Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Financial Report
and Compliance Report
June 30, 2023

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Habitat for Humanity of Pinellas County, Inc.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements* for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

St. Petersburg, Florida
October 25, 2023

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	**$ 14,688,183**	$ 18,073,274
Assets held in escrow	**1,541,730**	1,030,979
Accounts receivable	**368,871**	125,019
Unconditional promises to give, net	**325,578**	448,120
Habitat ReStore inventory	**163,081**	200,965
Investments	**5,099,845**	-
Homes under construction	**2,745,884**	1,577,851
Land held for development	**7,505,895**	8,529,796
Property and equipment, net	**865,314**	892,897
Operating right-of-use assets	**2,084,019**	-
Mortgages receivable, net	**618,431**	750,161
Other mortgages receivable	**475,846**	500,050
Other receivables	**322,042**	314,202
Beneficial interest in assets held by community foundations	**1,507,542**	1,374,226
Investment in joint venture	**4,032,750**	4,012,497
Deferred affordable housing notes receivable	**350,000**	350,000
Other assets	**559,356**	441,267
Total assets	**$ 43,254,367**	$ 38,621,304
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,193,927**	$ 621,167
Refundable advances	**138,001**	200,000
Escrow deposits	**1,276,372**	1,062,907
Down payments and advance payments	**118,965**	86,280
Lease liabilities - financing	**17,070**	29,877
Lease liabilities - operating	**2,142,415**	-
Notes payable, net	**7,071,219**	9,382,389
Deferred affordable housing note payable	**350,000**	350,000
Total liabilities	**12,307,969**	11,732,620
Commitments and contingencies (Note 13)		
Net assets:		
Net assets without donor restrictions	**30,456,920**	26,233,054
Net assets with donor restrictions	**489,478**	655,630
Total net assets	**30,946,398**	26,888,684
Total liabilities and net assets	**$ 43,254,367**	$ 38,621,304

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023
(With Summarized Comparative Totals for 2022)

	2023			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2022 Total
Support and revenue:				
Contributions:				
Building materials and services	**$ 841,651**	**$ -**	**$ 841,651**	$ 1,085,566
Donated land	**414,417**	**52,900**	**467,317**	26,509
Cash	**3,553,896**	**158,641**	**3,712,537**	2,550,704
Estates and trusts	**3,314**	**-**	**3,314**	1,170
Habitat ReStore merchandise	**1,295,435**	**-**	**1,295,435**	1,353,182
Transfers to homeowners	**22,529,617**	**-**	**22,529,617**	17,452,424
Mortgage discount amortization	**168,352**	**-**	**168,352**	217,508
Sales—Habitat ReStore	**1,652,676**	**-**	**1,652,676**	1,561,953
Fundraising events, net of direct costs of $370,077	**647,846**	**-**	**647,846**	531,989
Foundations and grants	**1,299,815**	**-**	**1,299,815**	11,775,411
Other	**74,939**	**-**	**74,939**	98,528
Investment income (loss)	**404,786**	**-**	**404,786**	(123,898)
Net assets released from restrictions	**377,693**	**(377,693)**	**-**	-
Total support and revenue	**33,264,437**	**(166,152)**	**33,098,285**	36,531,046
Expenses:				
Program:				
Construction	**24,810,245**	**-**	**24,810,245**	21,233,863
Mortgage discounts	**-**	**-**	**-**	257,803
Habitat ReStore	**3,056,430**	**-**	**3,056,430**	3,065,572
Supporting services:				
General and administrative	**896,763**	**-**	**896,763**	662,161
Fundraising	**550,585**	**-**	**550,585**	453,144
Total expenses	**29,314,023**	**-**	**29,314,023**	25,672,543
Changes in net assets before other changes	**3,950,414**	**(166,152)**	**3,784,262**	10,858,503
Other changes:				
Interest expense	**(51,679)**	**-**	**(51,679)**	(55,812)
Gain on sale of land and property and equipment	**115,131**	**-**	**115,131**	82,546
Forgiveness of debt	**210,000**	**-**	**210,000**	-
Total other changes	**273,452**	**-**	**273,452**	26,734
Changes in net assets	**4,223,866**	**(166,152)**	**4,057,714**	10,885,237
Net assets:				
Beginning	**26,233,054**	**655,630**	**26,888,684**	16,003,447
Ending	**$ 30,456,920**	**$ 489,478**	**$ 30,946,398**	$ 26,888,684

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Activities and Change in Net Assets
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Building materials and services	$ 1,085,566	$ -	$ 1,085,566
Donated land	-	26,509	26,509
Cash	2,129,214	421,490	2,550,704
Estates and trusts	1,170	-	1,170
Habitat ReStore merchandise	1,353,182	-	1,353,182
Transfers to homeowners	17,452,424	-	17,452,424
Mortgage discount amortization	217,508	-	217,508
Sales—Habitat ReStore	1,561,953	-	1,561,953
Fundraising events, net of direct costs of $202,969	531,989	-	531,989
Foundations and grants	11,775,411	-	11,775,411
Other	98,528	-	98,528
Investment income (loss)	(123,898)	-	(123,898)
Net assets released from restrictions	1,981,796	(1,981,796)	-
Total support and revenue	38,064,843	(1,533,797)	36,531,046
Expenses:			
Program:			
Construction	21,233,863	-	21,233,863
Mortgage discounts	257,803	-	257,803
Habitat ReStore	3,065,572	-	3,065,572
Supporting services:			
General and administrative	662,161	-	662,161
Fundraising	453,144	-	453,144
Total expenses	25,672,543	-	25,672,543
Changes in net assets before other changes	12,392,300	(1,533,797)	10,858,503
Other changes:			
Interest expense	(55,812)	-	(55,812)
Gain on sale of land and property and equipment	82,546	-	82,546
Total other changes	26,734	-	26,734
Changes in net assets	12,419,034	(1,533,797)	10,885,237
Net assets:			
Beginning	13,814,020	2,189,427	16,003,447
Ending	$ 26,233,054	$ 655,630	$ 26,888,684

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023
(With Summarized Comparative Totals for 2022)

	2023								
	Program Services				Supporting Services				
	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total	2022 Total
Salaries	$ 3,405,318	$ -	$ 704,878	$ 4,110,196	$ 433,905	$ 339,147	$ 773,052	$ 4,883,248	$ 3,852,451
Employee benefits	548,742	-	100,153	648,895	33,388	28,745	62,133	711,028	499,039
Retirement plan	87,994	-	8,849	96,843	9,245	6,197	15,442	112,285	87,878
	4,042,054	-	813,880	4,855,934	476,538	374,089	850,627	5,706,561	4,439,368
Building materials and supplies	18,623,445	-	-	18,623,445	-	-	-	18,623,445	16,137,870
Insurance and taxes	175,462	-	20,000	195,462	-	-	-	195,462	179,409
Repairs and maintenance	86,452	-	-	86,452	-	-	-	86,452	54,476
Depreciation and amortization	143,542	-	13,497	157,039	50,152	-	50,152	207,191	151,431
Mortgage discounts	-	-	-	-	-	-	-	-	257,803
Office supplies, equipment and utilities	385,799	-	102,218	488,017	68,788	2,934	71,722	559,739	505,634
Printing and advertising	189,821	-	21,184	211,005	12,800	67,543	80,343	291,348	202,285
Travel	88,485	-	51,679	140,164	18,045	217	18,262	158,426	141,593
Professional services	345,483	-	1,470	346,953	169,844	33,365	203,209	550,162	391,891
Other	187,216	-	77,443	264,659	80,090	51,931	132,021	396,680	285,123
Donated merchandise sold	-	-	1,299,579	1,299,579	-	-	-	1,299,579	1,350,241
Purchased merchandise sold	-	-	357,287	357,287	-	-	-	357,287	211,714
Rent	201,661	-	298,193	499,854	20,506	20,506	41,012	540,866	743,275
Bad debt expense	12,325	-	-	12,325	-	-	-	12,325	40,930
Support of Habitat for Humanity International	328,500	-	-	328,500	-	-	-	328,500	579,500
	$ 24,810,245	$ -	$ 3,056,430	$ 27,866,675	$ 896,763	$ 550,585	$ 1,447,348	$ 29,314,023	$ 25,672,543

