

Dorchester Habitat for Humanity, Inc.

Report on Financial Statements

Years Ended June 30, 2023 and 2022

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Dorchester Habitat for Humanity, Inc.
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Independent Auditor's Report

Board of Directors
Dorchester Habitat for Humanity, Inc.
Summerville, SC

We have audited the financial statements of Dorchester Habitat for Humanity, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dorchester Habitat for Humanity, Inc. 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 audits 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 Dorchester Habitat for Humanity, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dorchester Habitat for Humanity, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 Dorchester Habitat for Humanity, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dorchester Habitat for Humanity, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Veris LLC

Charleston, South Carolina

XXXX XX, 2022

Dorchester Habitat for Humanity, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 707,857	\$ 809,587
Accounts receivable	44,160	28,710
Grants receivable	-	28,815
COVID relief grants receivable	-	215,000
Land and home construction in progress	346,679	261,171
Current portion of mortgages receivable, net of discount	95,193	89,117
ReStore Inventory	179,930	168,145
Investments	48,445	46,784
Total Current Assets	1,422,264	1,647,329
Non-current Assets		
Mortgages receivable, net of discount, and current portion	1,492,021	1,462,039
Land inventory	714,654	611,520
Non-depreciable property and equipment	241,770	241,770
Depreciable property and equipment, net	1,238,086	1,151,346
Total Non-Current Assets	3,686,531	3,466,675
Total Assets	\$ 5,108,795	\$ 5,114,004
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 70,761	\$ 74,432
Accrued compensated absences	10,839	9,338
Accrued payroll	35,189	30,058
Resident escrow	12,244	8,744
Current portion of notes payable	43,565	54,222
Total Current Liabilities	172,598	176,794
Noncurrent liabilities		
Notes payable, net of current portion	344,299	421,011
Total Noncurrent Liabilities	344,299	421,011
Total Liabilities	516,897	597,805
Net assets		
Without donor restrictions	4,545,098	4,489,399
With donor restrictions	46,800	26,800
Total Net Assets	4,591,898	4,516,199
Total Liabilities and Net Assets	\$ 5,108,795	\$ 5,114,004

Dorchester Habitat for Humanity, Inc.
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Contributions						
Cash and other financial assets	\$ 57,887	\$ 20,000	\$ 77,887	\$ 106,418	\$ -	\$ 106,418
Nonfinancial assets	1,210,480	-	1,210,480	1,405,817	-	1,405,817
Grants	120,771	-	120,771	118,335	-	118,335
COVID relief grants	-	-	-	215,000	-	215,000
Special events, net of expenses of \$34,926 and \$34,314, respectively	79,235	-	79,235	72,308	-	72,308
Home sales, net of discounts of \$239,264 and \$339,391, respectively	158,540	-	158,540	233,895	-	233,895
ReStore sales	2,067,194	-	2,067,194	1,827,419	-	1,827,419
Imputed interest on mortgages	115,023	-	115,023	216,704	-	216,704
Miscellaneous	28,799	-	28,799	14,877	-	14,877
Investment income, net	2,248	-	2,248	(2,218)	-	(2,218)
Loss on sale of property	(10,610)	-	(10,610)	-	-	-
Total Revenue	3,829,567	20,000	3,849,567	4,208,555	-	4,208,555
Expenses						
Program services	3,597,193	-	3,597,193	3,513,376	-	3,513,376
Supporting services	69,005	-	69,005	35,290	-	35,290
Fundraising	107,670	-	107,670	91,273	-	91,273
Total Expenses	3,773,868	-	3,773,868	3,639,939	-	3,639,939
Change in Net Assets	55,699	20,000	75,699	568,616	-	568,616
Beginning Net Assets	4,489,399	26,800	4,516,199	3,920,783	26,800	3,947,583
Ending Net Assets	\$ 4,545,098	\$ 46,800	\$ 4,591,898	\$ 4,489,399	\$ 26,800	\$ 4,516,199

See accompanying notes to financial statements and independent auditor's report.

