, net of current portion	\$ 11,497,575	\$ 11,256,454

Scheduled maturities of long-term debt are as follows as of June 30, 2022:

Year Ending June 30,	Amount
2023	\$ 3,504,243
2024	1,508,857
2025	951,708
2026	946,867
2027	729,120
Thereafter	7,466,788
Total	\$ 15,107,583

In April 2020, the Organization was granted a loan from the Small Business Administration (“SBA”) associated with the Payroll Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The net borrowing under this loan totaled \$1,072,200 and was funded by Dogwood State Bank. The PPP loan had a maturity of 2 years and the initial loan had a 24-month amortization schedule. The outstanding balance of the PPP loan was presented as note payable on the statement of financial position as of June 30, 2020. Loan payments were deferred for sixteen months as a result of the PPP Forgiveness Flexibility Act. From the date the loan was received and until it was forgiven, interest accrued at an annual interest rate of 1%. Interest was recorded monthly during this deferral period. A PPP Loan forgiveness application was submitted to the Organization’s lending bank for review and submission to the SBA for approval. In November 2020, the Organization received notification the SBA approved the Organization’s loan forgiveness application, and the entire PPP loan balance was forgiven. Accordingly, the Organization recognized a gain on extinguishment of debt of \$1,072,200 for the year ended June 30, 2021. This gain is reflected within other income within the accompanying statements of activities and changes in net assets for the year ended June 30, 2021.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

13. ReStore Revenue

ReStore revenue by store location was as follows:

<i>Years Ended June 30,</i>	2022	2021
Apex	\$ 749,090	\$ 731,190
Cary	1,120,726	1,173,795
Clayton	517,896	502,224
Durham	1,630,743	1,729,249
Fuquay-Varina	762,818	691,403
Glenwood	882,173	780,986
Hillsborough	593,796	638,251
Morrisville	619,177	697,764
Raleigh	2,356,712	2,318,846
Wake Forest	967,815	821,715
Total	\$ 10,200,946	\$ 10,085,423

14. Net Assets and Releases from Restriction

Net Assets Without Donor Restrictions

As of June 30, 2022 and 2021, 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, 2022 and 2021, net assets with donor restrictions of \$733,867 and \$981,980, 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.

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

<i>June 30,</i>	2022	2021
General pledges	\$ -	\$ 40,000
Sponsorships pledges	53,582	70,737
Donations	126,027	150,000
Grants	-	190,184
Interest in charitable remainder trusts	554,258	531,059
Total restricted by time and purpose	\$ 733,867	\$ 981,980

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

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>	2022	2021
Pledges and donations	\$ 2,028,729	\$ 1,100,457
Grants	197,434	848
Total	\$ 2,226,163	\$ 1,101,305

15. Operating Leases and Maintenance Contracts

The Organization leases certain facilities and other property under the terms of operating lease agreements. Total rental expense for the years ended June 30, 2022 and 2021, was \$1,553,779 and \$1,495,251, respectively. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2022 are as follows:

<i>Year Ending June 30,</i>	Amount
2023	\$ 1,509,357
2024	1,353,299
2025	1,025,092
2026	612,783
2027	451,288
Thereafter	211,545
Total	\$ 5,163,364

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, 2022 and 2021, contributions to Habitat for Humanity International were \$251,957 and \$144,579, respectively.

Habitat for Humanity of Wake County, Inc.

Notes to Financial Statements

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.

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 \$721,386 and \$526,699 during the years ended June 30, 2022 and 2021.

19. Subsequent Events

The Organization has evaluated subsequent events through December 21, 2022, 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.