HABITAT FOR HUMANITY OF GREATER PALM BEACH COUNTY, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

with
INDEPENDENT AUDITORS' REPORT

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SMITH+HOWARD PC

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Habitat for Humanity of Greater Palm Beach County, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Greater Palm Beach County, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 can arise from fraud or error and 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.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Smith and Howard

Atlanta, Georgia
December 18, 2024

HABITAT FOR HUMANITY OF GREATER PALM BEACH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Cash and cash equivalents	$ 640,414
Restricted cash	1,009,139
Investments	74,339
Pledges receivable	819,672
Government grant receivable	1,337,632
Non-interest bearing mortgage loans receivable, net of discount of $6,222,762 and allowance for doubtful accounts of $70,000	7,692,549
ReStore and Thrift inventory	1,128,692
Land held for development	563,047
Ground leased land	1,246,393
Homes under construction	5,442,019
Homes held for resale	94,617
Prepaids and other assets	322,612
Property and equipment, net	3,147,508
Right-of-use asset - operating lease	908,053
	$ 24,426,686

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	$ 905,091
Escrow deposits	405,209
Lines of credit	2,247,720
Notes payable	2,443,742
Mortgages, net of discount of $217,674	1,371,127
Forgivable notes payable - governmental agencies	784,103
Operating lease obligation	1,005,433
Total Liabilities	9,162,425
Net Assets	
Without donor restrictions	14,426,976
With donor restrictions	837,285
Total Net Assets	15,264,261
	$ 24,426,686

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

HABITAT FOR HUMANITY OF GREATER PALM BEACH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions and grants	$ 3,318,921	$ 470,000	$ 3,788,921
Contributions of nonfinancial assets	1,177,468	-	1,177,468
ReStore and Thrift retail store operations	4,563,090	-	4,563,090
Investment income, net	10,232	-	10,232
Net assets released from restrictions	697,715	(697,715)	-
Total Contributions and Other Income	9,767,426	(227,715)	9,539,711
Low-Cost Housing Revenues:			
Home sales income	427,042	-	427,042
Mortgage discount and amortization	700,759	-	700,759
Other support and revenue	558,900	-	558,900
Total Low-Cost Housing Revenues, net	1,686,701	-	1,686,701
Total Revenues	11,454,127	(227,715)	11,226,412
Expenses			
Program services			
Construction	2,357,512	-	2,357,512
ReStore	4,795,463	-	4,795,463
Homeowner and volunteer services	806,457	-	806,457
Neighborhood engagement	622,571	-	622,571
	8,582,003	-	8,582,003
General and administrative	1,066,808	-	1,066,808
Fundraising	1,284,112	-	1,284,112
Total Expenses	10,932,923	-	10,932,923
Change in Net Assets	521,204	(227,715)	293,489
Net Assets, Beginning of Year	13,905,772	1,065,000	14,970,772
Net Assets, End of Year	$ 14,426,976	$ 837,285	$ 15,264,261