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Supporting Services			
	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	$ 2,504,259	$ -	$ 678,000	$ 3,182,259	$ 351,695	$ 318,497	$ 670,192	$ 3,852,451
Employee benefits	347,928	-	88,492	436,420	38,522	24,097	62,619	499,039
Retirement plan	62,616	-	10,428	73,044	7,848	6,986	14,834	87,878
	2,914,803	-	776,920	3,691,723	398,065	349,580	747,645	4,439,368
Building materials and supplies	16,137,870	-	-	16,137,870	-	-	-	16,137,870
Insurance and taxes	154,759	-	24,650	179,409	-	-	-	179,409
Repairs and maintenance	54,476	-	-	54,476	-	-	-	54,476
Depreciation and amortization	107,482	-	9,320	116,802	34,629	-	34,629	151,431
Mortgage discounts	-	257,803	-	257,803	-	-	-	257,803
Office supplies, equipment and utilities	384,510	-	89,560	474,070	24,211	7,353	31,564	505,634
Printing and advertising	148,897	-	32,466	181,363	877	20,045	20,922	202,285
Travel	113,313	-	22,293	135,606	5,969	18	5,987	141,593
Professional services	239,554	-	6,306	245,860	119,239	26,792	146,031	391,891
Other	142,708	-	55,586	198,294	58,322	28,507	86,829	285,123
Donated merchandise sold	-	-	1,350,241	1,350,241	-	-	-	1,350,241
Purchased merchandise sold	-	-	211,714	211,714	-	-	-	211,714
Rent	215,061	-	486,516	701,577	20,849	20,849	41,698	743,275
Bad debt expense	40,930	-	-	40,930	-	-	-	40,930
Support of Habitat for Humanity International	579,500	-	-	579,500	-	-	-	579,500
	$ 21,233,863	$ 257,803	$ 3,065,572	$ 24,557,238	$ 662,161	$ 453,144	$ 1,115,305	$ 25,672,543

See notes to consolidated financial statements.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Changes in net assets	**$ 4,057,714**	$ 10,885,237
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	**188,360**	130,059
Amortization of intangibles	**18,831**	21,372
Amortization of loan costs	**9,115**	9,335
Bad debt expense	**12,325**	40,930
Unrealized and realized (gains) losses on investments	**(236,045)**	173,637
Mortgage discount amortization	**(168,352)**	(217,508)
Net donated materials and labor	**-**	(25,800)
Mortgage discounts	**-**	257,803
Gain on sale of property held for investment or sale	**(105,631)**	(89,894)
(Gain) loss on sale of property and equipment	**(9,500)**	7,348
Donated land for development	**(467,317)**	(26,509)
Forgiveness of debt	**(210,000)**	-
Decrease (increase) in:		
Accounts receivable	**(203,191)**	79,380
Other receivables	**(7,840)**	18
Unconditional promises to give	**110,217**	(141,565)
Estate receivable	**-**	1,570,860
Land held for development	**(2,434,515)**	(7,354,314)
Operating right-of-use assets	**424,088**	-
Habitat ReStore inventory	**37,884**	(25,914)
Homes under construction	**2,707,296**	3,140,887
Other assets	**(136,920)**	(208,954)
(Decrease) increase in:		
Accounts payable and accrued expenses	**532,099**	(73,632)
Deferred revenue	**(61,999)**	200,000
Escrow deposits	**213,465**	120,361
Down payments and advance payments	**32,685**	21,680
Lease liabilities - operating	**(365,692)**	-
Net cash provided by operating activities	**3,937,077**	8,494,817
Cash flows from investing activities:		
Proceeds from sale of land held for development and investment	**156,035**	569,601
Proceeds from sale of property and equipment	**9,500**	-
Purchases of property and equipment	**(160,777)**	(611,652)
Purchase of property held for investment	**-**	(186,067)
Transfers of assets to community foundations	**(17,698)**	(27,176)
Purchase of investments	**(5,040,088)**	-
Distributions from investment in joint venture	**40,417**	40,417
Purchase of mortgages	**-**	(458,268)
Proceeds from sale and payments received on mortgages	**324,286**	547,354
Net cash used in investing activities	**(4,688,325)**	(125,791)

(Continued)

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

		2023		2022
Cash flows from financing activities:				
Payments on notes payable	**$**	**(3,117,677)**	$	(1,135,692)
Proceeds from notes payable		**1,007,392**		2,034,161
Payments on capital lease obligations		**-**		(13,197)
Principal payments on finance lease liabilities		**(12,807)**		-
Net cash (used in) provided by financing activities		**(2,123,092)**		885,272
Net (decrease) increase in cash		**(2,874,340)**		9,254,298
Cash and cash equivalents (including assets held in escrow):				
Beginning		**19,104,253**		9,849,955
Ending	**$**	**16,229,913**	$	19,104,253
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**70,318**	$	89,369
Supplemental schedules of noncash investing and financing transactions:				
Operating lease right-of-use assets and liabilities recorded as a result of adoption of ASC 842	**$**	**1,805,873**	$	-
Operating lease right-of-use asset obtained in exchange for new operating lease liability	**$**	**702,234**	$	-
Transfers of property to homeowners through issuance of mortgages receivable	**$**	**17,717,161**	$	16,088,092

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Habitat for Humanity of Pinellas County, Inc. (Habitat) was incorporated in January 1985. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian, not-for-profit organization, whose mission is to build and repair simple, decent, affordable houses for those who lack adequate shelter. 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.

Pinellas Funding Company I, LLC (Pinellas Funding) was incorporated in July 2013 and is solely-owned by Habitat. Pinellas Funding was formed to complete the sale of mortgages with PNC Bank (see Note 16). Pinellas Funding purchased mortgages from Habitat and subsequently sold these mortgages to PNC Bank.

On August 31, 2010, Pinellas County Habitat for Humanity Community Development Organization (Pinellas CHDO) was incorporated as a not-for-profit organization in accordance with the laws of the State of Florida. Pinellas CHDO is wholly owned by Habitat and has met the requirements specified by the U.S. Department of Housing and Urban Development (HUD) to act in the capacity of a Community Housing Development Organization (CHDO) and has been certified by Pinellas County, Florida. As a result, Pinellas CHDO is eligible to participate in government programs that provide special set-aside funds that can be used to provide affordable housing to low income families within Pinellas County.

The following are the significant policies used in the preparation of the accompanying consolidated financial statements:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Habitat, Pinellas Funding and Pinellas CHDO (collectively, the Organization), which are not-for-profit corporations. The entities comprising the Organization are related through a controlling financial interest and Habitat's direct and indirect ability to determine the direction of management. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Contributions and other inflows of assets that are not subject to donor imposed stipulations, but may be designated for specific purposed by actions of the Board of Directors (Board). This designation may be removed at the Board's discretion. Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment.

