HABITAT FOR HUMANITY
OF GREATER NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2023 and 2022

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

HABITAT FOR HUMANITY OF GREATER NASHVILLE

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Habitat for Humanity of Greater Nashville
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization) ("Habitat"), 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Habitat and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat'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 audits.

Cherry Bekaert LLP

Tysons, Virginia
September 28, 2023

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents, including escrow accounts of $1,022,574 and $883,276, respectively	$ 13,854,727	$ 13,852,413
Grants receivable	1,293,038	911,299
Sponsor and other receivables, net of allowance of $70,978 and $56,034, respectively	128,655	107,857
Inventory - ReStores and other	854,761	837,550
Construction-in-progress - new homes	3,950,259	4,338,222
Property and equipment, net	11,465,768	10,902,529
Land held for development	7,610,406	4,521,073
Mortgage notes receivable, net of discounts of $26,813,359 and $25,878,080, respectively	34,625,415	33,216,897
New Markets Tax Credit intangible assets, net	90,094	124,654
New Markets Tax Credit joint venture investment	2,307,652	2,307,652
New Markets Tax Credit joint venture cash	50,556	63,640
Right-of-use assets	363,251	-
Other assets	343,918	307,310
Total Assets	**$ 76,938,500**	**$ 71,491,096**
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 2,728,872	$ 1,364,041
Deferred revenue	2,896,165	3,594,032
Escrow accounts	768,584	624,728
Notes payable, secured by mortgages, net of unamortized discount	18,486,618	17,241,081
Note payable, secured by Harding Place and Lebanon property	5,526,754	5,837,356
Notes payable, unsecured	329,986	469,991
New Markets Tax Credit joint venture note payable, net of issuance costs	3,127,529	3,120,723
Lease liabilities	370,122	-
Unearned revenue on mortgage loans	4,296,348	3,925,409
Total Liabilities	38,530,978	36,177,361
Net Assets:		
Net assets without donor restrictions	23,196,012	21,095,888
Net assets with donor restrictions	15,211,510	14,217,847
Total Net Assets	38,407,522	35,313,735
Total Liabilities and Net Assets	**$ 76,938,500**	**$ 71,491,096**

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Transfers to homeowners	$ 5,561,950	$ -	$ 5,561,950
Grant income	3,276,137	31,500	3,307,637
Contributions	3,957,742	172,657	4,130,399
ReStore sales	3,556,346	-	3,556,346
Mortgage loan discount amortization	1,447,206	-	1,447,206
Contribution from discount on notes payable issued	-	1,802,866	1,802,866
Other income	431,646	-	431,646
Contributions of nonfinancial assets	3,688,802	-	3,688,802
Interest income	327,930	-	327,930
New Markets Tax Credit investment income	23,192	-	23,192
	22,270,951	2,007,023	24,277,974
Net assets released from restrictions	1,013,360	(1,013,360)	-
Total Support and Revenue	23,284,311	993,663	24,277,974
Expenses:			
Program services	18,546,469	-	18,546,469
Supporting services	2,637,718	-	2,637,718
Total Expenses	21,184,187	-	21,184,187
Change in net assets	2,100,124	993,663	3,093,787
Net assets, beginning of year	21,095,888	14,217,847	35,313,735
Net assets, end of year	$ 23,196,012	$ 15,211,510	$ 38,407,522

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Transfers to homeowners	$ 2,484,000	$ -	$ 2,484,000
Grant income	4,100,617	-	4,100,617
Contributions	1,789,703	247,284	2,036,987
ReStore sales	3,143,910	-	3,143,910
Mortgage loan discount amortization	1,961,584	-	1,961,584
Contribution from discount on notes payable issued	-	1,340,048	1,340,048
Other income	1,076,542	-	1,076,542
Contributions of nonfinancial assets	3,483,420	-	3,483,420
Interest income	54,582	-	54,582
New Markets Tax Credit investment income	23,192	-	23,192
	18,117,550	1,587,332	19,704,882
Net assets released from restrictions	2,531,154	(2,531,154)	-
Total Support and Revenue	20,648,704	(943,822)	19,704,882
Expenses:			
Program services	13,906,876	-	13,906,876
Supporting services	2,261,370	-	2,261,370
Total Expenses	16,168,246	-	16,168,246
Change in net assets	4,480,458	(943,822)	3,536,636
Net assets, beginning of year	16,615,430	15,161,669	31,777,099
Net assets, end of year	$ 21,095,888	$ 14,217,847	$ 35,313,735