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

HABITAT FOR HUMANITY OF GREATER PALM BEACH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services					Supporting Services		
	Construction	Restore	Homeowner and Volunteer Services	Neighborhood Engagement	Program Total	General and Administrative	Fundraising	Total
Salaries and wages	$ 466,454	$ 2,197,515	$ 427,193	$ 147,207	$ 3,238,369	$ 391,773	$ 838,798	$ 4,468,940
Payroll taxes	34,759	163,754	31,833	10,970	241,316	29,971	63,273	334,560
Benefits	43,025	202,697	39,404	13,578	298,704	37,099	78,320	414,123
Allowances	900	1,040	-	-	1,940	20,115	6,000	28,055
Total personnel costs	545,138	2,565,006	498,430	171,755	3,780,329	478,958	986,391	5,245,678
Supplies	6,384	384	4,972	4,898	16,638	-	-	16,638
Donations	-	-	7,500	-	7,500	-	-	7,500
Cost of homes sold	644,287	-	4,673	-	648,960	-	-	648,960
Affiliate dues and tithing	53,104	-	-	-	53,104	-	-	53,104
Home repairs	-	-	-	174,583	174,583	-	-	174,583
Rent expenses	132	165	6,167	-	6,464	-	-	6,464
Cost of purchased ReStore inventory sold	-	262,648	-	-	262,648	-	-	262,648
Homeowner mortgage/escrow relief	-	-	13,268	14,479	27,747	-	-	27,747
Property taxes	4,246	27,345	181	-	31,772	-	-	31,772
Telephone and utilities	510	208,966	4,680	-	214,156	58,168	270	272,594
Vehicle and machinery expenses	16,971	173,109	2,073	3,998	196,151	7,836	673	204,660
Insurance	53,718	170,575	20,558	13,804	258,655	16,971	32,962	308,588
Professional fees	14,118	95,582	111,830	4,235	225,765	287,288	49,698	562,751
Bank and credit card fees	-	112,393	-	-	112,393	24,405	22,468	159,266
Rent	5,035	923,715	4,531	1,510	934,791	5,538	9,566	949,895
Repairs and maintenance	-	42,011	3,417	76	45,504	24,078	-	69,582
Office supplies and expenses	616	22,676	498	913	24,703	16,569	134	41,406
Office equipment and software	1,595	17,572	1,368	456	20,991	17,163	38,274	76,428
Advertising	165,350	8,332	35,377	93,850	302,909	1,238	78,208	382,355
Bad debt expense	134,993	-	6,000	2,022	143,015	-	-	143,015
Other expenses	708,914	75,080	80,934	135,992	1,000,920	106,770	65,468	1,173,158
Total expenses before depreciation	2,355,111	4,705,559	806,457	622,571	8,489,698	1,044,982	1,284,112	10,818,792
Depreciation	2,401	89,904	-	-	92,305	21,826	-	114,131
	$ 2,357,512	$ 4,795,463	$ 806,457	$ 622,571	$ 8,582,003	$ 1,066,808	$ 1,284,112	$ 10,932,923

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

HABITAT FOR HUMANITY OF GREATER PALM BEACH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

Cash Flows From Operating Activities:	
Change in Net Assets	$ 293,489
Adjustments to Reconcile Change in Net Assets to Net Cash Required by Operating Activities:	
Depreciation	114,131
Mortgage discount amortization	(700,759)
Unrealized gain on investments	(10,642)
Bad debt expense	143,015
Lease expense	587,433
Payments of operating lease obligation	(621,946)
Donated ReStore and Thrift inventory sold, net	135,109
Donated land, materials, and building supplies inventory received, net	(506,011)
Changes in assets and liabilities:	
Pledges receivable	610,406
Land held for development	293,584
Ground leased land	(61,389)
Home construction in progress	(1,917,898)
Prepaids and other assets	342,170
Accounts payable and accrued expenses	(61,234)
Escrow deposits	(47,516)
Total adjustments	(1,701,547)
Net Cash Required by Operating Activities	(1,408,058)
Cash Flows from Investing Activities:	
Funds held in trust by others	909
Purchases of property and equipment	(10,563)
Proceeds from receipts on mortgages	1,010,470
Net Cash Provided by Investing Activities	1,000,816
Cash Flows from Financing Activities:	
Payments on lines of credit, net	(521,202)
Proceeds from notes payable	375,000
Proceeds from forgivable notes payable	125,000
Payments on notes payable	(96,869)
Payments on mortgages	(86,073)
Net Cash Required by Financing Activities	(204,144)
Net Change in Cash and Cash Equivalents and Restricted Cash	(611,386)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	2,260,939
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 1,649,553

Supplemental Disclosure of Cash Flow Information:

Cash Paid for Interest	$ 169,124

Reconciliation of Cash and Restricted Cash

Cash and Cash Equivalents	$ 640,414
Restricted Cash	1,009,139
Cash and Restricted Cash per Cash Flow Statements	$ 1,649,553

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

NOTE 1 – ORGANIZATION AND PURPOSE

Habitat for Humanity of Greater Palm Beach County, Inc. ("HGPBC") is a nonprofit, affordable housing developer dedicated to the elimination of substandard housing in and around Palm Beach County Florida. It is affiliated with Habitat for Humanity International, Inc. ("HFHI") based in Americus, Georgia. While adhering to the policies and procedures prescribed by HFHI, the Organization exists as a separate corporation with its own Board of Directors (the "Board"), local policies, strategies, operations, and fundraising which are the responsibility of each affiliate.