Dorchester Habitat for Humanity, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Support Service		
	Construction	ReStore	Total Program	Management and General	Fundraising	Total
Personnel						
Salaries and wages	\$ 163,477	\$ 674,504	\$ 837,981	\$ 28,028	\$ 65,791	\$ 931,800
Payroll taxes and benefits	18,811	70,304	89,115	2,416	7,813	99,344
Total Personnel	182,288	744,808	927,096	30,444	73,604	1,031,144
Other Functional Expenses						
Cost of sales - Restore	-	1,742,010	1,742,010	-	-	1,742,010
Cost of sales - houses	348,013	-	348,013	-	-	348,013
Professional services	62,076	40,661	102,737	30,114	13,602	146,453
Advertising	6,114	94,743	100,857	209	1,572	102,638
Facilities	13,927	66,455	80,382	2,748	4,257	87,387
Depreciation	7,846	51,381	59,227	2,602	2,977	64,806
Insurance	23,055	30,554	53,609	340	1,203	55,152
Bank fees	1,790	42,634	44,424	1,288	3,294	49,006
Supplies	11,555	19,653	31,208	559	1,351	33,118
Vehicles	1,772	27,752	29,524	-	-	29,524
Travel and seminars	4,031	15,443	19,474	151	1,710	21,335
Dues and memberships	7,195	6,207	13,402	-	2,026	15,428
Interest expense	525	12,506	13,031	378	966	14,375
Volunteer appreciation	7,103	5,126	12,229	-	852	13,081
Homeowners	12,974	-	12,974	-	-	12,974
Taxes and licenses	3,847	3,149	6,996	172	256	7,424
Total Other Functional Expenses	511,823	2,158,274	2,670,097	38,561	34,066	2,742,724
Total Functional Expenses	\$ 694,111	\$ 2,903,082	\$ 3,597,193	\$ 69,005	\$ 107,670	\$ 3,773,868

See accompanying notes to financial statements and independent auditor's report.

Dorchester Habitat for Humanity, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Support Service		
	Construction	ReStore	Total Program	Management and General	Fundraising	Total
Personnel						
Salaries and wages	\$ 126,666	\$ 617,157	\$ 743,823	\$ 7,707	\$ 56,013	\$ 807,543
Payroll taxes and benefits	15,314	53,131	68,445	570	6,532	75,547
Total Personnel	141,980	670,288	812,268	8,277	62,545	883,090
Other Functional Expenses						
Cost of sales - Restore	-	1,772,596	1,772,596	-	-	1,772,596
Cost of sales - houses	364,868	-	364,868	-	-	364,868
Professional services	57,436	28,907	86,343	14,685	6,179	107,207
Advertising	14,121	85,659	99,780	470	2,616	102,866
Facilities	12,332	77,031	89,363	4,652	6,249	100,264
Depreciation	8,054	53,801	61,855	3,024	3,445	68,324
Insurance	20,855	44,039	64,894	1,679	2,295	68,868
Bank fees	3,972	33,967	37,939	851	1,244	40,034
Supplies	4,350	17,708	22,058	962	2,620	25,640
Vehicles	2,056	25,738	27,794	-	-	27,794
Travel and seminars	2,310	8,758	11,068	-	1,407	12,475
Dues and memberships	4,734	4,460	9,194	-	1,218	10,412
Interest expense	2,005	17,148	19,153	430	628	20,211
Volunteer appreciation	5,716	3,198	8,914	-	529	9,443
Homeowners	19,954	-	19,954	-	-	19,954
Taxes and licenses	2,303	2,829	5,132	260	298	5,690
Miscellaneous	203	-	203	-	-	203
Total Other Functional Expenses	525,269	2,175,839	2,701,108	27,013	28,728	2,756,849
Total Functional Expenses	\$ 667,249	\$ 2,846,127	\$ 3,513,376	\$ 35,290	\$ 91,273	\$ 3,639,939

See accompanying notes to financial statements and independent auditor's report.

Dorchester Habitat for Humanity, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 75,699	\$ 568,616
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	64,806	68,324
Discount on mortgages issued	239,264	339,391
Loss on sale of property	10,610	-
Investment income, net	(2,248)	2,218
Change in:		
Accounts receivable	(15,450)	(1,477)
Grants receivable	28,815	(28,815)
COVID relief grants receivable	215,000	(215,000)
Land and home construction in progress	(85,508)	87,937
Mortgages receivable, net of discount	(275,322)	(391,076)
ReStore Inventory	(11,785)	(116,155)
Other current assets	-	9,300
Land inventory	(103,134)	(63,850)
Accounts payable	(3,671)	32,965
Accrued compensated absences	1,501	2,877
Accrued payroll	5,131	(10,000)
Resident escrow	3,500	9,686
Net Cash Provided by Operating Activities	147,208	294,941
Cash Flows from Investing Activities:		
Purchase of property and equipment	(104,874)	(9,349)
Purchase of investments	-	(49,002)
Proceeds from sale of property and equipment	4,800	-
Redemption of short term investments	587	-
Net Cash Used in Investing Activities	(99,487)	(58,351)
Cash Flows from Financing Activities		
Payments on notes payable	(149,451)	(127,868)
Net Cash Used in Financing Activities	(149,451)	(127,868)
Net (Decrease) Increase Cash and Cash Equivalents	(101,730)	108,722
Cash and Cash Equivalents, Beginning of Year	809,587	700,865
Cash and Cash Equivalents, End of Year	\$ 707,857	\$ 809,587
Supplemental Cash Flow Information		
Cash paid for interest	\$ 14,375	\$ 20,211
Schedule of non-cash investing and financing transactions:		
Long-term debt incurred to acquire assets	\$ 62,082	\$ -
Refinancing of notes payable	\$ 468,000	\$ -

See accompanying notes to financial statements and independent auditor's report.