Net assets with donor restrictions: Contributions and other inflows of assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-restricted contributions for which restrictions are met within the same year as received are reported as contributions without donor restrictions.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated 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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Fair value measurements: The Organization measures beneficial interest in assets held by community foundations at fair value on a recurring basis (at least annually). The Organization defines fair value in accordance with U.S. GAAP, which specifies a hierarchy of valuation techniques used to measure fair value. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs.

The following in a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Organization.

Level 2: Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3: Unobservable inputs based on the Organization’s own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Organization evaluates the various types of financial assets to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the years ended June 30, 2023 and 2022, there were no changes to the Organization’s valuation techniques that had, or are expected to have, a material impact on its consolidated statements of financial position or activities and changes in net assets.

Cash and cash equivalents: Cash and cash equivalents consist of cash on deposit with financial institutions. The Organization considers all highly liquid assets with an initial maturity of three months or less as cash. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally insured limits. From time to time the Organization’s cash balances may have exceeded the federally insured limit. However, the Organization has not experienced, and does not expect, to incur any losses in such accounts.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Assets held in escrow: The Organization currently services the mortgages on the homes it sells. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset and offset by escrow deposits, a related liability.

Accounts receivable and other receivables: Accounts receivable consist of various amounts due from homeowners and homeowner candidates. Other receivables consists of second mortgages, a note receivable in connection with a new markets tax credit program (see Note 9), and amounts due from various financial institutions. Management estimates the allowance for uncollectible accounts receivable and other receivables based on a review of the individual receivable outstanding as of the end of the year. The Organization has determined that all amounts are collectible; accordingly, no allowance for potentially uncollectible accounts has been recorded at June 30, 2023 and 2022.

Unconditional promises to give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, or when a pledge becomes due, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the performance and/or control barriers are substantially met.

The carrying amount of unconditional promises to give is reduced by a valuation allowance that reflects management’s best estimate of the amount that will not be collected. The allowance is based on prior years’ experience and management’s analysis of specific promises made. Certain accounts are written off under the direct write-off method’ other accounts are part of the reserve for doubtful accounts established based on management’s estimate.

As of June 30, 2023 and 2022, the Organization recorded allowances in the amount of $66,000.

Estate receivables: The Organization was named as a beneficiary of future distributions from an estate. The estate receivable was recorded at fair value upon the Organization’s interest becoming irrevocable and measurable. The Organization received final distribution from the estate during 2022.

Habitat ReStore inventory: Habitat ReStore inventory includes donated and purchased household building materials, appliances and furniture that are sold at the Habitat ReStores. Donated merchandise is stated at its estimated fair value, which is determined based on its future economic benefit. During the years ended June 30, 2023 and 2022, the Organization estimated the fair value of donated merchandise to be approximately $1,295,000 and $1,353,000, respectively. Purchased merchandise is stated at lower of cost or net realizable value, with cost being determined by the first-in, first-out method.

Homes under construction: Homes under construction consist of labor, material and lot costs using the specific identification method, and include indirect construction costs incurred during the construction period. When the home is ultimately sold, construction costs are expensed and reported as building materials and supplies in the consolidated statements of functional expenses. As the purpose and mission of the Organization is to build affordable housing for low-income families, the Organization does not generally write down the value of homes under construction to estimated sales value, because any excess cost over sales value is a component of program services. Habitat transferred 75 and 67 homes to homeowners during the years ended June 30, 2023 and 2022, respectively.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Land held for development: Land held for development includes the cost of land and land improvements or, if donated, the approximate fair value of the land at the date of the donation, held for future construction of homes. Land held for development is carried as the lower of costs or net realizable value.

Property and equipment: Property and equipment are recorded at acquisition cost, including costs necessary to prepare the asset for its intended use, less accumulated depreciation. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets ranging from three to 10 years.

Maintenance and repairs are charged to expense as incurred, while renewals and betterments in excess of $1,000 are capitalized. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the consolidated statements of activities and changes in net assets.

Impairment of long-lived assets: The Organization's long-lived assets, such as land, building and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the asset. The Organization determined there was no impairment on long-lived assets as of June 30, 2023 and 2022.

Mortgages receivable, net and other mortgages: Mortgages receivable consist predominantly of non-interest bearing residential first mortgages secured by real estate and payable in monthly installments over the life of the mortgage, generally ranging from five to 35 years. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages, as provided by Habitat International. This discount will be recognized as mortgage discount amortization income over the term of the mortgage.

In addition to the mortgages receivable included in the consolidated statements of financial position, the Organization also enters into equity creation agreements with certain homebuyers. These equity creation agreements known as a shared equity agreement at the same time of the first mortgage and reflect the difference between the purchase price and the fair market value of the house. This equity creation agreement is part of the mortgage document and is executed for protection against homeowners who may sell their house for a profit before the mortgage is repaid, and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage. This amount is considered forgiven by the mortgagee over the life of the mortgage and the mortgagor agrees that the remaining balance is secured by the mortgage until forgiven in full. The Organization does not record a value for the equity creation agreements as it is unlikely that the amount will ever be collected.

The Organization uses established underwriting criteria to ensure that only families who meet the Organization's financial and credit criteria are approved to be partner families and receive a non-interest-bearing mortgage loan from the Organization. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income and financial history.

The Organization regularly reviews its mortgages receivable and monitors the accounts for delinquencies. The Organization has documented delinquency procedures that are followed starting with 10 to 15 days after the payment due date. Once a payment is 120 days or more late, the Organization will turn the file over to its attorney who will send a letter or other notice as required by law. If the homeowner does not cure the default, foreclosure proceedings are initiated.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Non-interest-bearing mortgages originated are discounted based on prevailing market rates at the time of the sale, which results in the net mortgage receivable balances being generally less than 50% of the home's fair value. Therefore, the Organization believes that losses resulting from nonpayment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization has not recorded an allowance for mortgages receivable.

Debt issuance costs: Debt issuance costs are amortized using the straight-line method over the expected life of the related debt, which approximates the effective interest method, and are presented as a direct deduction from the face amount of the financings (see Note 10). The related expense is included in interest expense in the consolidated statements of activities and changes in net assets.

Investments: Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their estimated fair values in the consolidated statements of financial position. Investment income is reported in the consolidated statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external investment expenses.

Investment in joint venture: The Organization makes investments in various companies to facilitate New Markets Tax Credit transactions (see Note 9). The Organization accounts for their investment under the equity method of accounting as they maintain significant influence over the investment; however, do not have control.

Beneficial interest in assets held by foundations: The beneficial interest in assets held by community foundations is recorded at fair value in the consolidated statements of financial position. Changes in the fair value of the beneficial interest in assets held by foundations are recorded as investment income (loss) in the consolidated statements of activities and changes in net assets.

Other assets: Other assets consist mainly of prepaid expenses, refundable deposits and intangible assets. In accordance with U.S. GAAP, if an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its useful life is determined to be no longer indefinite.

Revenue recognition: The Organization first determines if a transaction represents an exchange transaction and if so, accounts for the transaction in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers (Topic 606), which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied.

The Organization's revenue from contracts with customers consists of transfers to homeowners and Habitat ReStore sales. The Organization's contracts have a single performance obligation. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on transaction price, which is a fixed consideration. The Organization recognizes Habitat ReStore sales at a point in time when control of the goods is passed to the customer, which typically occurs at point of sale and is also when customer payment is collected. Sales from the Habitat ReStore are reported net of sales tax collected.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Organization recognizes revenue from home sales at a point in time, when a closing occurs. A closing is considered to occur when title, possession and other attributes of ownership have been transferred to the buyer; and the Organization is not obligated to perform significant activities and changes in net assets after the sale. Revenue from the sale of homes is recorded in the consolidated statements of activities and changes in net assets as transfers to homeowners. Transfers to homeowners are recorded at the gross mortgage amount plus down payment received.

