HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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Corbin &
Company

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of South Hampton Roads, Inc.
Norfolk, Virginia

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of South Hampton Roads, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of South Hampton Roads, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of South Hampton Roads, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Adjustment

As discussed in Note 19 to the financial statements, the prior period financial statements have been adjusted to increase amounts reported for receivables and net assets without donor restrictions as of July 1, 2021, due to the Organization applying for employee retention tax credits during the current year. As the credits were for wages incurred in years prior to July 1, 2022, the amounts reported for accounts receivable and net assets without donor restrictions have been restated in the June 30, 2022 financial statements now presented. Our opinion is not modified with respect to that 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 Habitat for Humanity of South Hampton Roads, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

CORBIN & COMPANY, P.C. • CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS
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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of South Hampton Roads, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Cerlux & Company, P.C.

Chesapeake, Virginia
September 4, 2023

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS	2023	2022
Current assets:		
Cash and cash equivalents	$ 1,146,507	$ 942,397
Restricted cash	58,454	70,707
Investments	551,874	292,450
Land, construction in progress, and real estate	373,412	379,477
Contributions and grants receivables	270,481	72,423
Mortgages receivable, current, net	126,899	130,136
Other receivables	67,981	241,551
Escrow advances and deposits	1,986	26,006
Prepaid expenses	30,977	34,897
Total current assets	2,628,571	2,190,044
Property and equipment:		
Land	569,000	569,000
Automobiles and trailers	87,281	75,295
Building and improvements	1,589,674	1,536,098
Equipment, furniture, and fixtures	130,929	131,568
Leasehold improvements	30,704	29,194
	2,407,588	2,341,155
Less accumulated depreciation	750,938	676,465
Total property and equipment	1,656,650	1,664,690
Other assets:		
Mortgages receivable, net of current portion and discounts	1,994,761	2,045,284
Operating lease right-of-use assets, net	314,418	-
Land held as investment property	22,500	22,500
Beneficial interest in net assets of the Hampton Roads Community Foundation - Endowment	63,932	70,049
Deposits	1,680	1,680
Total other assets	2,397,291	2,139,513
TOTAL ASSETS	$ 6,682,512	$ 5,994,247

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS	2023	2022
Current liabilities:		
Notes payable, current portion	$ 164,289	$ 180,221
Operating lease liabilities, current portion	115,395	-
Accounts payable and accrued expenses	98,792	113,571
Total current liabilities	378,476	293,792
Long-term liabilities:		
Notes payable, net of current portion and unamortized loan costs	652,159	836,220
Operating lease liabilities, less current portion	206,360	-
Total long-term liabilities	858,519	836,220
Total liabilities	1,236,995	1,130,012
Net Assets:		
Without donor restrictions:		
Invested in property and equipment	1,656,650	1,664,690
Board designated operating reserve	558,867	434,659
Board designated for construction projects	285,807	214,028
Board designated for future property acquisitions	154,183	145,897
Undesignated	2,387,435	2,199,704
	5,042,942	4,658,978
With donor restrictions	402,575	205,257
Total net assets	5,445,517	4,864,235
TOTAL LIABILITIES AND NET ASSETS	$ 6,682,512	$ 5,994,247

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

OPERATING ACTIVITIES	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support:			
Contributions	$ 698,947	$ 310,204	$ 1,009,151
Grants	557,227	153,231	710,458
In-kind contributions	15,970	-	15,970
Mortgage loan discount amortization, net	238,863	-	238,863
Other income	36,646	-	36,646
ReStore retail sales	1,413,979	-	1,413,979
Sales of completed homes	561,190	-	561,190
Net assets released from restrictions	262,850	(262,850)	-
Total revenue and public support	3,785,672	200,585	3,986,257
Functional expenses:			
Program services:			
Housing	1,855,098	-	1,855,098
Family services	49,453	-	49,453
ReStore	1,155,778	-	1,155,778
Total program services	3,060,329	-	3,060,329
Supporting services:			
Management and general	120,487	-	120,487
Fundraising	264,807	-	264,807
Total functional expenses	3,445,623	-	3,445,623
Change in net assets from operating activities	340,049	200,585	540,634
NONOPERATING ACTIVITIES			
Change in value of beneficial interest	-	(3,267)	(3,267)
Net investment return	43,209	-	43,209
Gain on disposal of property and equipment	706	-	706
Total nonoperating activities	43,915	(3,267)	40,648
Change in net assets	383,964	197,318	581,282
Net assets - beginning of year	4,658,978	205,257	4,864,235
Net assets - end of year	$ 5,042,942	$ 402,575	$ 5,445,517