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services					Supporting Services			
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Construction costs - new homes	$ 5,898,332	$ -	$ -	$ -	$ 5,898,332	$ -	$ -	$ -	$ 5,898,332
Costs of ReStore sales	-	-	-	3,409,909	3,409,909	-	-	-	3,409,909
Salaries and related expenses	1,022,133	746,848	-	1,762,029	3,531,010	1,080,431	547,605	1,628,036	5,159,046
Mortgage discounts	-	-	2,509,111	-	2,509,111	-	-	-	2,509,111
Interest and discount amortization	852,949	11,408	-	30,212	894,569	12,160	49,167	61,327	955,896
Depreciation	93,100	41,031	-	155,408	289,539	55,434	21,627	77,061	366,600
Office expenses	70,386	67,264	-	197,086	334,736	90,411	50,690	141,101	475,837
Travel, meals, and entertainment	13,533	2,727	-	23,553	39,813	58,884	29,701	88,585	128,398
Repairs and maintenance	54,415	11,542	-	61,909	127,866	11,711	6,024	17,735	145,601
Contribution to Parkwood Collaboration	392,900	-	-	-	392,900	-	-	-	392,900
Other	9,924	27,798	-	81,588	119,310	19,864	44,524	64,388	183,698
Small tools and equipment	69,351	-	-	106,174	175,525	2,507	119	2,626	178,151
Legal and professional	154,460	8,442	-	264	163,166	6,106	162,407	168,513	331,679
Lease expense	21,060	299	-	50,000	71,359	2,900	172	3,072	74,431
Printing and public relations	354	1,789	-	8,912	11,055	105,537	113	105,650	116,705
Taxes and insurance	59,511	25,619	-	96,363	181,493	28,822	11,667	40,489	221,982
Recruiting and training	14,956	2,109	-	11,703	28,768	61,995	16,604	78,599	107,367
Tithe to Habitat International	166,476	-	-	-	166,476	-	-	-	166,476
Bank and credit card fees	17,997	-	-	62,870	80,867	9,308	11,670	20,978	101,845
Vehicle expenses	48,892	601	-	48,640	98,133	8,383	-	8,383	106,516
Sponsor and volunteer appreciation	4,306	225	-	964	5,495	22,727	105	22,832	28,327
Advertising	3,932	800	-	12,305	17,037	25,107	675	25,782	42,819
New Markets Tax Credit amortization	-	-	-	-	-	-	34,560	34,560	34,560
Special events	-	-	-	-	-	48,001	-	48,001	48,001
	$ 8,968,967	$ 948,502	$ 2,509,111	$ 6,119,889	$ 18,546,469	$ 1,650,288	$ 987,430	$ 2,637,718	$ 21,184,187

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services					Supporting Services			
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Construction costs - new homes	$ 2,436,612	$ -	$ -	$ -	$ 2,436,612	$ -	$ -	$ -	$ 2,436,612
Costs of ReStore sales	-	-	-	3,026,036	3,026,036	-	-	-	3,026,036
Salaries and related expenses	879,703	714,620	-	1,433,692	3,028,015	1,001,022	467,653	1,468,675	4,496,690
Mortgage discounts	-	-	1,237,863	-	1,237,863	-	-	-	1,237,863
Interest and discount amortization	2,378,480	-	-	-	2,378,480	-	40,900	40,900	2,419,380
Depreciation	93,185	42,549	-	146,571	282,305	55,893	21,530	77,423	359,728
Office expenses	58,843	56,968	-	180,110	295,921	68,867	33,593	102,460	398,381
Travel, meals, and entertainment	7,202	3,119	-	14,701	25,022	46,211	16,946	63,157	88,179
Repairs and maintenance	68,960	12,489	-	39,443	120,892	13,353	6,704	20,057	140,949
Other	22,095	22,455	-	13,323	57,873	3,617	25,745	29,362	87,235
Small tools and equipment	38,321	182	-	52,940	91,443	2,225	105	2,330	93,773
Legal and professional	184,369	24,481	-	6,069	214,919	16	86,801	86,817	301,736
Redevelopment costs	119,173	-	-	-	119,173	-	-	-	119,173
Lease expense	3,239	7,880	-	118,920	130,039	10,403	1,784	12,187	142,226
Printing and public relations	301	3,658	-	13,978	17,937	98,674	312	98,986	116,923
Taxes and insurance	54,065	20,522	-	70,009	144,596	24,626	9,577	34,203	178,799
Recruiting and training	4,341	1,718	-	6,743	12,802	52,883	20,157	73,040	85,842
Tithe to Habitat International	105,025	-	-	-	105,025	-	-	-	105,025
Bank and credit card fees	13,695	5	-	55,725	69,425	9,266	10,065	19,331	88,756
Vehicle expenses	44,140	291	-	39,339	83,770	5,303	-	5,303	89,073
Sponsor and volunteer appreciation	5,291	29	-	990	6,310	14,884	3,231	18,115	24,425
Advertising	6,003	749	-	15,666	22,418	26,176	350	26,526	48,944
New Markets Tax Credit amortization	-	-	-	-	-	-	34,559	34,559	34,559
Special events	-	-	-	-	-	47,939	-	47,939	47,939
	$ 6,523,043	$ 911,715	$ 1,237,863	$ 5,234,255	$ 13,906,876	$ 1,481,358	$ 780,012	$ 2,261,370	$ 16,168,246