Habitat Housing Solutions, Inc. (the "HHSI") is a non-profit corporation controlled by HGPBC. HHSI was formed to support the HGPBC. HHSI receives federal financial assistance to acquire land and develop infrastructure for homes.

HHSI are consolidated into the financial statements of HGPBC because HGPBC has control over and an economic interest in HHSI. HHSI and HGPBC, are collectively referred to as the ("Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Organization's program activities include:

Construction, Homeowner and Volunteer Services – To be considered for home ownership, families must be between 30% to 80% of the average medium income for Palm Beach County. Families must demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with the HGPBC. HGPBC acquires the land, finds and qualifies the families, raises the funding, finds and supervises construction volunteers, builds the houses, and funds the mortgages. Houses are sold with a no interest mortgage. By policy of HFHI, HGPBC may accept government support for land, infrastructure improvements and construction.

ReStore and Thrift Store Program – HGPBC also operates three ReStores and one thrift store in Palm Beach County. The ReStore program provides access to quality building materials, new and used, household goods, clothing, etc., to the general public to help them create a better human habitat in which to live and work. The ReStore receives donated materials and purchased items for subsequent sale.

Neighborhood engagement – HGPBC addresses the need for more adequate housing and healthier living conditions through home repair and community engagement. The goal is to help homeowners stay in their existing homes, protect their financial investment, restore pride of homeownership and have a lasting impact on the communities and its residents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies of the Organization is presented to assist in understanding the accompanying financial statements. The financial statements and accompanying notes are representations of the Organization's management.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Adoption of New Accounting Policies

During 2024 the Organization adopted the requirements of Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (ASC 326). This ASU introduces a "current expected credit loss" ("CECL") model which requires all expected credit losses for financial instruments held at the reporting date to be based on historical experience, current conditions, and reasonable supportable forecasts. The CECL model replaces the existing incurred loss method and is applicable to the measurement of credit losses of financial assets. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASC 326 were mortgage loans receivable. There was no material impact to the consolidated financial statements or footnotes upon adoption of this new accounting policy.

Net Assets

Net assets, revenue, and support 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 available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. The Organization did not have any net assets of a perpetual nature at June 30, 2024.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid temporary investments with a maturity of three months or less.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Restricted cash consists of amounts not available for the Organization's operations. Restricted cash-escrow deposits are funds received from homeowners for the payment of property taxes and insurance included in the related escrow deposits liability. Escrow deposits may also include principal and interest payments received from homeowners and owed to financial institutions on mortgage notes receivable sold. Restricted cash-Neighborhood Stabilization Program ("NSP2") consists of principal payments received on mortgage notes receivable from homeowners related to homes sold under the NSP2 grant (see Contingencies Note 10). Restricted cash as of June 30, 2024 consist of the following:

Neighborhood Stabilization Program	$ 639,614
Escrow	362,165
Other	7,360
	$ 1,009,139

Fair Value Measured on Recurring Basis

The carrying amounts of receivables, accounts payable and notes payable, are reported at values which the Organization believes are not significantly different from fair values. The Organization believes no significant credit risk exists with respect to any of its financial instruments.

Pledges Receivable

Pledges receivable are recognized at fair value when the pledge is received, even if the donor restricts the pledge contribution to use in a future period, and even if the pledge will not be received until a future period. The fair value of a pledge expected to be collected in less than one (1) year from the consolidated statement of financial position date is measured at face value of the pledge net of any estimated uncollectible amount. For pledges anticipated to be collected beyond one (1) year from the consolidated statement of financial position date, the pledge is discounted.

