HFH OF DOUGLAS COUNTY, MINNESOTA, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

HFH OF DOUGLAS COUNTY, MINNESOTA, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
HFH of Douglas County, Minnesota, Inc.
Alexandria, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of HFH of Douglas County, Minnesota, 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 HFH of Douglas County, Minnesota, Inc., as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
HFH of Douglas County, Minnesota, Inc.

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
September 21, 2023

HFH OF DOUGLAS COUNTY, MINNESOTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,592,645	$ 1,412,844
Accounts Receivable	2,145	4,500
Current Mortgages Receivable, Net of Current Discount	36,061	27,115
Pledges Receivable	120,518	26,137
Construction in Progress	567,552	628,235
Inventory	51,505	1,162
Prepaid Expenses	537	11,469
Total Current Assets	2,370,963	2,111,462
MORTGAGES RECEIVABLE, Net of Current Portion and Discount	572,770	250,256
PROPERTY AND EQUIPMENT (at Cost)		
Land	418,266	418,266
Building and Improvements	834,744	834,744
Equipment	133,543	132,167
Total Property and Equipment	1,386,553	1,385,177
Less: Accumulated Depreciation	(390,649)	(330,181)
Net Property and Equipment (at Depreciated Cost)	995,904	1,054,996
OTHER ASSETS		
Notes Receivable	23,409	18,232
Total Other Assets	23,409	18,232
Total Assets	$ 3,963,046	$ 3,434,946
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 42,102	$ 27,235
Payroll Liabilities	55,240	53,628
Accrued Expenses	13,401	21,241
Current Long-Term Debt, Net of Discount	20,768	15,116
Total Current Liabilities	131,511	117,220
LONG-TERM DEBT, Net of Current Portion and Discount	330,514	253,947
Total Liabilities	462,025	371,167
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,076,021	2,679,049
Designated by the Board for Operating Reserve	365,000	375,000
Total Without Donor Restrictions	3,441,021	3,054,049
With Donor Restrictions	60,000	9,730
Total Net Assets	3,501,021	3,063,779
Total Liabilities and Net Assets	$ 3,963,046	$ 3,434,946

See accompanying Notes to Financial Statements.

HFH OF DOUGLAS COUNTY, MINNESOTA, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Home Sales	$ 1,024,161	$ -	$ 1,024,161	$ 1,200,485	$ -	$ 1,200,485
ReStore Sales	410,851	-	410,851	333,826	-	333,826
Contributions and Grants	229,980	380,128	610,108	234,087	304,481	538,568
Donated Services and Assets	502,035	-	502,035	455,306	-	455,306
Special Events	48,117	-	48,117	41,926	-	41,926
Interest Income	1,611	-	1,611	528	-	528
Other Income	591,957	-	591,957	16,893	-	16,893
Mortgage Discount Revenue-Retired Loans	27,458	-	27,458	62,184	-	62,184
Mortgage Discount Amortization	49,400	-	49,400	28,836	-	28,836
Mortgage Discount Amortization on New Loans	103,148	-	103,148	-	-	-
Net Assets Released from Restrictions	329,858	(329,858)	-	324,751	(324,751)	-
Total Revenues and Support	3,318,576	50,270	3,368,846	2,698,822	(20,270)	2,678,552
EXPENSES						
Program Services:						
Affordable Housing Costs	2,161,141	-	2,161,141	1,750,491	-	1,750,491
ReStore	633,059	-	633,059	569,081	-	569,081
Total Program Services	2,794,200	-	2,794,200	2,319,572	-	2,319,572
Supporting Services:						
Management and General	83,439	-	83,439	74,458	-	74,458
Fundraising	53,965	-	53,965	90,971	-	90,971
Total Supporting Services	137,404	-	137,404	165,429	-	165,429
Total Expenses	2,931,604	-	2,931,604	2,485,001	-	2,485,001
TOTAL CHANGE IN NET ASSETS	386,972	50,270	437,242	213,821	(20,270)	193,551
Net Assets - Beginning of Year	3,054,049	9,730	3,063,779	2,840,228	30,000	2,870,228
NET ASSETS - END OF YEAR	$ 3,441,021	$ 60,000	$ 3,501,021	$ 3,054,049	$ 9,730	$ 3,063,779

See accompanying Notes to Financial Statements.