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,093,787	$ 3,536,636
Adjustments to reconcile change in net assets		
to net cash flows used in operating activities:		
Contribution of land held for development	(61,000)	-
Contribution from discount on notes payable issued	(1,802,866)	(1,340,048)
Transfers to homeowners	(3,052,839)	(1,246,137)
Depreciation and amortization	401,159	394,287
Bad debt expense	17,052	(1,916)
Noncash lease expense	16,663	-
Mortgage loan discount amortization	(1,447,205)	(1,961,584)
Amortization of discount on notes payable and issuance costs	855,749	2,396,163
New Markets Tax Credit investment income allocation	(23,192)	(23,192)
Changes in operating assets and liabilities:		
Grants receivable	(381,739)	(509,793)
Sponsor and other receivables	(37,853)	66,070
Construction-in-progress - new homes	387,963	(1,765,391)
Land held for development	(2,403,448)	(1,822,984)
Inventory - ReStores and other	(17,211)	(132,095)
Other assets	(36,608)	62,802
Accounts payable and accrued expenses	739,946	503,934
Deferred revenue	(697,867)	1,695,144
Escrow accounts	143,856	36,448
Net cash flows from operating activities	(4,305,653)	(111,656)
Cash flows from investing activities:		
Purchases of property and equipment	(929,839)	(3,350,559)
Mortgages financed	-	(256,000)
Mortgage payments received	3,462,469	4,568,664
New Markets Tax Credit joint venture investment net distribution	23,192	23,192
Net cash flows from investing activities	2,555,822	985,297
Cash flows from financing activities:		
Proceeds from issuance of notes payable	4,294,676	6,191,217
Principal payments on lease liabilities	(9,792)	-
Repayments on notes payable	(2,545,823)	(6,301,762)
Net cash flows from financing activities	1,739,061	(110,545)
Net change in cash, restricted cash, and cash equivalents	(10,770)	763,096
Cash, cash equivalents, and NMTC joint venture cash, beginning of year	13,916,053	13,152,957
Cash, cash equivalents, and NMTC joint venture cash, end of year	$ 13,905,283	$ 13,916,053

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

Note 1—Organization and purpose

Habitat for Humanity of Greater Nashville ("Habitat"), a nonprofit corporation, was chartered by the state of Tennessee on March 25, 1985. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Note 2—Summary of significant accounting policies

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat's management and the Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Habitat or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent unamortized discount on notes payable, contributions receivable, and amounts available for programs.

Contributions – Contributions are recognized when the donor makes a promise to give to Habitat that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributed land and equipment are recorded at estimated fair value at the date of the donation. Contributions of nonfinancial assets (primarily Restore inventory, construction materials, and land for development) are recorded based on their estimated value on the date of receipt.

No amounts have been reflected in the financial statements for donated labor by unskilled volunteers as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to Habitat's program services.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Habitat determines an allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Grants received from governmental agencies are generally recognized as related costs are incurred.

Income Taxes – Habitat is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is not a private foundation. Therefore, no provision for income taxes has been made.

Note 2—Summary of significant accounting policies (continued)

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Habitat has no uncertain tax positions as of June 30, 2023 or 2022.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents – For purposes of the statements of cash flows, Habitat considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Liquidity – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

Home Sales and Mortgage Notes Receivable – Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgage notes receivable. These mortgage payments do not include interest and, accordingly, the mortgages have been discounted at various interest rates based upon prevailing market rates at the inception of the mortgages. Discounts are amortized over the lives of the mortgages. The discounted value of mortgages at the time of sale is generally less than the home's fair market value. Therefore, management believes losses resulting from non-payment of mortgages are not reasonably probable and, accordingly, no allowance for mortgage notes receivable has been recorded. Past due status is based on contractual terms of the mortgage notes receivable. At 120 days past due, the mortgage notes receivable become subject to foreclosure.

Unearned revenue on mortgage notes receivable represents the discounted value of non-interest bearing second and third mortgage loans issued on Habitat homes. The homeowner is required to sign one or more additional mortgages for the difference between the estimated fair market value of the home and the payable mortgage balances as of the transfer date. Certain of these mortgages are fully forgiven if the homeowner lives in the home for a certain period of time and complies with all other covenants and restrictions per the deed of trust. In the event the homeowner does not comply with these restrictions, the mortgage balance will be recognized as income at the time it is collected. Habitat generally does not foresee collection of the non-payable second and third mortgage loans except in the event of sale, refinance, or foreclosure of the home.

Real Estate Held for Sale – Real estate assets acquired through or in lieu of loan foreclosure are recorded at fair value less estimated selling cost. Costs of property improvements are capitalized. Estimated gains at acquisition and net gains or losses realized on the sale are recorded in the statements of activities as gain on real estate held for sale. For the years ended June 30, 2023 and 2022, there were no real estate held for sale.

Property and Equipment – Property and equipment is reported at cost at the date of purchase or at fair market value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 39 years.

Note 2—Summary of significant accounting policies (continued)

Land Held for Development – Land held for development consists of land and improvements to be utilized as lots for future Habitat homeowners. Costs incurred to improve land are capitalized when incurred. Interest incurred on related debt during the construction period is capitalized as incurred. The total allocated cost of each lot is charged to construction-in-progress upon commencement of building activities.

Inventory – Inventory consists primarily of donated home furnishings and building and home improvement materials which are sold in the ReStores. In-kind inventory is recorded at its estimated market value when received.

Deferred Revenue – Deferred revenue consists of deposits received on conditional promises to give from sponsors of future home building and totaled $2,896,165 and $3,594,032 at June 30, 2023 and 2022, respectively.

Grant Income – Grant funds are earned and reported as revenue when Habitat has incurred expenses in compliance with the specific restrictions of the grant agreement. Grant funds that are restricted for use in home construction are reflected as unrestricted revenue since these funds are generally received and spent during the same year.