Federal, state and local government and other grant transactions within the scope of Topic 606, if any, are recognized as support when performance occurs pursuant to the contract agreement.

The Organization performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. Performance obligations meeting certain specific criteria, is recognized over time as the customer consumes and receives the benefit of the Organization's services as they are performed. If certain criteria is not met, the revenue is recognized at a point in time.

All revenue recognized under Topic 606 is recognized at a point in time.

Revenue recognition on contracts and grants deemed to be non-exchange transactions follow FASB ASC 958-605, Revenue Recognition *(*Topic 958-605). Unconditional contributions received, including promises to give, cash, other assets and grants and contracts deemed to be non-exchange transactions, are recorded as support to net assets with or without donor restrictions, at estimated fair value, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Conditional contributions are those contributions that certain donor imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above polices for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

The Organization accounts for sales of mortgages receivable under FASB ASC 860-20, Sales of Financial Assets. Gain on sale of loans sold are recognized when the loans are sold and include cash from any sale and the write off of any discounts on the mortgage loans.

Contributed non-financial assets: Contributed nonfinancial assets consists of donated services, materials, and land which are recorded as increases in net assets without donor restrictions unless the use of the related assets is limited by donor imposed restrictions. Donated services, materials and land are reflected in the accompanying consolidated statements of activities and changes in net assets, at their estimated fair values at the date of receipt. The Organization reports revenues for the fair value of donated services received when the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased had they not been donated.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

During the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	2023	2022
Building materials and services	$ 841,651	$ 1,085,566
Land	467,317	26,509
Habitat ReStore merchandise	1,295,435	1,353,182
	$ 2,604,403	$ 2,465,257

Building materials and services include donated appliances, labor hours, and other supplies used in the construction or renovation affordable houses for those who lack adequate shelter. No donated building materials and services received during the period were restricted for use. In valuing building materials, including donated appliances and other supplies, the Organization estimates the fair value on the basis of estimates of wholesale values that would be received from selling similar products in the United States. Contributed labor from donors are valued at the estimated fair value based on current rates for similar services.

The contributed land will be used for the Organization's mission. Construction will commence upon the Organization's selected a homeowner candidate and receipt of required permits. Land is restricted to construct and sell a homeowner candidate meeting certain eligibility requirements. Contributed land from various financial institutions and donors is recorded at their tax assessed just market value which approximates fair value.

The Organization receives contributed merchandise to be sold in the Habitat ReStore. These items are sorted, and those that can be renovated or reconditioned are processed by Organization employees and converted to salable merchandise. Donated merchandise is recorded as contribution revenue and an increase in donated merchandise sold. The value of donated items at estimated fair value is based on the Organization's ultimate selling price. The items that cannot be renovated or reconditioned are sold as salvage. Proceeds from the sale of contributed non-financial assets are used to fund the Organization's programs.

Advertising costs: Advertising costs are expensed as incurred and were approximately $291,000 and $202,000 for the years ended June 30, 2023 and 2022, respectively.

Income tax status: Habitat and Pinellas CHDO are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC),and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Pinellas Funding is a disregarded entity and, therefore, revenues and expenses flow through to Habitat for federal tax purposes. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

The Organization has adopted the accounting standard on accounting for uncertain income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this policy, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Organization's tax position and had concluded the Organization has taken no uncertain tax positions that require disclosure.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Organization would be liable for income taxes in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal tax examinations by tax authorities before 2020.

Functional expense allocation: The costs of providing the programs and supporting services have been reported on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Program and supporting expenses, when specifically identifiable, are classified to the function which incurred the expense. Expenses allocated using management's estimate of time spent include payroll, employee benefits, and retirement plan expenses. Expenses allocated using management's estimate of usage include professional services, certain insurance, and depreciation and amortization. Lastly, expenses allocated using square footage include rent and utilities.

Recently adopted accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. The Organization adopted the new lease standard on July 1, 2022 using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on July 1, 2022 are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

To reduce the burden of adoption and ongoing compliance with Topic 842, a number of practical expedients and policy elections are available under the new guidance. The Organization elected the "package of practical expedients" permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term at adoption on July 1, 2022.

The Organization made an accounting policy election under Topic 842 not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of twelve months or less. For all other leases, the Organization recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or July 1, 2022 for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes to an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization's leases may include a non-lease component representing additional services transferred to the Organization, such as common area maintenance for real estate. The Organization made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Organization's operating leases of approximately $1,806,000 on July 1, 2022. The adoption of the new lease standard did not materially impact the Organization's consolidated change in net assets or consolidated cash flows.

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current U.S. GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through changes in net assets. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2016-13 are effective for the Organization's fiscal year 2024. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

Subsequent events: Management has evaluated all events subsequent to the consolidated statements of financial position date of June 30, 2023, through October 25, 2023, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that would require adjustment to or disclosure in the accompanying consolidated financial statements.

Note 2. Availability and Liquidity

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. Generally, the Organization strives to maintain a minimum amount of cash on hand equal to 90 days of operating expense. The following represents the Organization's financial assets available to meet general expenditures over the next 12 months at June 30:

	2023	2022
Cash and cash equivalents, less use restrictions of $10,000 and $80,000 at June 30, 2023 and 2022, respectively and refundable advances of $138,001 and $200,000 at June 30, 2023 and 2022, respectively	$ 14,540,182	$ 17,793,274
Accounts receivable	368,871	125,019
Unconditional promises to give (due in less than one year)	221,594	221,903
Investments	5,099,845	-
Mortgages receivable (due in less than one year)	93,632	109,104
	$ 20,324,124	$ 18,249,300

Note 3. Unconditional Promises to Give and Estate Receivable

Unconditional promises to give and estate receivable consist of the following at June 30:

	2023	2022
Gross unconditional promises to give	$ 417,893	$ 544,923
Less allowance for uncollectible promises	(66,000)	(66,000)
Less unamortized discount	(26,315)	(30,803)
Unconditional promises to give, net	$ 325,578	$ 448,120

Unconditional promises to give and estate receivable are due in the following as of June 30, 2023 and 2022:

	2023	2022
Amounts due in:		
Less than one year	$ 221,594	$ 221,903
One to four years	196,299	323,020
	$ 417,893	$ 544,923

Promises to give with due dates extending beyond one year are discounted to present value using treasury bill rates with similar term investments with an added amount for economic uncertainty. The applicable discount rate for amounts due in more than one year was approximately 3%.

At June 30, 2023 and 2022, approximately $12,000 and $40,000, respectively, of unconditional promises to give were deemed uncollectible and written off.

Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

	2023	2022
Vehicles	$ 354,536	$ 234,748
Furniture and fixtures	53,166	53,166
Buildings	192,267	192,267
Leasehold improvements	772,975	768,214
Signage	22,206	22,205
Construction equipment	26,248	6,446
Office equipment	295,977	295,977
	1,717,375	1,573,023
Less accumulated depreciation	(852,061)	(680,126)
	$ 865,314	$ 892,897

Depreciation expense was approximately $188,000 and $130,000 for the years ended June 30, 2023 and 2022, respectively.

Note 5. Mortgages Receivable, Net

Mortgages receivable, net consist of the following at June 30:

	2023	2022
Non-interest bearing loans at par value	$ 1,220,520	$ 1,490,636
Less unamortized discount based on imputed interest	(602,089)	(740,475)
	$ 618,431	$ 750,161

As of June 30, 2023, no loans were considered non-performing. As of June 30, 2022, there were two loans with a par value of approximately $318,000 that were non-performing, loans past due were approximately $17,000 for the year ended June 30, 2022. Loans are deemed performing if they are less than 90 days delinquent, or if on an approved payment plan and current with the terms of the plan. There were no loans past due as of June 30, 2023.