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

OPERATING ACTIVITIES	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support:			
Contributions	$ 1,866,536	$ 80,500	$ 1,947,036
Grants	425,019	10,000	435,019
In-kind contributions	61,011	-	61,011
Mortgage loan discount amortization, net	255,593	-	255,593
Other income	9,990	-	9,990
ReStore retail sales	1,143,842	-	1,143,842
Sales of completed homes	428,236	-	428,236
Net assets released from restrictions	125,320	(125,320)	-
Total revenue and public support	4,315,547	(34,820)	4,280,727
Functional expenses:			
Program services:			
Housing	1,223,138	-	1,223,138
Family services	73,854	-	73,854
ReStore	980,684	-	980,684
Total program services	2,277,676	-	2,277,676
Supporting services:			
Management and general	169,673	-	169,673
Fundraising	224,559	-	224,559
Total functional expenses	2,671,908	-	2,671,908
Change in net assets from operating activities	1,643,639	(34,820)	1,608,819
NONOPERATING ACTIVITIES			
Change in value of beneficial interest	-	5,619	5,619
Net investment return	(30,976)	-	(30,976)
Loss on disposal of property and equipment	(15,023)	-	(15,023)
Total nonoperating activities	(45,999)	5,619	(40,380)
Change in net assets	1,597,640	(29,201)	1,568,439
Net assets - beginning of year - previously reported	2,840,184	234,458	3,074,642
Prior period adjustment	221,154	-	221,154
Net assets - beginning of year - adjusted	3,061,338	234,458	3,295,796
Net assets - end of year	$ 4,658,978	$ 205,257	$ 4,864,235

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services		
	Housing	Family Services	ReStore	Total Program	Management & General	Fund-raising	Total
Personnel expenses:							
Salaries and wages	$ 208,200	$ 31,287	$ 542,864	$ 782,351	$ 30,084	$ 157,008	$ 969,443
Payroll taxes	17,341	3,232	55,510	76,083	3,378	13,338	92,799
Retirement plan	1,239	-	-	1,239	1,523	899	3,661
Other benefits	-	-	200	200	1,250	1,250	2,700
	226,780	34,519	598,574	859,873	36,235	172,495	1,068,603
Other expenses:							
Advertising	2,041	-	-	2,041	-	-	2,041
Automobile	15,706	-	53,495	69,201	83	-	69,284
Bad debt	-	-	-	-	-	7,000	7,000
Bank fees	106	80	-	186	741	-	927
Construction/product costs	1,224,211	-	44,970	1,269,181	-	-	1,269,181
Consulting	65,641	519	29,193	95,353	26,077	55,195	176,625
Depreciation	16,052	1,584	53,844	71,480	6,850	1,582	79,912
Equipment rentals	5,943	-	834	6,777	-	-	6,777
Fees, licenses, and taxes	3,183	246	55,943	59,372	260	2,479	62,111
Fundraising and volunteers	12,767	-	409	13,176	915	5,674	19,765
Information technology	3,710	2,846	14,268	20,824	8,622	2,846	32,292
Insurance	44,577	1,971	46,599	93,147	9,235	6,918	109,300
Interest	26,103	-	-	26,103	167	-	26,270
Miscelleaneous	-	-	-	-	6,157	-	6,157
Mortgage discount on mortgages issued	159,501	-	-	159,501	-	-	159,501
Office expenses	14,088	5,185	33,279	52,552	11,539	8,295	72,386
Professional fees	12,584	587	15,853	29,024	2,601	587	32,212
Rent and occupancy	2,703	48	115,996	118,747	193	48	118,988
Repairs and maintenance	2,733	307	8,135	11,175	7,216	308	18,699
ReStore supplies	7	-	42,317	42,324	-	-	42,324
Travel	9,505	5	333	9,843	291	-	10,134
Utilities	7,157	1,556	41,736	50,449	3,305	1,380	55,134
Total other expenses	1,628,318	14,934	557,204	2,200,456	84,252	92,312	2,377,020
Total expenses	$ 1,855,098	$ 49,453	$ 1,155,778	$ 3,060,329	$ 120,487	$ 264,807	$ 3,445,623

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services		
	Housing	Family Services	ReStore	Total Program	Management & General	Fund-raising	Total
Personnel expenses:							
Salaries and wages	$ 155,067	$ 52,125	$ 442,277	$ 649,469	$ 78,347	$ 114,250	$ 842,066
Payroll taxes	12,337	2,936	47,134	62,407	5,971	9,749	78,127
Retirement plan	1,797	1,504	1,309	4,610	1,980	1,279	7,869
Other benefits	460	46	1,564	2,070	1,434	1,296	4,800
	169,661	56,611	492,284	718,556	87,732	126,574	932,862
Other expenses:							
Advertising	1,500	-	-	1,500	-	2,545	4,045
Automobile	19,132	-	41,903	61,035	53	-	61,088
Bank fees	-	60	11	71	796	-	867
Construction/product costs	859,721	-	34,199	893,920	130	3,265	897,315
Consulting	48,500	-	24,000	72,500	24,000	67,475	163,975
Depreciation	12,916	1,292	43,913	58,121	5,166	1,291	64,578
Equipment rentals	3,033	-	1,035	4,068	-	-	4,068
Fees, licenses, and taxes	756	988	46,638	48,382	1,871	2,010	52,263
Fundraising and volunteers	3,400	-	34	3,434	-	9,554	12,988
Information technology	3,439	2,575	13,182	19,196	7,808	2,575	29,579
Insurance	25,558	4,098	38,030	67,686	(163)	1,299	68,822
Interest	36,746	209	7,103	44,058	6,284	209	50,551
Office expenses	10,359	5,756	29,557	45,672	11,279	6,494	63,445
Professional fees	11,467	533	5,333	17,333	7,343	534	25,210
Rent and occupancy	-	-	111,485	111,485	3,435	-	114,920
Repairs and maintenance	5,606	208	7,155	12,969	11,478	209	24,656
ReStore supplies	-	-	45,439	45,439	-	-	45,439
Travel	3,221	-	141	3,362	-	-	3,362
Utilities	8,123	1,524	39,242	48,889	2,461	525	51,875
Total other expenses	1,053,477	17,243	488,400	1,559,120	81,941	97,985	1,739,046
Total expenses	$ 1,223,138	$ 73,854	$ 980,684	$ 2,277,676	$ 169,673	$ 224,559	$ 2,671,908