Program Services – Program services include construction, ReStore operations, homeowner support, and educational ministries, and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of new homes transferred, which have an average cost of $235,933 and $203,051 for the years ended June 30, 2023 and 2022, respectively.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled $42,819 and $48,944 for the years ended June 30, 2023 and 2022, respectively.

Debt Issuance Costs – Costs relating to the issuance of notes payable are amortized to interest expense over the term of the debt, using the straight-line method. The unamortized amount is presented as a reduction of long-term debt on the statements of financial position.

Functional Allocation of Expenses – The costs of providing program and supporting services have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages expenses which was allocated based on time and effort.

Recently Adopted Accounting Pronouncement – In February 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (“Topic 842”), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use assets and lease liabilities for operating leases on the statements of financial position.

Habitat adopted these ASUs effective July 1, 2022, using the modified retrospective approach. As a result of adopting these ASUs, Habitat recorded right-of-use assets and lease liabilities of approximately $444,820. Adoption of the new standard did not materially impact the Habitat’s change in net assets and cash flows (see Note 19).

Note 2—Summary of significant accounting policies (continued)

Accounting Policies for Future Pronouncements – In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, and ASU 2019-11). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ending June 30, 2024. Habitat is currently evaluating the effect the adoption of this ASU will have on the financial statements.

Subsequent Events – Habitat evaluated subsequent events through September 28, 2023, when these financial statements were available to be issued. Except for the refinance of a note payable (see Note 12), management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 3—Revenue recognition

Revenue is recognized when Habitat transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. The transaction price is allocated to each distinct performance obligation and recognized as revenue, when, or as, the performance obligation is satisfied. The contract obligation for transfers to homeowners and ReStore sales is generally satisfied at the time these services are provided or when a good is transferred to the customer.

Home Sales – A portion of the Habitat's revenue is derived from home sales during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once 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. 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.

ReStore Sales – 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 once 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 in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

Note 4—Liquidity and availability

Habitat regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Habitat considers all expenditures related to its ongoing activities of bringing people together to build homes, communities, and hope, as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 4—Liquidity and availability (continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	2023	2022
Financial assets:		
Cash and cash equivalents, less escrow accounts	$ 12,832,153	$ 12,969,137
Grants receivable due in one year	1,293,038	911,299
Sponsor and other receivables	111,632	106,496
Total financial assets, at year-end	14,236,823	13,986,932
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(358,238)	(329,375)
Financial assets available to meet cash needs for general expenditures within one year	$ 13,878,585	$ 13,657,557

Note 5—Grants receivable

A summary of grants receivable as of June 30 is as follows:

	2023	2022
Metropolitan Development and Housing Agency	$ 224,345	$ 385,692
Habitat for Humanity of Tennessee	-	296,000
Habitat for Humanity International	132,770	-
Employee Retention Credit receivable	740,021	-
Foundations and other	195,902	229,607
	$ 1,293,038	$ 911,299

Note 6—Sponsor and other receivables

Habitat has included unconditional promises to give in sponsor and other receivables. Unconditional promises to give consist of the following at June 30:

	2023	2022
Unconditional promises to give	$ 199,633	$ 163,891
Less allowance for uncollectible contributions	(70,978)	(56,034)
Net unconditional promises to give	128,655	107,857
Less amounts receivable in less than one year, net	(128,655)	(107,857)
Receivable in one to five years, net	$ -	$ -

Note 7—Construction-in-progress – new homes

A summary of new home construction activity for 2023 is as follows:

	Number	Costs
New homes under construction, June 30, 2022	24	$ 4,338,222
Additional costs incurred on beginning inventory		1,330,154
New homes started in 2023	38	4,180,215
New homes closed in 2023	(25)	(5,898,332)
New homes under construction, June 30, 2023	37	$ 3,950,259

Note 8—Property and equipment

A summary of property and equipment as of June 30 is as follows:

	2023	2022
Land and land improvements	$ 4,644,203	$ 4,644,203
Buildings	5,525,407	5,508,728
Office equipment	488,517	478,500
Leasehold improvements	57,502	57,502
Vehicles and trailers	624,902	552,667
ReStore construction in progress	2,345,021	1,559,479
Other	324,334	335,065
	14,009,886	13,136,144
Less accumulated depreciation	(2,544,118)	(2,233,615)
	$ 11,465,768	$ 10,902,529

Note 9—Land held for development

Land held for development consists of real property and incurred development costs for the purpose of future home construction. Land held for development consists of the following by area at June 30:

	2023	2022
Hamilton Hills	$ 1,316,936	$ 1,315,433
Bella Terra	1,531,144	-
Village by the Creek	2,475,381	2,516,582
Wilson County - Hunters Point	333,892	301,809
Dickson County	96,254	77,249
Cheatham County	62,142	-
Sherwood Homes at Park Preserve	652,299	-
Parkwood Collaboration	935,935	310,000
Wilson County - South Maple	206,423	-
	$ 7,610,406	$ 4,521,073

Note 10—Mortgage notes receivable

At June 30, 2023 and 2022, Habitat holds mortgage notes receivable totaling $61,438,774 and $59,094,977, respectively, at face value generally with original maturities of 30 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. The notes have been discounted at various interest rates ranging from 4.5% to 9.0% over the lives of the mortgages. Mortgages are reported net of unamortized discount.