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Note A – Nature of Operations and Summary of Significant Accounting Policies

Dorchester Habitat for Humanity, Inc. (the Organization) is a nonprofit organization incorporated in South Carolina. Its purpose is to build and sell affordable houses with donated and borrowed funds and volunteer labor to qualified low income families. The Organization also runs a resale store (ReStore). The ReStore operates a thrift shop where substantially all merchandise sold has been received as contributions from the general public. The net proceeds from the thrift shop are used by the Organization to build and sell houses.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, *Not-For-Profit Entities – Presentation of Financial Statements*. These standards require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations and may be expended for any purposes in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Use of Estimates and Assumptions

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

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Mortgages Receivable

The Organization records and accounts for mortgages receivable based upon the present value of the loan at the time of closing. For the purpose of calculating loan present value, mortgages are discounted at annual rates ranging from 6.00% to 10.00% based upon market rates at the period of time. All mortgages are non-interest bearing, and accordingly, the discount on mortgages provides interest income over the term of the mortgage. First mortgages are non-interest bearing and require monthly payments of varying amounts for a period of 20 – 30 years. The mortgages are collateralized by each of the respective homes and land. The Organization has a waiting list for these homes and management believes the mortgages to be fully collectible, therefore, no allowance for uncollectability has been made. Mortgages are considered delinquent when payments are 30 days past due, however, delinquency status may be mitigated by a number of other factors in dealing with the mortgage holder.

COVID Relief Grants Receivable

COVID relief grants receivable represent amounts awarded by various government agencies for COVID relief. COVID relief grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectable COVID relief grants receivable based on current economic conditions, historical trends, and current and past experience with the individual grantors.

Property and Equipment, Net

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Generally, items costing \$5,000 or more are capitalized; lesser amounts for property and equipment and costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Management periodically determines if any property and equipment is impaired. Useful lives of property and equipment are as follows:

Buildings and improvements	10 – 40 years
Equipment	5 – 10 years
Vehicles	5 – 10 years

ReStore Inventory

The Organization purchased inventories are stated at the lower of cost or market value. The Organization accepts contributions of household items for resale to customers in its ReStore. The value of donated inventory is not recorded in the financial statements at the time of donation. The Organization considers this method preferable due to the nature of donated items – used, restocks and overstock items. The value of such items is not readily determinable until the merchandise is sold.

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Land and Home Construction in Progress

All direct material and related costs, and indirect costs related to home construction are recorded as land and home construction in progress on the Statements of Financial Position as they are incurred. Land costs included in construction in progress are stated at lower of cost or market value. If land costs are part of a larger parcel, the parcels under development are moved from land inventory to land and home construction in progress at the start of the development. When the sale of a home is recognized, the corresponding costs are then expensed in the statements of activities as program services. At June 30, 2023 and 2022 the Organization had 3 and 2 homes under construction, respectively.

Land Inventory

Contributed land inventory for the construction of houses is valued at fair market value on the date of contribution, or if purchased, at cost. The Organization may acquire tracts of land for development with goals of constructed homes over a period of time. Land inventory includes such parcels that have not begun development at year end. Costs are periodically reviewed for impairment. Based on the Organization's evaluation, no impairment exists as of June 30, 2023.

Accrued Compensated Absences

The Organization provides paid time off to employees to be used during absences from work. Employees accrue paid time off each pay period in accordance with the Organization's personnel policies. Earned but unused vacation time at June 30, 2023 and 2022 was \$10,839 and \$9,338, respectively.

Resident Escrow

During the fiscal year 2014, the Organization outsourced its mortgage loan and escrow management to the Habitat for Humanity Michigan Fund, now Affiliate Mortgage Services (AMS). AMS is a full-service licensed lending entity, providing loan origination, loan servicing, collections, loan restructuring, foreclosure mitigation advice, and delinquency management services. As part of this service agreement, the Organization transferred all escrow balances to AMS. As of June 30, 2023 and 2022, the escrow account has a deficit balance. The Organization collects monthly amounts from homeowners to be remitted on their behalf. Receivables from homeowners for deficit escrows totaled \$12,196 and \$12,946 as of June 30, 2023 and 2022, respectively.