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 581,282	$ 1,568,439
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	79,912	64,578
(Gain) loss on disposal of property and equipment	(706)	15,023
Realized and unrealized losses on investments	(29,001)	31,652
Amortization of debt issuance costs	167	5,449
Amortization of operating lease right of use assets	108,187	-
Change in value of beneficial interest	3,267	(5,619)
Mortgage loan discount amortization	(238,863)	(255,593)
Face value of mortgages issued	(260,000)	-
(Increase) decrease in assets:		
Land, construction in progress, and real estate	6,065	(41,044)
Contributions and grants receivable	(198,058)	82,827
Other receivables	173,570	14,982
Escrow advances and deposits	24,020	(6,110)
Prepaid expenses	3,920	(10,664)
Increase (decrease) in liabilities:		
Operating lease liabilities due to cash payments	(100,850)	-
Accounts payable and accrued expenses	(14,779)	2,238
Net cash from operating activities	138,133	1,466,158
Cash flows from investing activities:		
Purchases of property and equipment	(71,872)	(229,754)
Proceeds from sale of property and equipment	706	-
Proceeds from sale of land held as investment	-	229,977
Proceeds from sales of investments	85,498	14,651
Purchase of investments	(465,921)	(338,753)
Proceeds from investment released for operations	150,000	-
Proceeds from endowment released for operations	2,850	-
Proceeds from mortgages receivable payments	552,623	359,995
Net cash from investing activities	253,884	36,116
Cash flows from financing activities:		
Principal payments on notes payable	(200,160)	(1,049,848)
Net cash from financing activities	(200,160)	(1,049,848)
Net change in cash, cash equivalents and restricted cash	191,857	452,426
Cash, cash equivalents and restricted cash - beginning of year	1,013,104	560,678
Cash, cash equivalents and restricted cash - end of year	$ 1,204,961	$ 1,013,104

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AS PRESENTED ON THE STATEMENT OF FINANCIAL POSITION:

	2023	2022
Cash and cash equivalents	$ 1,146,507	$ 942,397
Restricted cash	58,454	70,707
	$ 1,204,961	$ 1,013,104

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2023	2022
Cash paid during the year for interest	$ 26,103	$ 45,102
Lease assets obtained in exchange for lease obligations	$ 422,605	$ -

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ORGANIZATION

Habitat for Humanity of South Hampton Roads, Inc. (the "Organization") was established on August 22, 1988 as a non-stock, not-for-profit corporation under the appropriate sections of the Internal Revenue Code and the laws of the Commonwealth of Virginia. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and operates as a Community Housing Development Organization ("CHDO") under the U.S. Department of Housing and Urban Development ("HUD") regulations, and is entitled to various grant opportunities, both local and federal. The Organization, together with house sponsors, constructs or rehabilitates housing in South Hampton Roads for economically disadvantaged families to acquire at a cost which is lower than the home's fair value. House sponsors are individuals, corporations, churches, or other organizations who volunteer to sponsor a construction project. Costs are minimized by use of volunteer workers and contributed materials, or materials purchased at significant discounts through cooperating suppliers.

The Organization operates retail thrift stores in Virginia Beach and Norfolk selling donated inventory consisting of construction materials, home furnishings, appliances, clothing, and other accessories. Beginning in 2013, the Organization established a new operating model for the thrift stores referred to as the "ReStore". The ReStore model specializes in selling surplus new and used building and home improvement materials, appliances, and furniture to the public. The ReStores receive donated usable material from retail businesses, contractors, individuals, and other organizations. Revenue is recognized by the Organization at the time the goods are sold; therefore, no value for the ReStore inventory is included in these financial statements. Costs associated with the operation of the ReStores are expenses in program expenses for the ReStore in the accompanying statements of activities and changes in net assets. All net proceeds from the operation of the ReStores help support and enhance the Organization's non-profit mission related activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The Organization presents its financial statements in accordance with accounting standards generally accepted in the United States of America ("U.S. GAAP") for financial statements of nonprofit organizations. Under these accounting standards, the 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. In addition, the Organization is required to present statements of functional expenses and of cash flows.