Mortgage notes receivable and the related discount are summarized as follows at June 30:

	2023	2022
First mortgages	$ 45,915,486	$ 44,266,472
Second mortgages	12,983,149	12,820,292
Third mortgages	2,540,139	2,008,213
	61,438,774	59,094,977
Less unamortized discount	(26,813,359)	(25,878,080)
	$ 34,625,415	$ 33,216,897

Following is a table which includes an aging analysis of the recorded investment of past due mortgage notes receivable as of June 30:

	2023	2022
31 - 60 days past due	$ 466,965	$ 468,069
61 - 90 days past due	344,315	179,127
Greater than 90 days past due	85,164	230,699
Total past due	896,444	877,895
Current	60,542,330	58,217,082
	$ 61,438,774	$ 59,094,977

Principal payments due on mortgage notes receivable are as follows:

Years Ending June 30,	
2024	$ 2,199,562
2025	2,502,890
2026	2,547,482
2027	2,561,051
2028	2,547,795
Thereafter (including non-paying second and third mortgages of $5,323,979)	49,079,994
Notes receivable at face value	61,438,774
Less unamortized discount	(26,813,359)
	$ 34,625,415

Note 11—New Market Tax Credits intangible assets

Habitat incurred $27,125 in guarantor fees, $13,333 in audit fees, $64,400 in asset management fees, and $26,250 in consulting fees related to its New Markets Tax Credit ("NMTC") financing in December 2017, to be amortized over seven years, the period to which the assets apply. Habitat incurred $13,971 in qualified active low income community business ("QALICB") services, $20,000 in audit fees, $53,554 in asset management fees, and $23,284 in consulting fees related to its NMTC financing in June 2020, to be amortized over seven years, the period to which the assets apply. The intangible assets represent fees paid to the third party administrator in the transaction, who is responsible for ensuring Habitat performs and complies with all aspects of the transaction requirements.

As of June 30, the balances of NMTC intangible assets and accumulated amortization are as follows:

	2023	2022
QALICB guarantor fee	$ 41,096	$ 41,096
CDE audit fee	33,333	33,333
Asset management fee	117,954	117,954
Consulting fee	49,534	49,534
Total NMTC intangible assets	241,917	241,917
Accumulated NMTC amortization	(151,823)	(117,263)
NMTC intangible assets, net	$ 90,094	$ 124,654

In December 2017, Habitat invested, along with five other Habitat affiliates, in a partnership, Harbor Habitat Leverage II, LLC ("HHL"), with 16.6667% ownership to take advantage of NMTC financing. Habitat invested a combination of cash and construction in progress totaling $1,207,410, enabling it to secure a 20-year loan in the amount of $1,715,000 payable to Harbor Community Fund XIII, LLC ("HCF"), a community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

The investment in partnership is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

The activity of the NMTC joint venture investment during the year ended June 30 is as follows:

	2023	2022
Beginning balance	$ 1,201,374	$ 1,201,374
Distributions received	(12,074)	(12,074)
Share of income	12,074	12,074
Ending balance	$ 1,201,374	$ 1,201,374

In June 2020, Habitat invested, along with three other Habitat affiliates, in a partnership, HHL, with 25% ownership to take advantage of NMTC financing. Habitat invested a combination of cash and construction in progress totaling $1,111,837, enabling it to secure a 20-year loan in the amount of $1,521,250 payable to HCF, a community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

Note 11—New Market Tax Credits intangible assets (continued)

The investment in partnership is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

The activity of the NMTC joint venture investment during the year ended June 30 is as follows:

	2023	2022
Beginning balance	$ 1,106,278	$ 1,106,278
Distributions received	(11,118)	(11,118)
Share of income	11,118	11,118
Ending balance	$ 1,106,278	$ 1,106,278

The major assets of Harbor Habitat Leverage II, LLC and Harbor Habitat Leverage III, LLC at June 30 are as follows:

	2023		2022	
	Harbor Habitat Leverage II, LLC	Harbor Habitat Leverage III, LLC	Harbor Habitat Leverage II, LLC	Harbor Habitat Leverage III, LLC
Assets:				
Notes receivable	$ 7,244,463	$ 4,447,352	$ 7,244,463	$ 4,447,352
Total assets	$ 7,244,463	$ 4,447,352	$ 7,244,463	$ 4,447,352

At June 30, 2023 and 2022, both Harbor Habitat Leverage II, LLC and Harbor Habitat Leverage III, LLC had no liabilities and minimal activity.