Government Grant Receivable

As part of the Coronavirus Aid, Relief and Economic Stabilization Act (the "CARES" Act), employers have the option to participate in the Employee Retention Tax Credit ("ERTC"). The ERTC is a benefit provided through payroll tax credits to encourage maintaining employee headcounts throughout the Coronavirus pandemic. As of June 30, 2024, the Organization has an outstanding receivable of $1,337,632.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Receivable

When the Organization sells a home, it accepts an installment note and for those homes sold with an appraised value higher than the installment note, a second note is issued for the difference. The first is an interest-free monthly installment note based upon the amount the purchaser is able to pay for a term of thirty (30) years with principal payments due monthly. The amount recorded is at the face amount of the note, less an unamortized discount and an allowance for uncollectible accounts. Management records an allowance for uncollectible accounts on mortgage notes receivable based on a factor of approximately 1.5% to 2.0% of mortgages less the unamortized discount. In addition, management periodically reviews the mortgage notes receivable balances and provides an additional allowance for accounts which may be uncollectible. As of June 30, 2024, the allowance for uncollectible accounts for mortgage notes receivable was $70,000.

The second note is a trust deed. It is interest-free and for a similar term of years as the first note. The amount is based on the difference between the appraised value of the home and the face amount of the first note. The second note is forgiven upon repayment of the first note. The second note and its resulting contingent gain are not recorded on either the consolidated statements of financial position or the consolidated statements of activities and changes in net assets. An estimate of the gain on the second trust deed cannot be made. It is unlikely that any gain will be realized.

ReStore and Thrift Inventory

Substantially all inventories at ReStore and Thrift stores are donated. Inventory includes donated household building materials, appliances, furniture, and clothing that are sold at the Habitat ReStore and Thrift stores. Donated merchandise is recorded at its estimated fair market value, which is determined based on the future economic benefit.

Land Held for Development

Land is carried at cost when purchased or fair market value when acquired by gift. Land inventory is tracked by lot numbers and reduced when parcels are sold or when construction begins, and the parcels are transferred to inventory-homes under construction.

Homes Under Construction

Homes under construction are carried at cost or at market value when materials are donated. The carrying amount represents the accumulated costs of houses under construction and land improvements. Construction costs consist of direct materials and labor costs incurred. Construction costs are expensed when the property is completed and sold to the homeowner. Costs accumulated in excess of the anticipated sales price are expensed to the consolidated statement of activities to reflect the lower of cost or market on the consolidated statement of financial position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Homes Held for Resale

Homes held for resale are carried at cost when purchased or fair market value when acquired by gift. The balance is expensed in home construction costs in the consolidated statements of functional expenses when the property is sold to the homeowner. Homes held for resale are written down to the anticipated selling prices of the homes (net of unamortized discounts) when prequalified families are identified. As of June 30, 2024, homes held for resale consisted of three (3) donated homes, respectively, which were carried at fair value and had not been written down as prequalified families had not been identified.

Property and Equipment

Property and equipment are stated at cost, or if donated, at estimated fair value at the date of donation. Any donations of property and equipment are also recorded as support in the consolidated statement of activities at their estimated fair value. Depreciation is computed over the estimated useful lives (3-40 years) of the assets using the straight-line method. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets and are in excess of $1,000 are capitalized.

Revenue Recognition

Home Sales

Home sales income consists of the sale of constructed homes and related land. These revenue arrangements consist of a single performance obligation to transfer promised property. The Organization recognizes revenue from these transactions on a point in time basis, upon settlement of each transaction. The Organization’s sales arrangements do not contain variable consideration provisions.

Contributions

All contributions, including home building sponsorship revenues and noncash contributions, are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related net assets are reclassified to net assets without donor restrictions. This is reported in the accompanying consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

ReStore and Thrift Retail Store Operations

The Organization operates a retail home improvement store (the ReStore). The ReStore sells new and used building materials, home furnishings and other goods to the general public. Donations to the ReStore are made by businesses, organizations and individuals. Cost of goods sold is comprised of the cost of any purchased inventory sold. Revenue is recognized at the point in time the good is transferred to the customer. Payment is collected from the customer when the sales occurs.

Donated Services and Materials

Many individuals volunteer time and perform a variety of tasks that assist the Organization with various administrative and program tasks. The value of these services has not been reflected in the consolidated financial statements since they do not meet the criteria for recognition. These services include the many hours from volunteers in building the homes because the houses that the Organization builds are ultimately sold and converted to mortgages receivable, which are considered to be a financial asset.

Donated professional services, which require specialized skills and are provided by individuals possessing those skills, are valued at market rates for those services as contributions without donor restrictions.