Classification of Net Assets – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified and reported as follows:

> *Without Donor Restrictions* – Net assets that are free of donor-imposed stipulations and are fully available to utilize for any program or supporting services. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors' stipulations results in the release of such restrictions. The Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization.
>
> *With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Organization. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from donor restrictions. The Organization has net assets with donor restrictions to be held in perpetuity as described in Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of reserves that are restricted for construction or other specific purposes by donors, and are then released from restriction when a donor stipulated purpose restriction is accomplished.

Investments

The Organization's investments are stated at fair value based on quoted or published prices in active markets. Investments consist of fixed income and equity securities. Realized gains and losses on sales of investments, if any, are determined based on the actual cost of the securities sold and are included in the change in net assets. Unrealized gains and losses are also included in the change in net assets. Interest, dividends, fees, and gains and losses on investments are reflected on the statements of activities as net investment return.

Land, Construction in Progress, and Real Estate

Real estate, building materials, and land are recorded at cost if purchased or at the fair value on the date received if acquired through a foreclosure. Donated land and houses are recorded at the tax assessed value on the date of donation. The Organization receives donated services from a substantial number of volunteers and materials related to home construction. The value of these donated services and materials have been recorded based on the increase in fair value of the real estate as determined by an estimate based on historical results for construction in progress or an appraisal at the time of sale. Expenses, including donated services and materials, related to the cost of homes are capitalized as real estate and construction in progress.

Contributions and Grants Receivables and Revenues

Unconditional promises to give and grants receivables are recognized as revenues in the period received and are recorded as increases in net assets without donor restrictions depending on the existence and nature of any donor or grantor restrictions. All contributions and grants received consist solely of non-exchange, non-reciprocal transactions, and contain no donor nor grantor-specified conditions or barriers that would cause contributions or grants to be considered conditional in nature. All contributions and grants receivables as of June 30, 2023 are expected to be collected within one year. Management may record a discount when recording long-term pledges, if considered necessary. No discount was recorded for the years ended June 30, 2023 and 2022.

Donor or grantor-imposed conditions are separate from donor or grantor-imposed restrictions. The Organization records contributions of cash and other assets with donor or grantor-imposed restrictions as grants and contributions with donor restrictions within the statements of activities if they are received with donor stipulations that restrict the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as released from restriction. However, donor restricted grants and contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. All other restricted promises to give that lack specific donor restrictions are recorded as increases in net assets with donor restrictions depending on the nature of the restriction.

Contributions receivable by the Organization are recorded at net realizable value. No allowance for contributions receivable has been provided because management has evaluated the contributions receivable and grants and believes they are fully collectible.

ReStore Inventory

The Organization values donated ReStore inventory in accordance with Accounting Standard Codification ("ASC") 958-605-25-4, *Not-for-Profit Entities – Revenue Recognition*, which states that donated inventory will not be recorded in the financial statements. The Organization believes this is a reasonable approach because many of the donated items are used or are overstock items. Consequently, the value of such donations is not readily determinable until the merchandise is sold. Sales are recorded at the point of sale.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages Receivable

Mortgages are offered to all buyers that meet certain criteria. All mortgages are collateralized by the assets mortgaged. No allowance is considered necessary as mortgaged homes will be returned to the Organization should any default and charge off occur.

All non-interest bearing mortgages have been discounted at various rates from 7.23% to 8.34%, based upon the prevailing market rates at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages which range from 144 to 360 months. Amounts reported as mortgages receivable represent the outstanding principal net of unamortized discounts.

In addition to the primary mortgage on each property, homeowners agree to an additional mortgage for the difference between the primary mortgage and the fair value of the real estate as determined by an appraiser. This mortgage is noninterest bearing, requires no monthly payments, and is forgiven in intervals over the life of the loan based on years of continuous ownership. Amounts associated with these additional mortgages are not included in the accompanying financial statements.

A mortgage receivable is deemed past due if principal payments are not received in accordance with the contractual terms stated in the Truth in Lending promissory note. Past due mortgages receivable may only be charged off upon approval by the Board of Directors.

Property and Equipment

Property and equipment are recorded at cost if purchased, and at fair value on the date received if donated. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. Generally, assets with a cost greater than $1,000 are capitalized.

Depreciation has been provided for using straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building and improvements	40 years
Leasehold improvements	15 years
Automobile and trailers	5 years
Equipment, furniture, and fixtures	5 – 7 years

Depreciation expense for the years ended June 30, 2023 and 2022 was $79,912 and $64,578, respectively.

Land Held as Investment Property

The Organization is holding various tracts of land that it intends to use either for development or for resale to obtain cash for other home construction initiatives. Land is recorded at cost if purchased, or at the fair value on the date received if donated. Land used for development is charged to construction in progress when construction of a home commences.

Impairment of Long-Lived Assets

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Costs

Loan costs related to Virginia Housing Development Authority ("VHDA") notes payable were capitalized during the year ended June 30, 2012 and are being amortized over 10 years by the straight-line method. Additional loan costs related to a TowneBank mortgage were capitalized during the year ended June 30, 2018 and were being amortized over 14 years by the straight-line method, however, the remaining amortization was recorded when the mortgage loan was paid in full during the year ended June 30, 2022. Total amortization expense was $167 and $5,449 for the years ended June 30, 2023 and 2022, respectively.