Note 12—Notes payable

	2023	2022
Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in monthly principal installments totaling $94,899 (at June 30, 2023) with varying maturities through February 2053, secured by non-interest bearing first mortgages held by Habitat, with a discounted value of $12,710,446. The notes have an undiscounted balance outstanding of $23,520,627 and $22,069,975 at June 30, 2023 and 2022, respectively. Discount rates ranging from 4.5% to 5.25% were applied to arrive at net present value of the notes payable at issuance. Contribution revenue of $1,305,752 and $279,535 has been recognized in 2023 and 2022, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $10,810,181 and $10,133,529, respectively.	$ 12,710,446	$ 11,936,446

Note 12—Notes payable (continued)

	2023	2022
Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from $72 to $1,861 through January 2029.	$ 329,986	$ 379,991
Notes payable to The Housing Fund, Inc. secured by certain real property, non-interest bearing, payable in 120 to 180-equal monthly principal installments of $244 to $617, through June 2030. The notes have been discounted using a rate of 4.5%. Contribution revenue of $104,819 was recognized in 2018 to present the difference between the present value of the notes payable and their undiscounted balances of $538,925 and $688,088, at June 30, 2023 and 2022, respectively. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $123,427 and $149,824, respectively.	415,498	538,265
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $6,698, maturing at various times through March 2051. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2023 and 2022 of $1,750,044 and $1,792,978, respectively. Contribution revenue of $35,112 and $264,404 was recognized in 2023 and 2022, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $716,525 and $742,411, respectively.	1,033,519	1,050,567
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $2,440, maturing at various times through July 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2023 and 2022 of $667,327 and $696,612, respectively. Contribution revenue of $440,844 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $291,046 and $303,835, respectively.	376,281	392,777

Note 12—Notes payable (continued)

	2023	2022
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $1,757, maturing at various times through June 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2023 and 2022 of $438,532 and $459,611, respectively. Contribution revenue of $231,484 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $183,320 and $192,019, respectively.	$ 255,212	$ 267,592
Note payable to bank, unsecured at a variable interest rate of 4% below prime (0.0% at June 30, 2022), maturing in March 2023.	-	90,000
Note payable to bank, secured by certain real property with a net book value of $6,850,666 at June 30, 2023, at a variable interest rate of 4% below prime (4.25% at June 30, 2023), with a 20-year amortization maturing in October 2023. Subsequent to year-end, this note was refinanced. The refinancing agreement calls for 82 monthly principal payments of $26,333 beginning in September 2023 and a balloon payment of the unpaid principal in July 2030.	2,532,695	2,837,356
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $3,052, maturing at various times through November 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2023 and 2022 of $825,713 and $862,338, respectively. Contribution revenue of $417,299 was recognized in 2019 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $347,011 and $362,346, respectively.	478,702	499,992

Note 12—Notes payable (continued)

	2023	2022
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $5,844, maturing at various times through July 2051. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2023 and 2022 of $1,726,277 and $1,505,979, respectively. Contribution revenue of $91,620 and $240,259 was recognized in 2023 and 2022, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $729,748 and $665,236, respectively.	$ 996,529	$ 840,743
Note payable to bank, secured by certain real property with a net book value of $3,983,327 at June 30, 2023, at a variable interest rate of 4% below prime (4.25% at June 30, 2023), with a 20-year amortization maturing in May 2029.	2,994,059	3,000,000
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $1,782, maturing at various times through May 2049. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding of $535,925 and $559,089 at June 30, 2023 and 2022, respectively. Contribution revenue of $239,550 was recognized in 2022 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $225,381 and $234,330, respectively.	310,544	324,759
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $10,893, maturing at various times through June 2052. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding of $3,336,520 and $2,494,883 at June 30, 2023 and 2022, respectively. Contribution revenue of $370,382 and $316,300 was recognized in 2023 and 2022, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2023 and 2022 amounted to $1,426,633 and $1,104,943, respectively.	1,909,887	1,389,940
	$ 24,343,358	$ 23,548,428

Note 12—Notes payable (continued)

Notes payable are presented in the statements of financial position as follows at June 30:

	2023	2022
Notes payable, secured by mortgages, net of unamortized discount	$ 18,486,618	$ 17,241,081
Notes payable, secured by Harding Place and Lebanon property	5,526,754	5,837,356
Notes payable, unsecured	329,986	469,991
	$ 24,343,358	$ 23,548,428

Future principal maturities of notes payable are as follows:

Years Ending June 30,	
2024	$ 2,087,247
2025	2,012,211
2026	1,986,919
2027	1,972,681
2028	1,934,288
Thereafter	29,206,910
Total principal maturities	39,200,256
Debt issuance costs	(3,626)
Amounts representing imputed interest	(14,853,272)
	$ 24,343,358

Note 13—Line of credit

Habitat has a $950,000 line of credit agreement with a bank bearing interest at the bank's index rate plus 1% (9.25% at June 30, 2023). The line of credit is secured by real estate. The line of credit has a maturity date of February 2024. At June 30, 2023 and 2022, no borrowings were outstanding under the line of credit agreement.

Note 14—NMTC joint venture note payable

Habitat has a loan payable to HCF, dated December 20, 2017, as part of a NMTC transaction. It is a 20-year loan bearing interest at 0.70% with semi-annual interest-only payments commencing on June 5, 2018 and continuing until June 5, 2025. Principal and interest payments are to commence on June 5, 2025, due semi-annually to then fully amortize the principal balance over a 12-year period, maturing December 20, 2037.

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership's related parties that is expected to be exercised in 2025 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2023 and 2022 is $1,715,000, net of issuance costs of $38,528 and $41,185, respectively. Debt issuance costs of $53,253 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the sole-member of Twain Investment Fund 296, LLC (the "Twain Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC is expected to put its ownership interest into the Twain Fund for $1,000, during the six-month put period beginning December 20, 2024.