As of June 30, 2023, the balances due on the mortgages that are scheduled to be received for the next five years and thereafter are as follows:

Years ending June 30,	
2024	$ 93,632
2025	84,421
2026	79,460
2027	72,421
2028	60,754
Thereafter	829,832
	$ 1,220,520

The initial amount of each mortgage loan approximates the Organization's cost to build the house, plus mortgage discount expense. The residential mortgage loans have been discounted to reflect their economic value. The interest rates used to determine the discount range from 3.0% to 10.0% and are based on prevailing market rates, as provided by either Habitat International or applicable federal rates, in the year the mortgage originated. The discount rate used for the year ended June 30, 2022, was 7.66%. No loans required a discount calculation in 2023. The discount is calculated by computing the present value of each of the non-interest-bearing notes using the applicable discount rate.

The Organization typically sells mortgages receivable to various financial institutions at face value. During the years ended June 30, 2023 and 2022, the Organization sold mortgages receivable with a face value of $21.5 million and $13.9 million, respectively. The Organization recognized no gain on sale of mortgages during the years ended June 30, 2023 and 2022.

The Organization services loans which it had sold to various banks. Under the agreements with the banks, the Organization agrees to service all loans in accordance with all applicable federal and state laws and regulations, and customary practices, policies and procedures for servicing residential mortgage loans. Additionally, in the event a loan becomes in default, the loan is subject to certain recourse by the bank.

At June 30, 2023, there is no investment of mortgages receivable secured by real estate for which formal foreclosure proceedings. At June 30, 2022, the recorded investment of mortgages receivable secured by real estate for which formal foreclosure proceedings are in process was approximately $315,000 .

Note 6. Investments

As of June 30, 2023, investments of $5,099,845 consist solely of United States of America Treasury notes maturing between September 30, 2023 and September 30, 2027 with interest rates ranging from 0.25% and 3%. The Organization held no investments as of June 30, 2022.

Note 7. Beneficial Interest in Assets Held By Foundations

The Organization established funds, with the use of net assets with donor restrictions, within the Pinellas Community Foundation (PCF) in the amount of $10,000 and Community Foundation of Tampa Bay (CFTB) in the amount of $10,000 and named the Organization as beneficiary of each fund (original funds). With the use of net assets without donor restrictions, the Organization established additional funds within PCF in the amount of $1,000,000 and CFTB in the amount of $500,000 and named the Organization as beneficiary of each fund. The various fund agreements grant variance power to the respective community foundations, which allows the respective community foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the respective community foundation's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The source of the funds originated from contributions without restrictions. Earnings on the funds, net of any service fees, will be periodically distributed to the Organization in accordance with the agreement. The Organization has recognized approximately $133,000 and ($187,000) in earnings (losses) on these accounts for the years ended June 30, 2023 and 2022, respectively. The portfolio is managed by an investment company with oversight by PCF and CFTB. As of June 30, 2023 and 2022, the Organization's investment in beneficial interest in assets held by community foundations totaled approximately $1,508,000 and $1,374,000, respectively.

Note 8. Fair Value Measurement

The Organization's investments are reported at fair value in the accompanying consolidated statements of financial position. Fair value of assets measured on a recurring basis at June 30, 2023 and 2022, is as follows:

		Fair Value Measurements Using		
2023	Estimated Fair Value	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments				
Money Markets	$ 90,901	$ 90,901	$ -	$ -
U.S. Treasury obligations	5,008,944		5,008,944	-
	5,099,845	90,901	5,008,944	-
Beneficial interest in assets held by community foundations	1,507,542	-	-	1,507,542
	$ 6,607,387	$ 90,901	$ 5,008,944	$ 1,507,542
2022				
Beneficial interest in assets held by community foundations	$ 1,374,226	$ -	$ -	$ 1,374,226
	$ 1,374,226	$ -	$ -	$ 1,374,226

Note 8. Fair Value Measurement (Continued)

There were no liabilities measured at fair value on a recurring basis at June 30, 2023 and 2022. Level 1 investments are classified as such due to their closeness to cash or being valued based on quoted market prices. Fair values for U.S. Treasury obligations are classified as level 2 and are valued using market value pricing model. The beneficial interest in assets held by community foundations are managed by two independent third-party trustees, and the Organization has no authority over investment decisions. The trust assets are valued based upon the third-party information without adjustment. The Organization does not develop, nor are they provided with, the quantitative inputs used to develop the fair market values. Thus, the beneficial interest in assets held by community foundations are classified as Level 3 within the fair value hierarchy level.

During the years ending June 30, 2023 and 2022, there were no transfers into and out of Level 3 investments. The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2023 and 2022.

	Estate Receivable	Beneficial Interest in Assets Held by Community Foundations	Total
Balance as of June 30, 2021	$ 1,570,860	$ 1,561,014	$ 3,131,874
Additions	-	27,176	27,176
Distributions	(1,570,860)	-	(1,570,860)
Change in beneficial interests	-	(213,964)	(213,964)
Balance as of June 30, 2022	-	1,374,226	1,374,226
Additions	-	17,698	17,698
Distributions	-	(499)	(499)
Change in beneficial interests	-	116,117	116,117
Balance as of June 30, 2023	$ -	$ 1,507,542	$ 1,507,542

Note 9. Investment in Joint Venture

The Organization participates in New Markets Tax Credit (NMTC) programs. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. The programs provide funds to eligible organizations for investment in “qualified low-income community investment”. Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In December 2019, the Organization invested in a partnership (Habitat Pinellas Leverage III, LLC), with 95.0% ownership to take advantage of NMTC financing. As a result, the Organization has invested $4,032,750 and was able to secure two 20-year loans in the amount of $4,245,000 and $1,755,000 payable to a community development entity. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in qualified census tracts and selling all homes to low-income persons. The loans are interest only for years one through seven at a reduced rate of 0.7076% per year. Beginning in year eight through year 20 the principal balance of the loan is reduced by a 12-year amortization at the same rate of 0.7076%.

Note 9. Investment in Joint Venture (Continued)

In December 2026, Hancock Whitney New Markets Investor 37, LLC (the Fund), and the upstream effective owner of Hancock Whitney New Markets CDE 37, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement, Habitat Pinellas Leverage III, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund.

Investments in joint ventures are accounted for under the equity method, with the Organization's share of the operating results of the joint venture reflected in investment income from joint venture. During each of the years ended June 30, 2023 and 2022, investment income from joint ventures was approximately $40,000, and is included in investment income on the consolidated statements of activities and changes in net assets.