Contributed Goods and Services

The Organization recognizes contributed materials and services at fair value when received. The Organization recognizes contributed services if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributors. Donated building materials received at a construction site are recorded as in-kind contributions through the increase in the basis of real estate to its fair value. Donations of inventory items held for resale through the ReStores are recognized when sold since the Organization does not have an objective measurement basis for determining fair value. Contributions of noncash goods and services for June 30, 2023 and 2022 amounted to $15,970 and $61,011, respectively, and are included as in-kind contributions on the statements of activities. Amounts reflected in the accompanying financial statements as contributions are offset by like amounts included in expenses or assets.

A substantial number of unpaid volunteers make significant contributions of their time to further the Organizations' activities. The fair value of these volunteer hours has not been determined or recognized as revenue in the statements of activities.

ReStore Retail Sales Revenue

The Organization operates thrift retail stores. The stores provide access to quality building materials, new and used household goods, clothing, furnishings, and other construction materials and are open to the general public. The stores receive donations and purchase items for resale. Sales are recognized at a point in time as they occur.

Sales of Completed Homes

Home sales represent the sale to qualified families of houses built by the Organization. Home sales are recognized at a point in time upon closing.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be specifically identified to a functional area are allocated directly. Expenses that are common to more than one function are allocated by various statistical means and by the use of management's estimates. Personnel services, employee benefits and other expenses are allocated based on time and effort estimates. Certain utilities are based on square footage allocations. Other items such as insurance, accounting, professional fees, information technology and other items are based upon estimations of areas benefited and other information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended June 30, 2023 and 2022 amounted to $2,041 and $4,045, respectively.

Right-of-Use Assets and Leases

The Organization determines if an arrangement is a lease at inception. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

Operating lease right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Right-of-use assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. Right-of-use assets resulting from operating leases are included in other assets and the related liabilities are included in operating lease liabilities in the statements of financial position.

Finance lease right-of-use assets are included in property and equipment and the related liabilities are included in long-term debt in the statements of financial position. Currently, the Organization has no finance leases.

At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments. The Organization made the election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Operating lease cost is recognized on a straight-line basis over the lease term as rent and occupancy expense within the functional expenses in the statements of activities and functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on total net assets previously reported.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of a nonexempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently, the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adopted Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, using the modified retrospective approach with July 1, 2022 as the date of initial adoption and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statements of activities and functional expenses. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged under the standard. Adoption of the standard required the Organization to restate amounts as of July 1, 2022, resulting in an increase in operating lease right-of-use asset of $393,516 and an increase in operating lease liability of $400,546.

Future Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 will be effective for fiscal years beginning after December 15, 2022. The Organization is currently in the process of evaluating the impact of adopting ASU 2016-13.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following table reflects the Organization's financial assets as of June 30 (which exclude land held for investment, construction in progress, escrow advances and deposits, prepaid expense, and property and equipment) available for general use within one year of the statement of financial position date.

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 1,146,507	$ 942,397
Restricted cash	58,454	70,707
Investments	551,874	292,450
Current portion of contributions and grants receivable	270,481	72,423
Current portion of mortgages receivable, net	126,899	130,136
Other receivables	67,981	241,551
Financial assets at year-end	2,222,196	1,749,664
Less those funds unavailable for general expenditure within one year due to donor-imposed restrictions	(338,643)	(135,208)
Financial assets available to meet general expenditures over the next twelve months	$ 1,883,553	$ 1,614,456

As a part of the Organization's liquidity management plan, it structures its financial assets to be available as its obligations come due. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. Management is of the opinion that sufficient liquidity exists to meet its obligations.

NOTE 4 - INVESTMENTS

The Organization holds investments in marketable fixed income and equity exchange traded funds with readily determinable fair values. Unrealized gains and losses are included in net investment return in the accompanying statements of activities. Investments at June 30 consist of the following:

	2023		
	Cost	Fair Value	Cumulative Unrealized Losses
Marketable securities:			
Equities	$ 326,652	$ 336,249	$ 9,597
Fixed income	222,769	215,625	(7,144)
	$ 549,421	$ 551,874	$ 2,453

	2022		
	Cost	Fair Value	Cumulative Unrealized Losses
Marketable securities:			
Equities	$ 207,846	$ 180,617	$ (27,229)
Fixed income	115,451	111,833	(3,618)
	$ 323,297	$ 292,450	$ (30,847)

Net investment return for the years ended June 30 consists of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	$ 17,343	$ -	$ 17,343
Realized and unrealized gains, net of losses	29,001	-	29,001
Investment expenses	(3,135)	-	(3,135)
	$ 43,209	$ -	$ 43,209

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	$ 1,136	$ -	$ 1,136
Realized and unrealized losses, net of gains	(31,652)	-	(31,652)
Investment expenses	(460)	-	(460)
	$ (30,976)	$ -	$ (30,976)