Restricted and Unrestricted Revenue and Support

Contributions, which at times, may include unconditional promises to give, are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the Statements of Activities.

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the appropriate expenditure classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, such expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include janitorial, facilities maintenance, depreciation, and utilities, which are allocated based on a square footage basis, as well as salaries and wages and payroll taxes, which are allocated based on estimates of time and responsibilities, and benefits, supplies, dues, licenses, insurance, professional services, and information technology support, which are allocated on the basis of estimates of usage.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from federal and state income taxes unless income is generated from unrelated business activities. There is no unrelated business income for 2023. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on the Organization's evaluation of accounting for uncertainty in income taxes. Management evaluated the Organization's position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Contributed Nonfinancial Assets

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Some grantors may retain a reversionary interest in specific assets if the mission of the Organization changes.

Donated services are recognized as contributions in accordance with ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided many hours in fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 – 605 are not met.

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Contributed nonfinancial assets included in the Statement of Activities are comprised of the following:

Nonfinancial Asset	2023	2022	Usage in Programs/Activities	Donor Restriction	Fair Value Techniques
Household goods	\$ 1,154,030	\$ 1,369,272	ReStore	None	Estimated wholesale prices of identical or similar products purchased in the region
Construction services	7,600	24,345	Construction	None	Estimated wholesale prices of identical or similar products purchased in the region
Construction materials	48,850	12,200	Construction	None	Current rates of materials or services provided by vendors and construction companies
	<u>\$ 1,210,480</u>	<u>\$ 1,405,817</u>			

Adoption of Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Topic 842 includes a lease accounting model that recognizes two types of leases - finance leases and operating leases. Topic 842 requires that lease arrangements longer than 12 months result in an entity recognizing a "right of use" asset and a lease liability payable. The Organization did not have any material contracts greater than 12 months and therefore Topic 842 did not have a material impact on the Organization's financial statements.

Advertising

Cost of promotion and advertising are expensed as incurred. Advertising and promotion expenses total \$102,638 and \$102,866 for fiscal years ended June 30, 2023 and 2022.

Note B – Credit Risk

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Note C – Fair Value of Financial Assets and Liabilities

The Organization follows the provisions of ASC 820, Fair Value Measurements and Disclosures, for its financial assets and liabilities. The Organization is required to provide additional disclosures. ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Prices for mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended June 30, 2023 and 2022. There were no changes during the years ended June 30, 2023 and 2022 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables present the assets measured at fair value on a recurring basis as of June 30, 2023 and 2022:

Fair Value Measurements at June 30, 2023				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 48,445	\$ -	\$ -	\$ 48,445
Total	<u>\$ 48,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,445</u>

Fair Value Measurements at June 30, 2022				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 46,784	\$ -	\$ -	\$ 46,784
Total	<u>\$ 46,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,784</u>

Note D – Property and Equipment

Property and equipment consisted of the following as of June 30:

	2023	2022
Depreciable Assets:		
Buildings and improvements	\$ 1,689,070	\$ 1,625,133
Equipment	44,626	31,040
Vehicles	145,284	118,702
Total Depreciable Assets	1,878,980	1,774,875
Less: Accumulated depreciation	(640,894)	(623,529)
Total Depreciable Assets, Net	1,238,086	1,151,346
Non-Depreciable Assets:		
Land	241,770	241,770
Total Non-Depreciable Assets	241,770	241,770
Total Property and Equipment, Net	<u>\$ 1,479,856</u>	<u>\$ 1,393,116</u>

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$64,806 and \$68,324, respectively.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Note E – Land and Home Construction in Progress

Construction in progress includes the cost of material, land and labor incurred from the period during which the house is built to the time it is sold. Once the house is sold, these costs are transferred to the cost of houses sold. Total construction in progress at June 30, 2023 and 2022 was \$346,678 and \$261,118, respectively.

Note F – Mortgages Receivable

Mortgages receivable are as follows as of June 30:

	2023		
	Current	Non Current	Total
Mortgages receivable, face value	\$ 211,438	\$ 3,553,223	\$ 3,764,661
Less: unamortized discount	(116,245)	(2,061,202)	(2,177,447)
Mortgages Receivable, Net	<u>\$ 95,193</u>	<u>\$ 1,492,021</u>	<u>\$ 1,587,214</u>
	2022		
	Current	Non Current	Total
Mortgages receivable, face value	\$ 198,437	\$ 3,405,925	\$ 3,604,362
Less: unamortized discount	(109,320)	(1,943,886)	(2,053,206)
Mortgages Receivable, Net	<u>\$ 89,117</u>	<u>\$ 1,462,039</u>	<u>\$ 1,551,156</u>

Amortization of the discount is stated as “Imputed interest on mortgages” in the Statement of Activities, and was \$115,023 and \$216,704 for the years ended June 30, 2023 and 2022, respectively.