The results of operations and financial position of the Organization's equity basis investment is summarized below:

	2023 (unaudited)	2022 (unaudited)
Condensed income statement information:		
Revenues	$ 42,450	$ 42,450
Expenses	-	-
	$ 42,450	$ 42,450
Condensed balance sheet information:		
Assets	$ 4,245,000	$ 4,245,000
Liabilities	$ -	$ -
Equity	4,245,000	4,245,000
Total liabilities and equity	$ 4,245,000	$ 4,245,000

Note 10. Notes Payable

	2023	2022
Loans payable to Habitat International as part of the SHOP 2013 grant with total monthly payments ranging from $74 to $444 at 0% interest; maturing between July 2020 and January 2023.	$ -	$ 2,281
Loan payable to Habitat International as part of the SHOP 2015 grant with monthly payments of $677 beginning July 2019, at 0% interest; maturing July 2023.	3,389	11,513
Loans payable to Habitat International as part of the SHOP 2016 grant with total monthly payments ranging from $70 to $768 beginning January 2020, at 0% interest; maturing through January 2026.	48,340	70,564

(Continued)

Note 10. Notes Payable (Continued)

	2023	2022
Loans payable to Habitat International as part of the SHOP 2017 grant with total monthly payments ranging from $145 to $510 beginning January 2022, at 0% interest; maturing through July 2026.	$ 100,574	$ 106,250
Loans payable to Habitat International as part of the SHOP 2018 grant with total monthly payments ranging from $221 to $515 beginning July 2022, at 0% interest; maturing through July 2026.	31,072	35,500
Loan payable to Habitat International as part of the SHOP 2019 grant with monthly payments of $528 beginning January 2023, at 0% interest; maturing January 2027.	25,375	25,375
Loan payable to Habitat International as part of the SHOP 2020 grant with total monthly payments of $580 beginning July 2024, at 0% interest; maturing between July 2028.	27,843	-
Note payable from Pinellas Funding to PNC Community Development Company, LLC for $1,004,236 with monthly payments of $2,843 at 0% interest until maturity at June 2043; collateralized by assignment of notes (see Note 16).	475,846	500,050
Note payable to Hancock Whitney New Markets CDE 37, LLC (see Note 9), debt requires interest only. Loan A $4,245,000 and Loan B $1,755,000. Debt requires interest only payments through December 2026 and matures in December 2039. The loan is secured by substantially all the assets acquired by the Organization from the loan proceeds. Debt has a put option feature that is exercisable on December 25, 2026.	6,000,000	6,000,000
Two (2) notes payable to the City of St. Petersburg for purchase of land with 0% interest, and collateralized by real property. The loans are forgiven if the home is owned by an eligible homeowner through January 2032.	14,000	14,000
Three (3) $15,000 notes payable to the City of St. Petersburg for three parcels of land with 0% interest, and collateralized by real property. The loans are forgiven if the home is owned by an eligible homeowner beginning February 2030 through March 2030.	45,000	45,000
Note payable to Pinellas County for the purchase of Habitat Pinellas Park Sub property with 0% interest. Effective October 2023, the loan was extended to have principal payments due at the earlier of the borrowers' sale of the property or October 2023.	112,000	112,000

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(Continued)

Note 10. Notes Payable (Continued)

	2023	2022
$192,250 available note payable to Pinellas County for the purchase and development of property with 0% interest and a maturity date of February 2023, collateralized by the property. No payments are due until the earlier of the maturity date or the date the property is sold.	$ -	$ 31,250
$212,500 note payable to Pinellas County for the purchase and development of property with 0% interest and a maturity date of December 2021, collateralized by the property. Repayment of the balance will be forgiven upon the sale of the property as approved by Pinellas County. The loan was forgiven in fiscal year 2023.	-	210,000
Note payable of $90,000 to Pinellas County for the purchase of property with 0% interest. Principal is due at the earlier of the borrowers' sale of the property or December 2023.	90,000	90,000
Note payable of $250,000 to Pinellas County for the purchase of property with 0% interest. Principal is due at the earlier of the borrowers' sale of the property or June 2025.	250,000	250,000
Note payable of $166,884 to Pasco County for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2024.	-	104,303
Note payable of $244,000 to Pasco County for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2024, collateralized by the property.	-	211,467
Note payable of $12,900 to Pasco County for the purchase of Leisure Lane property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2024, collateralized by the property.	-	12,900
Note payable of $18,861 to Pasco County for the purchase of Leisure Lane property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2024, collateralized by the property.	-	18,861
Note payable of $10,460 to Pasco County for the purchase of Van Doren Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2024, collateralized by the property.	-	10,460

(Continued)

Note 10. Notes Payable (Continued)

	2023	2022
Note payable of $20,600 to Pasco County for the purchase of Van Doren Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2024, collateralized by the property.	$ -	$ 20,600
Note payable of $35,000 to City of Clearwater for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or March 2023.	-	35,000
Note payable of $26,350 to City of Clearwater for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or January 2024.	-	26,350
Note payable of $1,600,000 to Beach Community Bank for the purchase of property with interest at prime less .25% with interest only payments until receipt of grant money of $1,000,000 within 6-12 months from inception to be applied with the remaining amount paid down by sale of homes with a maturity date of August 2023.	-	1,600,000
	7,223,439	9,543,724
Debt issuance costs, net of accumulated amortization	(152,220)	(161,335)
	$ 7,071,219	$ 9,382,389

The following is a summary of future contractual debt maturities during each of the following years ending June 30:

2024	$ 279,429
2025	347,434
2026	86,692
2027	78,448
2028	65,226
Thereafter	6,366,210
	$ 7,223,439

During the year ended June 30, 2023 and 2022, the Organization incurred no debt issuance costs in connection with the issuance of notes payable above. Debt issuance costs are presented as a reduction of notes payable to be amortized over the term of the loan. The components of debt issuance costs are as follows at June 30:

	2023	2022
Loan costs	$ 184,509	$ 184,509
Less accumulated amortization	(32,289)	(23,174)
Total direct debt costs, net	$ 152,220	$ 161,335

Interest expense related to the direct debt costs for each of the years ended June 30, 2023 and 2022, was approximately $9,000.

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows at June 30:

	2023	2022
Subject to expenditure for specified purpose or time restriction:		
Unconditional promises to give, net of unamortized discount	$ 391,578	$ 514,120
Use restriction	10,000	80,000
Donated land	67,900	41,510
Subject to spending policy:	469,478	635,630
Beneficial interest in assets held by community foundations	20,000	20,000
	$ 489,478	$ 655,630

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time were as follows for the years ended June 30:

	2023	2022
Unconditional promises to give, net of unamortized discount	$ 281,184	$ 1,801,714
Use restriction	70,000	6,400
Donated labor and materials	-	26,000
Donated land	26,509	147,682
	$ 377,693	$ 1,981,796

Note 12. Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization acquired equipment through finance lease arrangements which expire in 2025. Equipment under the finance leases totaled approximately $77,000 at June 30, 2023 and 2022, and is included in property and equipment on the consolidated statements of financial position.

The Organization leases its office and two ReStore locations under non-cancelable operating lease agreements with expiration dates through May 2029. In addition to monthly base rent, the Organization is required to pay 5% of ReStore sales to the landlord.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the right-of-use assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern of the lease term.

Note 12. Leases (Continued)

The components of lease expense for the year ended June 30, 2023, are as follows:

Operating lease cost	$ 487,599
Variable lease cost	53,267
Total operating lease cost	540,866
Finance lease cost - amortization of right-of-use assets	13,202
Finance lease cost - interest on lease liabilities	751
Total finance lease cost	13,953
	$ 554,819

Finance lease costs are recorded in printing and advertising expenses in the consolidated statements of functional expenses. Short-term lease expense is not material the Organization's consolidated financial statements. Rental expense amounted to approximately $743,000 for the year ended June 30, 2022.