The Organization receives a wide variety of donated building materials, appliances, home furnishings, and land. These items are reflected as non-cash contributions at their estimated fair market value on the date of receipt.

For the year ended June 30, 2024, the fair market value of donated land, materials, and building supplies inventory, excluding donated ReStore inventory discussed above, received approximated $1,177,000. Approximately $506,000 related to donated land that was valued based on property appraisals. Approximately $608,000 related to donated advertising services valued based on fair market value for the services rendered. Approximately $63,000 related to donated food and clothing based on the fair market value of related products in a retail setting.

Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount or estimates of time and effort incurred by personnel.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision or liability for income taxes is included in the accompanying consolidated financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for tax years ending before June 30, 2021.

Risks and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, pledges receivable, and non-interest-bearing mortgage loans receivable. At times, cash and cash equivalents may exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash and cash equivalents with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

NOTE 3 – NON-INTEREST BEARING MORTGAGE LOANS RECEIVABLE

Future payments on non-interest bearing mortgage loans receivable as of June 30, 2024 are expected to be as follows:

2025	$ 730,055
2026	725,408
2027	721,859
2028	721,188
2029	712,678
Thereafter	10,374,123
	13,985,311
Less: Unamortized discount	(6,222,762)
Less: Allowance for doubtful accounts	(70,000)
	$ 7,692,549

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2024:

Land and building	$ 3,723,532
Leasehold improvements	153,808
Vehicles and equipment	250,388
Computer equipment	41,181
Furniture and fixtures	99,798
Construction equipment	4,500
	4,273,207
Less: accumulated depreciation	(1,125,699)
	$ 3,147,508

NOTE 5 – LINES OF CREDIT

The Organization had a line of credit with a bank, which permitted borrowings up to $1,000,000 and bore interest at LIBOR plus 2.5% (effective interest rate of 7.94% at June 30, 2024). The line matured on May 29, 2024. At June 30, 2024, the outstanding balance on the line of credit was $487,490. The line was collateralized by certain mortgage notes receivable.

The Organization had a revolving line of credit with a bank, which permitted borrowings up to $1,650,000 and bore interest at LIBOR plus 2.5% (effective interest rate of 7.94% at June 30, 2024). The line matured on May 29, 2024. At June 30, 2024, the balance of the line of credit was $1,364,530. The line was collateralized by certain mortgage notes receivable.

NOTE 5 – LINES OF CREDIT (Continued)

The Organization had a line of credit with a bank, which permitted borrowings up to $750,000 and bore interest at Prime (effective rate of 8.50% at June 30, 2024). The maturity date was on demand. At June 30, 2024, the outstanding balance on the line of credit was $395,700.

All three of the lines of credit above were paid off subsequent to year end through a new loan from the Housing Finance Authority of Palm Beach County in the amount of $2,200,000 with a 1.00% interest rate. This loan will have monthly principal installments of $8,000 and accrued interest to be made for five years at which time the remaining amount will be due. The loan is collateralized by certain mortgage notes receivable.

The Organization had a line of credit in the amount of $500,000 with a financial institution for working capital related to the operations of HHSI. The line accrued interest at an interest rate of Prime. The line of credit was collateralized by the Organization's assets. The line of credit expired on August 30, 2023 and was not renewed.

NOTE 6 – NOTES PAYABLE

Promissory note to bank with monthly payments under the note of $3,787, with an annual interest rate of 2.92%. The loan has a seven (7) year amortization, followed by a balloon payment due upon maturity in February 2028. Funds from the promissory note were used to satisfy the outstanding balance of the mortgage loan with the Florida Community Loan Fund. Loan is collateralized by the mortgage on the associated property and assignment of rent.	$	726,040
The Organization has a promissory note in the amount of $150,000 made to the Organization by the U.S. Small Business Administration under the Economic Injury Disaster Loan program. Monthly installment payments on the note in the amount of $641 began twelve (12) months from the date of the loan. The note carries an interest rate of 2.75% and matures thirty (30) years from the date of the note. Loan is collateralized by the assets of the Organization.		142,219
Mortgage payable to bank, due in 119 monthly principal payments of $5,019 with a balloon payment of $507,683 due at maturity. The note carries an interest rate of 3.65% and matures in April 2031. Loan is collateralized by the associated mortgages serviced by the Organization. Loan is secured by the real estate.		745,738