NOTE 5 - LAND, CONSTRUCTION IN PROGRESS AND REAL ESTATE

At June 30, land, construction in progress, and real estate consists of the following:

	2023	2022
1036 Geoge Washington Hwy, Chesapeake, VA	$ 191,218	$ -
120 South 5th Street, Suffolk, VA	104,096	-
294 Burnetts Way, Suffolk, VA	69,683	-
Lot - Vincent Ave, Norfolk, VA	6,620	-
1337 Commerce Ave., Chesapeake, VA	1,795	-
206 Maple Street, Suffolk, VA	-	215,491
217 Diamond Avenue, Chesapeake, VA	-	163,986
Total land, construction in progress and real estate	$ 373,412	$ 379,477

NOTE 6 - CONTRIBUTIONS AND GRANTS RECEIVABLE

At June 30, contributions and grants receivable consist of the following:

	2023	2022
Contributions and grants receivable in less than of year	$ 270,481	$ 72,423
Contributions and grants receivable one to five years	-	-
Total contributions and grants receivable	$ 270,481	$ 72,423

Management does not deem a discount nor an allowance to be necessary as of June 30, 2023 or 2022.

NOTE 7 - MORTGAGES RECEIVABLE

Mortgages receivable from the sales of properties at June 30, consist of the following:

	2023	2022
Noninterest bearing notes, receivable monthly, due at various times through 2049	$ 5,249,855	$ 5,382,978
Less unamortized discounts	(3,128,195)	(3,207,558)
	2,121,660	2,175,420
Less current portion	(126,899)	(130,136)
Total long-term mortgages receivable, net	$ 1,994,761	$ 2,045,284

NOTE 7 - MORTGAGES RECEIVABLE (Continued)

The following table provides an aging analysis of past due mortgage notes receivable as of June 30:

	2023	2022
30 - 59 days past due	$ 60,458	$ 443,327
60 - 89 days past due	55,150	47,670
90 days and greater past due	462,473	341,150
Total past due	578,081	832,147
Current	4,671,774	4,550,831
Total	$ 5,249,855	$ 5,382,978

Future maturities of mortgages receivable are as follows:

Years Ending June 30:	Gross Principal Payments	Unamortized Discounts	Net Principal Payments
2024	$ 315,936	$ (189,037)	$ 126,899
2025	310,662	(186,501)	124,161
2026	298,392	(180,465)	117,927
2027	294,561	(179,032)	115,529
2028	291,794	(174,881)	116,913
Thereafter	3,738,510	(2,218,279)	1,520,231
Total	$ 5,249,855	$ (3,128,195)	$ 2,121,660

During the years ended June 30, 2023 and 2022, the Organization sold certain real estate for promissory notes with face values totaling $260,000 and $0, respectively. Discounts totaling $159,501 and $0 related to these sales were recorded for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 - LAND HELD AS INVESTMENT PROPERTY

At June 30, land held as investment property consists of the following:

	2023	2022
1311 Bolton Street, Norfolk, VA	$ 22,500	$ 22,500

NOTE 9 - ENDOWMENT

In accordance with FASB ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

NOTE 9 - ENDOWMENT (Continued)

The Organization's endowment consists of donor-restricted funds reported in the statements of financial position as a beneficial interest in net assets of the Hampton Roads Community Foundation ("HRCF"), which represents net cumulative transfers by the Organization to the Hampton Roads Community Foundation, as well as earnings thereon, all of which was restricted by donors and is reported as net assets with donor restrictions at June 30, 2023 and 2022. HRCF holds and invests the funds on behalf of the Organization. HRCF has no variance power over the funds. Distributions from HRCF to the Organization are determined on the basis of the HRCF's spending policies and are intended to fund the housing program at the discretion of the Organization's board.

Interpretation of Relevant Law – The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restriction held in perpetuity (a) the original value of gifts required by the donor to be held in perpetuity, (b) the original value of subsequent gifts required by the donor to be held in perpetuity, and (c) accumulations required by the donor to be held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Fund with Deficiencies - From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets, and the Organization cannot spend funds from underwater endowments until the deficiency has been recovered. As of June 30, 2023 and 2022, the Organization did not have any deficiencies.

Endowment net asset composition by type of fund as of June 30 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor restricted endowment	$ -	$ 63,932	$ 63,932

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor restricted endowment	$ -	$ 70,049	$ 70,049

NOTE 9 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30 are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ -	$ 70,049	$ 70,049
Distributions for operations		(2,850)	(2,850)
Net change in value of beneficial interest	-	(3,267)	(3,267)
Endowment net assets, end of year	$ -	$ 63,932	$ 63,932

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ -	$ 64,430	$ 64,430
Net change in value of beneficial interest	-	5,619	5,619
Endowment net assets, end of year	$ -	$ 70,049	$ 70,049

NOTE 10 - FAIR VALUE MEASURMENTS

The Organization determines the fair market value of its financial statements based on the fair value hierarchy established in accounting standards which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting standards define fair value as the exchange price that would be received for an asset or liability in the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards describe three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the report date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimate and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Marketable Securities - The Organization considers the fair value measurement of its marketable securities as a Level 1 fair value measurement because the value is based on quoted market price for those securities.