Note 14—NMTC joint venture note payable (continued)

Exercise of this option will effectively extinguish Habitat's outstanding debt owed to HCF. Habitat will recognize income on the forgiveness of debt in an amount approximating the difference in the book value of the investment and the debt. The investment and debt will then come off Habitat's books. All entities including Habitat Harbor Leverage II, LLC, will then be dissolved effectively ending the structured financing deal.

Pursuant to the agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the IRC Section 45D, including that Habitat maintain a separate part of business such that the separate business will qualify as a qualified active low-income community business as defined in IRC Section 45D. Only the separate part of business assets of Habitat was pledged as security under the agreement with HCF.

Habitat has a loan payable to HCF, dated June 4, 2020, as part of a NMTC transaction. It is a 20-year loan bearing interest at 0.730945% with semi-annual interest-only payments commencing on December 5, 2020 and continuing until June 5, 2027. Principal and interest payments are to commence on December 5, 2027, due semi-annually to then fully amortize the principal balance over a 12-year period, maturing June 3, 2040.

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership's related parties that is expected to be exercised in 2027 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2023 and 2022 was $1,521,250 net of issuance costs of $70,193 and $74,342, respectively. Debt issuance costs of $82,986 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the owner of USBCDC (the "USBCDC Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC Endowment Fund is expected to put its ownership interest in HCF to HHL for $1,000, during the six-month put period beginning June 4, 2027.

Exercise of this option will effectively extinguish Habitat's outstanding debt owed to HCF. Habitat will recognize income on the forgiveness of debt in an amount approximating the difference in the book value of the investment and the debt. The investment and debt will then come off Habitat's books. All entities including Habitat Harbor Leverage II, LLC, will then be dissolved effectively ending the structured financing deal.

Pursuant to the agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the IRC Section 45D, including that Habitat maintain a separate part of business such that the separate business will qualify as a qualified active low-income community business as defined in IRC Section 45D. Only the separate part of business assets of Habitat was pledged as security under the agreement with HCF.

Note 15—Paycheck Protection Program

In February 2021, Habitat received a Paycheck Protection Program ("PPP") loan of $746,625 under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") through its primary banking institution. PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition.* The loan must be repaid if Habitat does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. Habitat completed the forgiveness application process upon completion of the applicable 24-week period and reflected the original loan amounts as revenues from government grants on the statement of activities for the year ended June 30, 2022.

Note 16—Employee Retention Credit

Under the CARES Act, Habitat was eligible for a refundable Employee Retention Credit ("ERC") subject to certain criteria. Habitat claimed an ERC of $740,021, recognized as grant income in the statement of activities for the year ended June 30, 2023.

Note 17—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30:

	2023	2022
Unamortized discount on notes payable issued	$ 14,853,272	$ 13,888,472
Contributions purpose restricted for other projects	358,238	229,375
Unconditional promises to give, net	-	100,000
	$ 15,211,510	$ 14,217,847

For the year ended June 30, 2023, Habitat released $838,065 related to amortization discount on notes payable issued and $175,295 for the purpose and time restrictions being fulfilled. The total amount of net assets released from restrictions for the year ended June 30, 2023, is $1,1013,360, as reported on the statement of activities. For the year ended June 30, 2022, Habitat released $2,378,480 related to amortization discount on notes payable issued and $152,674 for the purpose and time restrictions being fulfilled. The total amount of net assets released from restrictions for the year ended June 30, 2022, is $2,531,154, as reported on the statement of activities.

Note 18—Concentrations

Habitat maintains its cash in bank accounts that at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation. Management believes Habitat is not exposed to any significant credit risk on its cash balances. Uninsured balances at June 30, 2023 and 2022 totaled $82,699 and $95,025, respectively.

Note 19—Leases

Habitat leases certain office space, warehouse space, and equipment. Habitat determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Habitat has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on the relative stand-alone prices.

Right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain these options would be exercised by Habitat. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain of our lease agreements include variable payments. Variable lease payments are not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expenses as incurred. In order to determine the present value of lease payments, Habitat uses the risk-free rate based on the information available at lease commencement to determine the present value of lease payments.

Note 19—Leases (continued)

Habitat's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Habitat does not have leases where it is involved with the construction or design of an underlying asset. Habitat has no material obligation for leases signed but not yet commenced as of June 30, 2023. Habitat does not have any material subleases activities.

Practical Expedients Elected

- Habitat elected the transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.

- Habitat has elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead to recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments in incurred. Therefore, Habitat's short-term lease expense for the period does not reflect ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended June 30, 2023.

- Habitat has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.