NOTE 6 – NOTES PAYABLE (Continued)

Vehicle loan payable due in 120 monthly principal and interest payments, collateralized by the vehicle.	19,801
The Organization has a non-revolving loan with a financial institution for up to $1,000,000. The loan is secured by first mortgages owned by the Organization, carries an interest rate of 1% per annum, and matures on July 23, 2049. The maturity date is subject to change based on the timing of advances to the Organization and the mortgage notes assigned to the financial institution as security for the loan. Monthly principal payments of $1,596 are due until the principal balance is reduced to zero.	809,944
	$ 2,443,742

Principal maturities of the above notes payable are as follows for the years ending June 30:

2025	$ 110,534
2026	108,647
2027	102,872
2028	729,471
2029	80,058
Thereafter	1,312,160
	$ 2,443,742

NOTE 7 – MORTGAGES, NET OF DISCOUNT

On July 27, 2009, the Organization entered into a Funding Agreement (securitization) with a financial institution to monetize the then outstanding principal mortgage balances of nine (9) properties sold during the year ended June 30, 2009 ($705,851). The Organization received $635,239, and recorded $70,612 as prepaid interest, which is being amortized over twenty seven (27) years. The Organization accounted for the transaction as a secured financing.

On April 19, 2018, the Organization entered into a Loan Purchase Agreement (securitization) with a financial institution to sell certain residential, first-lien or second-lien mortgage loans, while retaining the servicing rights. Under this agreement, the Organization sold the then outstanding principal mortgage balances of three (3) properties totaling $591,787 during the year ended June 30, 2019. The Organization received $532,608, and recorded $59,179 as prepaid interest, which is being amortized over the remaining mortgage terms. The Organization accounted for the transaction as a secured financing.

NOTE 7 – MORTGAGES, NET OF DISCOUNT (Continued)

On October 30, 2019, the Organization entered into a Loan Purchase Agreement (securitization) with financial institution to sell certain residential, first-lien or second-lien mortgage loans, while retaining the servicing rights. Under this agreement, the Organization sold the then outstanding principal mortgage balances of two (2) properties totaling $307,672 during the year ended June 30, 2020. The Organization received $276,905, and recorded $30,767 as prepaid interest, which is being amortized over the remaining mortgage terms. The Organization accounted for the transaction as a secured financing.

The Organization provides loan servicing on the securitized mortgages for the two (2) financial institutions. In consideration of performing the loan servicing, the Organization retains as compensation $10 per month per loan, plus other ancillary income such as late fees, penalties, etc., in connection with delinquent or underperforming loans. In the event of default not cured by any mortgagor, the financial institutions have the right to require the Organization to repurchase the securitized mortgage, or require the Organization to replace the defaulted mortgage with performing mortgage(s) of equal value which are acceptable to the financial institutions.

The Funding Agreement and Loan Purchase Agreements remain in effect throughout the life of any mortgage unless terminated by both the parties. Through June 30, 2024, the Organization has securitized twenty two (22) mortgages and the amount due to the financial institutions is $1,371,127.

Aggregate future maturities of principal under the note payable are as follows for the years ending June 30:

2025	$	78,348
2026		78,348
2027		78,348
2028		78,348
2029		78,348
Thereafter		979,387
	$	1,371,127

NOTE 8 – FORGIVABLE NOTES PAYABLE – GOVERNMENTAL AGENCIES

The Organization enters into various funding agreements with U.S. Department of Housing and Urban Development through their HOME loan program that resulted in receiving funds to acquire and develop qualified properties, where funding received is considered a forgivable loan. According to the loan agreement, the loans will be forgiven after homes have been sold to qualified borrowers. Certain forgivable loans are transferred to the qualified home buyer at the time of purchase and the loans with the borrowers require the homeowner to continue to comply with certain provisions for specified periods of time. The Organization records these forgivable loans at notes payable until they are forgiven.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for future home build sponsorship as of June 30, 2024.