NOTE 10 - FAIR VALUE MEASURMENTS (Continued)

Beneficial Interest - The Organization considers the fair value measurement of its interest in net assets of the Hampton Roads Community Foundation as a Level 3 fair value measurement because the value is based on the underlying value of the net assets of the Hampton Roads Community Foundation, which the Organization considers to be an unobservable input.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The beneficial interest in assets held at HRCF has been valued, as a practical expedient, at the fair value of the Organization's share of HRCF's investment pool as of June 30, 2023 and 2022. HRCF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of HRCF, which include private placements and other securities for which prices are not readily available are determined by the management of HRCF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a readily market existed for these investments.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

Fair Value Measurements on a Recurring Basis as of June 30, 2023

	Level 1	Level 2	Level 3	Total
Investments - mutual funds:				
Equities	$ 336,249	$ -	$ -	336,249
Fixed income	215,625	-	-	215,625
Total investments	551,874	-	-	551,874
Beneficial interest in assets held by the Hampton Roads Community Foundation	-	-	63,932	63,932
	$ 551,874	$ -	$ 63,932	$ 615,806

Fair Value Measurements on a Recurring Basis as of June 30, 2022

	Level 1	Level 2	Level 3	Total
Investments - mutual funds:				
Equities	$ 180,617	$ -	$ -	180,617
Fixed income	111,833	-	-	111,833
Total investments	292,450	-	-	292,450
Beneficial interest in assets held by the Hampton Roads Community Foundation	-	-	70,049	70,049
	$ 292,450	$ -	$ 70,049	$ 362,499

NOTE 10 - FAIR VALUE MEASURMENTS (Continued)

The table below presents a reconciliation of changes in the Organization's Level 3 fair value measurement for the years ended June 30, 2023 and 2022:

	2023	2022
Level 3 fair value at beginning of year	$ 70,049	$ 64,430
Distributions	(2,850)	-
Market value adjustment, net	(3,267)	5,619
Level 3 fair value at end of year	$ 63,932	$ 70,049

NOTE 11 - NOTES PAYABLE

Demand - The Organization has a $200,000 line of credit with TowneBank, The line of credit had no outstanding balance as of June 30, 2023 or 2022. Interest is payable monthly at the prime rate as defined by the agreement, plus 0.25% with a floor rate of 5.00%. The line is secured by a lien against the assets of the Organization.

Notes Payable - VHDA offers a line of credit to Habitat for Humanity of Virginia, Inc., who administers the processing of that fund as loans to affiliates. Those loans are secured by mortgages on the Organization's homes selected by the affiliate. The Organization has borrowed certain amounts from this line of credit which have been recorded as installment notes payable, according to the payment terms agreed to by VHDA, with outstanding balances as outlined below. Notes payable with external lenders and related party lenders at June 30, 2023 and 2022 are as follows:

	2023	2022
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling $3,719 including interest at 3.00%, maturing in March 2031, secured by certain real estate.	$ 309,436	$ 344,209
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling $3,789 including interest at 3.00%, maturing in December 2027, secured by certain real estate.	193,995	233,001
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling $2,745 including interest at 3.00%, maturing in April 2030, secured by certain real estate.	177,741	200,567
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling $4,630 including interest at 3.00%, maturing in October 2024, secured by certain real estate.	69,709	117,593
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling $2,411 including interest at 3.00%, maturing in November 2026, secured by certain real estate.	65,567	102,327

NOTE 11 - NOTES PAYABLE (Continued)

Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling $1,520 including interest at 3.00%, maturing in June 2023, secured by certain real estate.	-	15,804
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling $1,175 including interest at 3.00%, maturing in September 2023, secured by certain real estate.	-	3,107
	816,448	1,016,608
Less current portion	164,289	180,221
Long-term portion	652,159	836,387
Less unamortized loan costs	-	167
Total long-term notes payable, net	$ 652,159	$ 836,220

Future maturities of notes payable are as follows:

Year ended June 30:	
2023	$ 164,289
2024	136,911
2025	115,745
2026	110,084
2027	94,212
Thereafter	195,207
	$ 816,448

NOTE 12 - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board designated net assets without donor restrictions total $998,857 and $794,584 as of June 30, 2023 and 2022, respectively, and include $154,183 and $145,897, respectively, for future land purchases, $285,807 and $214,028, respectively, for construction projects, and $558,867 and $434,659, respectively, as operating reserve funds.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of June 30 for the following purposes:

	2023	2022
Contributions and grants receivable restricted for construction	$ 165,000	$ 65,000
Contributions and grants receivable - time restricted	115,688	-
Beneficial interest in assets of HRCF held in perpetuity	63,932	70,049
Cash contributions restricted for construction	57,955	20,208
Cash contributions restricted for energy excellence	-	50,000
Total net assets with donor restrictions	$ 402,575	$ 205,257

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the donor-restricted purposes or by the occurrence of other events specified by donors as follows:

	2023	2022
Construction materials and related expenses	$ 135,000	$ 320
Expiration of time restrictions	75,000	125,000
Energy excellence expenses	50,000	-
Endowment distributions for operations	2,850	-
Net assets released from donor restrictions	$ 262,850	$ 125,320

NOTE 14 - IN-KIND CONTRIBUTIONS

The Organization receives various in-kind contributions of supplies, materials and tools for construction projects and for fundraising and administrative assets, supplies and expenses. Valuation of these items are based upon cash receipts provided by the donor, quoted market prices, or on values located on publicly available websites. The van value was based on values located on publicly available websites. Fundraising venue, supplies and goods are valued based on actual cash receipts provided by the donor or on values on publicly available websites. Building repair services were valued at quoted market prices of the services provided. All donated items and services were utilized by the Organization's programs and supporting services.