Classification of right-of-use assets and lease liabilities as of June 30, 2023 is as follows:

Leases	Balance Sheet Classification		
Assets:			
Operating right-of-use assets	Right-of-use assets	$	326,809
Finance right-of-use assets	Right-of-use assets		36,442
Total lease assets		$	363,251
Liabilities:			
Current:			
Operating lease liabilities	Lease liabilities	$	71,550
Finance lease liabilities	Lease liabilities		11,007
Noncurrent:			
Operating lease liabilities	Lease liabilities, net of current portion		261,611
Finance lease liabilities	Finance lease obligation, net of current portion		25,954
Total lease liabilities		$	370,122

Note 19—Leases (continued)

Future minimum lease payments as of June 30, 2023 is as follows:

Maturity Analysis	**Finance**	**Operating**
2024	$ 11,898	$ 80,099
2025	11,898	77,332
2026	11,898	79,389
2027	2,975	78,215
2028	-	39,873
Thereafter	-	-
Total undiscounted cash flows	38,669	354,908
Less present value discount	(1,708)	(21,747)
Total lease liabilities	$ 36,961	$ 333,161

Required supplemental information relating to our leases for the years ended June 30, 2023 is as follows:

Lease expense:	
Finance lease expense:	
Amortization of right-of-use assets	$ 80,440
Interest on lease liabilities	1,115
Operating lease expense	11,213
Total operating and finance lease cost	$ 92,768
Cash flow information:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	$ 68,097
Operating cash flows from finance leases	1,115
Financing cash flows from finance leases	9,792
Lease assets obtained in exchange for lease liabilities:	
Operating leases	391,175
Finance leases	46,663
Lease term (in years) and discount rate:	
Weighted-average remaining lease term in years for finance leases	3.25
Weighted-average remaining lease term in years for operating leases	4.37
Weighted-average discount rate for finance leases	2.88%
Weighted-average discount rate for operating leases	2.91%

Note 20—Commitments and contingencies

In connection with the development of Park Preserve and Village by the Creek subdivisions, Habitat has obtained letters of credit totaling $2,742,000 and $1,425,000 at June 30, 2023 and 2022, respectively, securing the completion of certain improvements. Habitat had no outstanding borrowings associated with these letters of credit at June 30, 2023 or 2022. The letters of credit expire through August 2024.

Note 20—Commitments and contingencies (continued)

Habitat has multi-year commitments under information technology contracts and other agreements for various services. A summary of future minimum payments as of June 30, 2023 is as follows:

Years Ending June 30,		
2024	$	79,652
2025		60,954
	$	140,606

From time to time, Habitat is involved in litigation. In the opinion of management, no current or threatened litigation will have a material effect on Habitat's financial position or activities.

Note 21—Contributed nonfinancial assets

Contributed nonfinancial assets received by Habitat are recorded based on their estimated value. A summary of contributed nonfinancial assets is as follows for the years ended June 30:

		2023		2022
ReStore donations	$	3,431,828	$	3,210,367
Building supplies and home appliances		85,687		109,117
Mortgage servicing		99,516		96,576
Contributed land		61,000		-
Operating supplies		10,771		67,360
	$	3,688,802	$	3,483,420

Habitat recognized nonfinancial assets within revenue, including ReStore donations, building supplies, and mortgage servicing. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Habitat recognized approximately $61,000 of contributed land held for development as contribution income on the statement of activities for the year ended June 30, 2023. Habitat valued the contribution based upon an independent appraisal of the land.

Various donors contributed products to the ReStore for sale to customers. Habitat valued the contribution based upon its sales price of the contributed assets.

Various donors contribute building supplies and home appliances that are used in constructing homes transferred to homeowners. Habitat valued the contribution based upon current costs to purchase.

A financial institution services mortgages on behalf of Habitat. Habitat valued the contribution based upon estimated costs to pay a third party servicer.

Approximately 4,220 and 4,250 individuals contributed significant amounts of time to Habitat's activities during the years ended June 30, 2023 and 2022, respectively. The financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by U.S. GAAP.

Note 22—Retirement plan

Habitat has a defined contribution retirement plan for its employees, which was established as a Simple IRA. As described in the plan document, substantially all full-time employees are eligible to participate in the plan. Discretionary contributions may be made at the option of the Board of Directors. Habitat recognized retirement plan expense of $79,836 and $70,462 for the years ended June 30, 2023 and 2022, respectively.

Note 23—Supplemental cash flow information

The following is supplemental cash flow information required by U.S. GAAP.

Supplemental Cash Flow Information:

	2023	2022
Equipment acquired through issuance of capital lease	$ 46,663	$ -
Parkwood collaboration of land for development	$ 624,885	$ -
Interest paid	$ 188,363	$ 23,195

Supplemental Schedule of Noncash Investing and Financing Activities:

	2023	2022
Issuance of non-interest bearing mortgage loans	$ 5,561,950	$ 2,484,000
Discount on non-interest bearing mortgage loans	(2,509,111)	(1,237,863)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 3,052,839	$ 1,246,137

Note 24—Related parties

At June 30, 2023 and 2022, Habitat owed notes payable, net of discounts, totaling approximately $7,747,703 and $9,419,460, respectively, to financial institutions which have executives who serve on Habitat's Board of Directors.

Habitat receives voluntary contributions, house sponsorship funding, in-kind contributions, and volunteer labor from various board members and their companies throughout the year. Some professional services are also purchased from board members and their companies throughout the course of the year. None of these transactions are considered to be individually significant to Habitat's financial statements.

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2023 and 2022, Habitat contributed $166,476 and $105,025, respectively, to Habitat International.

Habitat has received Self-Help Homeownership Opportunity Program funds from Habitat International. Of the funds received, 75% were in the form of a grant with the remaining 25% repayable under non-interest bearing four-year notes payable. During the years ended June 30, 2023 and 2022, Habitat was granted $237,770 and $180,895, respectively. At June 30, 2023 and 2022, the balances of the loans totaled $329,987 and $379,991, respectively.