Additional Mortgages

In addition to the non-interest bearing mortgage received from the sale of each home, the Organization may issue a contingent second mortgage. The second mortgages, issued by the Organization, represent the excess of the market value of the homes over the original loans at the date the second mortgages are executed. A mortgage default resulting in foreclosure will trigger the collection of the second mortgage. Except in the case of a resale or refinance, early satisfaction of the first mortgage of a home in good standing will not usually result in the collection of the second mortgage obligation.

The conditions for release from a second mortgage are stated separately in the terms of the second mortgage, signed by the homeowner. Any second mortgage repayment is considered remote by the Organization, and therefore no receivable has been recorded in the current year financial statements. The amount recognized as income on second mortgages was \$0 for 2023 and 2022.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Note G – Notes Payable

Notes payable as of June 30 consist of:

	<u>2023</u>	<u>2022</u>
On September 21, 2022, the Organization refinanced its loan with Truist Bank to First Capital Bank in the amount of \$468,000. The note bears interest at 2.75% with monthly principal and interest payments of \$4,474. The note matures and any unpaid principal and interest are due on September 21, 2032.	\$ 387,864	\$ -
The Organization had a loan with Truist Bank. The note would have matured on August 19, 2030 and bore interest at 3.31%, however, the note was refinanced on September 21, 2022.	-	475,233
Total Notes Payable	387,864	475,233
Less: Current portion of notes payable	(43,565)	(54,222)
Total Notes Payable, Net of Current Portion	<u>\$ 344,299</u>	<u>\$ 421,011</u>

The principal payments for the next five years are as follows:

Year Ending June 30,	
2024	\$ 43,565
2025	44,773
2026	46,022
2027	47,305
2028	48,610
Thereafter	<u>157,589</u>
	<u>\$ 387,864</u>

Total interest expense for the years ended June 30, 2023 and 2022 totaled \$14,375 and \$20,211, respectively.

Note H – Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions are restricted for the following purposes at June 30:

<u>Donor and Purpose Restriction</u>	<u>2023</u>	<u>2022</u>
Land Capital Campaign Weber Drive	\$ 26,800	\$ 26,800
Homeownership Program	15,000	-
708 and 712 North Hickory Street Construction	<u>5,000</u>	<u>-</u>
Total	<u>\$ 46,800</u>	<u>\$ 26,800</u>

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors and there were no releases from restrictions for the years ended June 30, 2023 and 2022.

Note I – Related Party Transactions

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI). Although HFHI assists with information resources, training, publications, and flow through contributions, the Organization is primarily and directly responsible for its operations. The Organization tithed and paid membership fees for the year ended June 30, 2023 and 2022 of \$7,700 and \$7,800, respectively.

The Organization partnered with South Carolina Association of Habitat for Humanity Affiliates (SCAHA) to share costs related to fundraising and other operating activities. The Organization paid \$4,000 and \$1,500 during the years ended June 30, 2023 and 2022, respectively.

Contributions from board members and employees for June 30, 2023 and 2022, totaled \$17,750 and \$43,800, respectively.

Note J – Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have seasonal variations during the year attributable to the timing of revenue and support. To manage liquidity, the Organization evaluates cash on a regular basis as part of the monthly review of the internal financial statements, and estimates cash needs based on budgeted and current expenses. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. These funds are intended to be invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

The following reflects the Organization's financial assets as of the date of the statement of net position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 707,857	\$ 809,587
Accounts receivable	44,160	28,710
Grants receivable	-	28,815
COVID relief grants receivable	-	215,000
Current portion of mortgages receivable, net of discount	95,193	89,117
Investments	48,445	46,784
Total Financial Assets	895,655	1,218,013
Less amounts not available to be used within one year:		
Net assets with donor restrictions	46,800	26,800
Add back: Net assets with purpose or time restrictions to be met in less than a year	(46,800)	(26,800)
Total amounts not available to be used within one year	-	-
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 895,655	\$ 1,218,013

Note K – Subsequent Events

Management has evaluated events through the date which the financial statements were available to be issued. Based upon this evaluation, there were no material adjustments to these financial statements.