In-kind contributions consist of the following for the years ended June 30:

	2023	2022
Van	$ 11,986	$ -
Construction supplies, materials and tools	2,927	37,195
Fundraising venue, supplies and goods	1,000	21,550
Administrative supplies and expenses	57	108
Building repairs	-	2,158
Total in-kind donations	$ 15,970	$ 61,011

NOTE 15 - EMPLOYEE BENEFIT PLAN

Habitat for Humanity of South Hampton Roads, Inc. offers a SIMPLE IRA retirement plan covering all employees who have been employed by the Organization for at least one year and earn a minimum of $5,000 per year. The Organization matches employee contributions up to a maximum of 3% of the eligible employee's salary. Pension costs, inclusive of administrative costs of the plan totaled $3,661 and $7,869 for the years ended June 30, 2023 and 2022, respectively.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Organization regularly receives donations from related parties. Included within contributions was $119,614 and $1,126,246 of contributions from related parties for the years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023, a related party began providing electricity service to the Organization under a solar power purchase agreement which expires in five years. The related party owns the solar photovoltaic electric generating system (the System) installed on the Organization's facility and is responsible for all maintenance and repairs to the System. The Organization pays the related party for electricity at $0.09 per kilowatt hour. Upon the expiration of the agreement, the Organization has the right to purchase the System at a price to be determined, not to exceed fair market value. Total expense incurred for electrical service with the related party amounted to $4,963 during the year ended June 30, 2023.

NOTE 17 - LEASES

The Organization leases property, a vehicle and waste disposal equipment through noncancelable operating leases expiring at various dates through 2026. The Organization adopted a new standard related to leases and recorded right-of-use assets and liabilities for these leases effective July 1, 2022. Right-of-use assets and lease liabilities for the property lease excludes common area maintenance and donated rent. The Organization has various short-term leases which are expensed over the term of those leases.

Rent expense attributed to leases before the adoption of the standard totaled $112,950 for the year ended June 30 2022.

The following summarizes the line items in the balance sheet which include amounts for the operating leases as of June 30, 2023:

Other Assets:		
Operating lease right of use-assets, net	$	314,418
Current Liabilities:		
Operating lease liabilities, current portion	$	115,395
Long-term Liabilities:		
Operating lease liabilities, less current porttion		206,360
Total operating lease liability	$	321,755

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted Average Remaining Lease Term:	
Operating leases	3 years
Weighted Average Discount Rate:	
Operating leases	1.01%

The maturities of lease liabilities as of June 30, 2023 are as follows:

Year ended June 30:		
2024	$	117,800
2025		111,049
2026		96,872
Total lease payments		325,721
Less interest		3,966
Present value of lease liability	$	321,755

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30, 2023:

Operating lease expense included in functional expenses	$	110,920

NOTE 17 - LEASES (Continued)

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	110,612
Lease assets obtained in exchange for lease obligations:		
Operating lease	$	422,605

NOTE 18 - CONCENTRATIONS

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, temporary cash investments, and receivables. The Organization places its cash and temporary cash investments with high credit quality depositories, and its receivables are due from municipalities primarily located within the Organization's geographic area.

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. From time to time, the Organization may have amounts on deposit in excess of the insured limits. As of June 30, 2023 and 2022, the Organization had amounts of $555,508 and $634,641, respectively, exceeding these insured amounts.

During the years ended June 30, 2023 and 2022, contributions from one related party individual represented 10% and 57% of total contributions, respectively.

Mortgages receivable arise from a concentration of homes built in Norfolk, Virginia Beach, Chesapeake, Portsmouth, and Suffolk, and the County of Isle of Wight, Virginia, the collection of which may be influenced by the general economic conditions of the area.

NOTE 19 - PRIOR PERIOD ADJUSTMENT

In the year ended June 30, 2023, the Organization applied for employee retention tax credits under the CARES ACT for qualified wages incurred during years ended June 30, 2020 and 2021. Net assets without donor restrictions for July 1, 2022 has been increased by $221,154 for the employee retention credits for qualified for the 2020 and 2021 fiscal years. The related employee retention tax credit receivable of $221,154 is included in other receivables on the accompanying statement of financial position at June 30, 2022. The adjustment had no effect on the current or prior year change in net assets. Previously issued financial statements have not been reissued.

NOTE 20 - SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 4, 2023, the date that the financial statements were available to be issued.