Based on the terms of the agreements, the future undiscounted cash flows for minimum payments, excluding the percentage of Habitat ReStore's gross sales, due on all leases are as follows at June 30, 2023:

	Finance Leases	Operating Leases
Years ending June 30:		
2024	$ 13,580	$ 536,302
2025	4,206	555,183
2026	-	559,251
2027	-	242,018
2028	-	207,490
Thereafter	-	193,915
Total minimum lease payments	17,786	2,294,159
Less implied interest portions included in payments	(716)	(151,744)
Present value of lease liabilities	$ 17,070	$ 2,142,415

Future minim lease commitments, as determined under Topic 840, for all non-cancelable operating leases were as follows as of June 30, 2022:

Years ending June 30:	
2023	$ 497,695
2024	514,776
2025	532,361
2026	537,031
2027	77,939
Thereafter	-
Total minimum lease payments	$ 2,159,802

Note 12. Leases (Continued)

The weighted-average remaining lease term and the weighted average discount rate utilized in the lease liabilities calculations were as follows as of June 30, 2023:

Wegihted-average remaining lease term:	
Operating leases	4.00 years
Finance leases	1.67 years
Wegihted-average discount rate:	
Operating leases	3.07%
Finance leases	3.00%

Note 13. Commitments and Contingencies

Purchases: At June 30, 2023, the Organization had commitments to purchase land totaling approximately $665,000.

Litigation: The Organization is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the Organization's consolidated financial position or the results of its operations.

Grantors: Certain expenditures incurred by the Organization are subject to audit and possible disallowance by federal and state agencies. Management believes that, if audited, an adjustment for disallowed expenses would be immaterial. Additionally, certain properties maintain land use restrictions over a period of time which require the properties to be owned by families of low-income. Noncompliance with the land use restriction could result in repayment of all or a portion of previous amounts forgiven. Management believes the Organization is in compliance with land use restrictions through June 30, 2023.

Paycheck Protection Program: The Organization received proceeds from the Paycheck Protection Program in the amount of $536,607. During 2021, under the terms of the loan, the entire outstanding principal balance and accrued interest was forgiven. The Small Business Administration has the ability to review the original application and forgiveness application for six years to assess compliance with the CARES Act. Management believes the Organization is in compliance with the CARES Act and does not anticipate repayment of any amounts forgiven.

Note 14. Transactions With Habitat International

The Organization remits a portion of its contributions without donor restrictions to Habitat International as tithe to support its operations. The Organization contributed $328,500 and $579,500 to Habitat International during the years ended June 30, 2023 and 2022, respectively. These amounts are included in program expense in the consolidated statements of activities and changes in net assets.

Note 15. Community Development Block Grant

On June 15, 2006, the Organization was awarded a Community Development Block Grant (Grant) from Pinellas County, Florida in the amount of $350,000. Under the Grant, the Organization acquired 2.5 acres of land in Dunedin, Florida and constructed 18 affordable home ownership housing units. If the homebuyer sells the property between years six and 20, the Organization is required to return a prorated portion of the funds back to Pinellas County. The Organization has recorded a second mortgage on the properties to secure its interest in the properties. Both an asset for the second mortgage and a corresponding liability of $350,000 due to Pinellas County, are recorded as a deferred affordable housing note, and are reflected in the June 30, 2023 and 2022, consolidated statements of financial position. The amounts will be forgiven in 2026 if the homebuyers do not sell the properties.

Note 16. Sale of Mortgages With PNC Bank

In August 2013, Pinellas Funding was formed as a single member LLC with Habitat as the member. During 2014, Pinellas Funding acquired seven mortgages from Habitat with a carrying value of $666,422. Pinellas Funding then entered into a note purchase agreement with PNC Bank. Pinellas Funding authorized the issuance and sale of the mortgages with a face value of $1,004,236 to PNC Bank for $666,422 on August 29, 2013. This transaction did not meet the requirements under ASC 860 to be treated as a sale due to the Organization maintaining effective control and involvement with the mortgage receivables. Accordingly, the mortgages receivable were not derecognized and are recorded in other mortgages receivable in the accompanying consolidated statements of financial position in the amount of approximately $476,000 and $500,000 at June 30, 2023 and 2022, respectively. Additionally, the Organization recorded a note payable due to PNC Bank. See Note 10 for the terms and outstanding balance of the offsetting PNC note payable at June 30, 2023 and 2022.

Note 17. Retirement Plan

The Organization has a 401(k) profit sharing plan that provides for a discretionary matching contribution. For the years ended June 30, 2023 and 2022, the Organization made contributions of approximately $112,000 and $88,000, respectively.

Note 18. Conditional Promises to Give from Grantors and Donors

The Organization has conditional promises to give from grantors and donors of approximately $250,000 and $861,000 as of June 30, 2023 and 2022, respectively. Future payments are contingent upon the Organization carrying out certain activities (meeting grant and donor imposed barriers) stipulated by the grant or contract.

Conditional promises to give from the Organization's grantors and donors consist of the following:

	2023	2022
Cash grants from Habitat International passed through from the U.S. Government	$ 249,826	$ 361,196
Cash grants from other grantors/donors	138,001	500,000
	$ 387,827	$ 861,196

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency Pass-Through Entity Federal Program Pass-Through Entity Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Identifying Number	Federal Expenditures		Passed Through to Subrecipients
U.S. Department of Housing and Urban Development (HUD):					
Entitlement Grant Cluster					
Passed through Pinellas County, Florida					
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	$ 350,000	*	$ -
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	210,000	*	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	90,000	*	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	250,000	*	-
Passed through City of Clearwater, Florida					
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	26,350	*	-
Community Development Block Grant/Entitlement Grants	14.218	Not Applicable	35,000	*	-
Total Entitlement Grant Cluster			961,350		-
Passed through City of St. Petersburg, Florida					
HOME Investment Partnerships Program	14.239	Not Applicable	15,000	*	-
HOME Investment Partnerships Program	14.239	Not Applicable	15,000	*	-
HOME Investment Partnerships Program	14.239	Not Applicable	15,000	*	-
HOME Investment Partnerships Program	14.239	Not Applicable	14,000	*	-
Passed through City of Clearwater, Florida					
HOME Investment Partnerships Program	14.239	Not Applicable	162,000		-
HOME Investment Partnerships Program	14.239	Not Applicable	19,440		-
HOME Investment Partnerships Program	14.239	Not Applicable	162,000		-
HOME Investment Partnerships Program	14.239	Not Applicable	19,440		-
HOME Investment Partnerships Program	14.239	Not Applicable	155,000		-
HOME Investment Partnerships Program	14.239	Not Applicable	18,600		-
HOME Investment Partnerships Program	14.239	Not Applicable	163,000		-
HOME Investment Partnerships Program	14.239	Not Applicable	19,560		-
Total Assistance Listing Number 14.239			778,040		-
Passed through Habitat for Humanity International, Inc.					
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	251,483	*	-
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	27,843		-
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	83,528		-
Total Assistance Listing Number 14.247			362,854		-
Passed through Habitat for Humanity International, Inc.					
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	Not Applicable	42,542		-
Total Assistance Listing Number 14.252			42,542		-
Subtotal—(HUD)			2,144,786		-
Total expenditures of federal awards			$ 2,144,786		$ -

* This represents the balance of a loan from a previous year which the federal government imposes the continuing compliance requirements.