NOTE 10 – CONTINGENCIES

Restricted Cash – Neighborhood Stabilization Program

In April 2010, the Organization entered into a Consortium Agreement with the Lake Worth Community Redevelopment Agency ("Lake Worth CRA") to build and rehabilitate homes in the Lake Worth, Florida area. The project was funded by the Neighborhood Stabilization Program 2 ("NSP2") under the American Recovery and Reinvestment Act of 2009 through the US Department of Housing and Urban Development ("HUD"). During the project, both grant funds and bank loan proceeds were used to build and rehabilitate homes. Upon completion, the homes were sold to homeowners meeting certain qualifications through long-term mortgage notes receivable.

Under the terms of the grant, income from the project received from the use of grant funds is required to be used in support of affordable housing in the Lake Worth CRA service area. Principal payments on mortgage notes receivable related to this project are deposited into one bank account segregated from the Organization's operating account. Approval from the Lake Worth CRA must be obtained in order to use these funds. Upon close out of the grant, Lake Worth CRA and HUD will determine the ultimate disposition of the remaining assets and liabilities, which may include returning program income to Lake Worth CRA. The identified assets and liabilities included in the consolidated statements of financial position as of June 30, 2024 related to the Lake Worth CRA/NSP2 project are as follows:

Assets:		
Restricted cash - Neighborhood Stabilization Program	$	639,614
NSP2 Mortgage notes receivable, net		937,062
Total Assets	$	1,576,676
Liabilities:		
Debt-note payable to bank	$	487,490
Total liabilities	$	487,490

As of the date of this report, the grant has not been closed out. The Organization has not received a notice from Lake Worth CRA regarding the final disposition of the assets and liabilities subject to the NSP2 grant restrictions. Management has evaluated its contingent liability related to this agreement. As of and for the year ended June 30, 2024, no contingent amounts have been recognized in the consolidated statements of financial position or the consolidated statements of activities.

NOTE 10 – CONTINGENCIES (Continued)

Mortgage Notes Receivable

The Organization entered into loan sale agreements with financial institutions which provided for the sale of certain mortgage notes receivable held by the Organization. Upon execution of the agreements, rights of ownership of specified mortgage notes receivable were transferred to the financial institutions in exchange for cash less a specified discount. The agreements contain provisions giving the financial institutions the unilateral right of recourse against the Organization for specific non-performing mortgages. At that time, the Organization may repurchase the nonperforming mortgage at the current principal balance less the same percentage discount used when the mortgage was originally sold, or it may replace it with an unencumbered mortgage note receivable with a similar principal balance and remaining terms. As of June 30, 2024, the balances of mortgage notes receivable sold to and held by financial institutions that are subject to replacement or repurchase were $1,384,639. Management has evaluated its contingent liability related to these agreements. As of and for the year ended June 30, 2024, no contingent amounts have been recognized in the consolidated statements of financial position or the consolidated statements of activities.

NOTE 11 – LEASE COMMITMENTS

The Organization has recorded an ROU asset and liability which represent the present value of future lease payments using the risk free rate of return that corresponds to the lease length.

At June 30, 2024, the Organization's operating lease liabilities was comprised of the following:

Gross operating lease liabilities	$ 1,044,307
Less: imputed interest	(38,874)
Present value of operating lease liabilities	$ 1,005,433

Operating lease expense and operating cash out flows on the above lease was $587,433 and $464,050 respectively, for the year ending June 30, 2024. The weighted average of the discount rate was 4.23% and the weighted remaining years was 1.68.

The schedule below summarizes the future minimum annual lease payments for the years ending December 31:

2025	$ 621,805
2026	422,502
	$ 1,044,307

NOTE 12 – LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. As described in Note 5, the Organization has a line of credit to draw upon in the event of an unanticipated liquidity need. Financial assets available for general expenditure within one year of the consolidated statement of financial position date of June 30, 2024 comprise the following:

Cash and restricted cash	$ 1,649,553
Investments	74,339
Pledges receivable	819,672
Government grant receivable	1,337,632
Non-interest bearing mortgage loans receivable	7,692,549
	11,573,745
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions	(837,285)
Restricted cash	(1,009,139)
Long term portion of mortgage loans receivable	(6,962,494)
	(8,808,918)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,764,827

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 18, 2024, the date the consolidated financial statements were available to be issued.