See accompanying notes to schedule of expenditures of federal awards.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Habitat for Humanity of Pinellas County, Inc. (the Organization). The information in this Schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Some amounts presented in the Schedule may differ from amounts presented or used in the preparation of the consolidated financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Self-Help Homeownership Opportunity Program

HUD's Self-Help Homeownership Opportunity Program (SHOP) grants and loans were passed through to Habitat by Habitat for Humanity International, Inc. (Habitat International). The SHOP Agreement stipulates that 75% of each sub-grant from Habitat International to the affiliate is in the form of a grant and 25% is in the form of a loan. The awards provided under ALN 14.247 for SHOP were as follows for the year ended June 30, 2023:

Pass-Through Grantor	Identifying Number		Federal Expenditures	
Habitat International	SHOP 2013 – Existing Loans	$	2,281	*
Habitat International	SHOP 2015 – Existing Loans		11,513	*
Habitat International	SHOP 2016 – Existing Loans		70,564	*
Habitat International	SHOP 2017 – Existing Loans		106,250	*
Habitat International	SHOP 2018 – Existing Loans		35,500	*
Habitat International	SHOP 2019 – Existing Loans		25,375	*
Habitat International	SHOP 2020 – New Loan		27,843	
Habitat International	SHOP 2020 – Grant		83,528	
		$	362,854	

*Represents the balance of a loan from a previous year that the federal government imposes the continuing compliance requirements equaling $251,483.

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards

Note 5. Loans

The Organization has the following loan balances at June 30, 2023:

Assistance Listing Number	Description	Original Loan Amount	Balance at July 1, 2022	New Loans	Forgiveness	Payments	Balance at June 30, 2023
14.218	Shady Grove	$ 350,000	$ 350,000	$ -	$ -	$ -	$ 350,000
14.218	Ridgecrest/Largo	205,000	210,000	-	(210,000)	-	-
14.218	1310 Gooden Crossing	250,000	250,000	-	-	-	250,000
14.218	1204 Gooden Crossing	90,000	90,000	-	-	-	90,000
14.218	1404 Taft Street	35,000	35,000	-	-	(35,000)	-
14.218	1108 Tangerine	26,350	26,350	-	-	(26,350)	-
14.239	3818 14th Ave S.	15,000	15,000	-	-	-	15,000
14.239	3743 31st Ave S.	15,000	15,000	-	-	-	15,000
14.239	1220 22nd Ave S.	15,000	15,000	-	-	-	15,000
14.239	2119 Union Street	14,000	14,000	-	-	-	14,000
14.239	619 Blanche B Littlejohn Trail	162,000	-	162,000	-	(162,000)	-
14.239	1108 Tangerine	162,000	-	162,000	-	(162,000)	-
14.239	1327 Toiga Ave	155,000	-	155,000	-	(155,000)	-
14.239	1125 Tangerine	163,000	-	163,000	-	(163,000)	-
14.247	SHOP 2013 – Loans	57,416	2,281	-	-	(2,281)	-
14.247	SHOP 2015 – Loans	32,500	11,513	-	-	(8,124)	3,389
14.247	SHOP 2016 – Loans	23,750	70,564	-	-	(22,224)	48,340
14.247	SHOP 2017 – Loans	40,625	106,250	-	-	(5,676)	100,574
14.247	SHOP 2018 – Loans	65,625	35,500	-	-	(4,428)	31,072
14.247	SHOP 2019 – Loans	35,500	25,375	-	-	-	25,375
14.247	SHOP 2020 – Loans	27,843	-	27,843	-	-	27,843

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Habitat for Humanity of Pinellas County, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity of Pinellas County, Inc. and Subsidiaries (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated October 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Organization's Response to Findings
Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

St. Petersburg, Florida
October 25, 2023

RSM

RSM US LLP

Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Directors
Habitat for Humanity of Pinellas County, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Habitat for Humanity of Pinellas County, Inc. and Subsidiaries' (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor’s Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

St. Petersburg, Florida
October 25, 2023

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I—Summary of Auditor's Report

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?	X	Yes		None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major federal program:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?		Yes	X	No

Identification of major federal programs

Assistance Listing Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B federal programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

Section II – Financial Statement Findings

A. Internal Control Over Financial Reporting

Finding No. 2023-001-Incorect Application and Adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*

Significant Deficiency

Criteria: Based on principals and guidance contained within the 2013 *Internal Control-Integrated Framework* as published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management is responsible for the design, implementation and maintenance of internal controls over financial reporting with the objective that the consolidated financial statements are accurate under accounting principles generally accepted in the United States of America (U.S. GAAP).

Condition: An error was identified in management's adoption of and accounting for ASC 842, *Leases*. We noted upon the initial adoption of ASC 842, management classified operating leases as finance leases incorrectly. Additionally, one lease was modified in March of 2023 and the modification was not assessed and taken into account when determining the operating right-of-use asset and operating lease liabilities at June 30, 2023.

Context: FASB ASC 842, *Leases*, provides guidance on lease classification and accounting for lease modifications.

Effect: The cumulative effect of the adjustment on beginning net assets at July 1, 2022 was a reduction in net assets without donor restrictions of $9,634 and no adjustment to net assets with donor restrictions at July 1, 2022. The adjustment to assets and liabilities at June 30, 2023 was an increase of $623,409 and $632,173, respectively. The adjustment on total expenses was a decrease of $870, however, the adjustment resulted in a decrease of interest expense of $51,179 and an increase in rent expense of $50,309.

Cause: Management's internal control procedures for adoption and accounting for new accounting standards were not sufficient to identify the above condition.

Recommendation: We recommend the Organization enhance procedures over the adoption of, accounting for and financial reporting over new accounting standards. We recommend the Organization utilize third party service providers if resources are not available internally. Review procedures should be designed to identify potential U.S. GAAP departures.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. See Corrective Action Plan.

Section III – Federal Award Findings and Questions Costs

None reported.

Section IV – Other Matters

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.

Habitat for Humanity®
of Pinellas & West Pasco Counties

We build **strength, stability, self-reliance** *and* **shelter**

October 11, 2023

RSM
100 2nd Avenue South, Suite 600
St. Petersburg, FL 33701

Corrective Action Plan: June 30, 2023

Identifying Number 2023-001: Incorect Application and Adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*

Finding: Based on principals and guidance contained within the 2013 *Internal Control-Integrated Framework* as published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management is responsible for the design, implementation and maintenance of internal controls over financial reporting with the objective that the consolidated financial statements are accurate under accounting principles generally accepted in the United States of America (U.S. GAAP). An error was identified in management's adoption of and accounting for of ASC 842, *Leases*. The auditors noted upon the initial adoption of ASC 842, Management classified operating leases as financing leases incorrectly. Additionally, one lease was modified in March of 2023 and the modification was not assessed and taken into account when determining the operating right-of-use asset and operating lease liabilities at June 30, 2023. The cumulative effect of the adjustment on beginning net assets at July 1, 2022 was a reduction in net assets without donor restriction of $9,634 and no adjustment to net assets with donor restrictions at July 1, 2022. The adjustment to assets and liabilities at June 30, 2023 was an increase of $623,409 and $632,173, respectively. The adjustment on total expenses was a decrease of $870, however, the adjustment resulted in a decrease of interest expense of $51,179 and an increase in rent expense of $50,309.

Corrective Action Taken or Planned: We agree with the auditor's comments, and the following action has been taken to improve the situation. Management has reviewed its current procedures regarding the adoption of new accounting standards. The CFO will oversee adoption of new accounting standards as well as continued compliance with existing accounting standards. The CFO will research professional standards to ensure implementation is accurate and done in a timely manner when there is a new accounting standard. This is consistent with prior years. Fiscal 2023 was unusual in that the CFO resigned in May 2023. The interim CFO made inquiries of the CFO as to implementation of the Standard but did not substantiate or test the implementation. The interim CFO will take steps to ensure the new CFO understands the importance of timely and accurate implementation of new Standards as well as continued compliance with existing Standards. This will ensure adequate internal controls over adopting and accounting for new accounting standards.

The primary designated official is Nancy M. Ridenour, Interim Chief Financial Officer.

Sincerely,

Nancy M Ridenour

Nancy M. Ridenour
Interim Chief Financial Officer