HFH OF DOUGLAS COUNTY, MINNESOTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services		
	Affordable Housing Costs	The ReStore	Program Services Total	Management and General	Fundraising	Total Expenses
Conferences and Conventions	$ 9,780	$ -	$ 9,780	$ -	$ -	$ 9,780
Construction Costs	1,130,253	-	1,130,253	-	-	1,130,253
Depreciation	18,161	40,151	58,312	3,135	1,254	62,701
Dues and Subscriptions	1,272	1,434	2,706	-	-	2,706
Employee Benefits	31,882	13,995	45,877	5,625	2,691	54,193
Equipment Lease	1,686	475	2,161	-	-	2,161
Fees	21,863	12,700	34,563	1,332	851	36,746
Insurance	25,608	10,975	36,583	-	-	36,583
Interest	8,231	-	8,231	-	-	8,231
Loan Discount Amortization	21,753	-	21,753	-	-	21,753
Loan Discount Amortization on New Loans	415,203	-	415,203	-	-	415,203
Miscellaneous	-	-	-	2,326	-	2,326
Occupancy	7,598	16,030	23,628	-	-	23,628
Office Expenses	37,017	10,441	47,458	-	-	47,458
Payroll	267,534	117,431	384,965	47,200	22,579	454,744
Payroll Taxes	24,244	10,641	34,885	4,277	2,046	41,208
Postage and Shipping	3,439	513	3,952	154	1,027	5,133
Printing and Publications	10,977	1,638	12,615	491	3,277	16,383
Professional Fees	9,753	1,364	11,117	18,587	2,523	32,227
Public Relations	33,688	-	33,688	-	-	33,688
Purchased Product	10,306	-	10,306	-	-	10,306
Repairs and Maintenance	10,580	7,736	18,316	-	-	18,316
Special Events	2,641	-	2,641	-	17,560	20,201
Supplies	22,890	1,560	24,450	312	157	24,919
Telephone	3,097	3,097	6,194	-	-	6,194
Tithe to Habitat For Humanity International, Inc.	26,207	-	26,207	-	-	26,207
Travel	5,478	1,285	6,763	-	-	6,763
In-Kinds	-	381,593	381,593	-	-	381,593
Total	$ 2,161,141	$ 633,059	$ 2,794,200	$ 83,439	$ 53,965	$ 2,931,604

See accompanying Notes to Financial Statements.

HFH OF DOUGLAS COUNTY, MINNESOTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services		
	Affordable Housing Costs	The ReStore	Program Services Total	Management and General	Fundraising	Total Expenses
Bad Debts	$ -	$ -	$ -	$ 375	$ -	$ 375
Conferences and Conventions	14,506	-	14,506	-	-	14,506
Construction Costs	1,176,507	-	1,176,507	-	-	1,176,507
Depreciation	12,322	40,151	52,473	2,822	1,128	56,423
Dues and Subscriptions	1,109	1,250	2,359	-	-	2,359
Employee Benefits	17,095	7,744	24,839	2,409	2,827	30,075
Equipment Lease	2,357	665	3,022	-	-	3,022
Fees	14,098	10,542	24,640	906	700	26,246
Insurance	26,115	11,192	37,307	-	-	37,307
Interest	8,779	-	8,779	-	-	8,779
Loan Discount Amortization	15,840	-	15,840	-	-	15,840
Miscellaneous	-	-	-	2,513	-	2,513
Occupancy	7,774	13,128	20,902	-	-	20,902
Office Expenses	34,053	9,605	43,658	-	-	43,658
Payroll	258,988	108,107	367,095	42,143	31,107	440,345
Payroll Taxes	25,189	10,514	35,703	4,100	3,025	42,828
Postage and Shipping	2,687	401	3,088	120	803	4,011
Printing and Publications	8,787	1,312	10,099	393	2,623	13,115
Professional Fees	2,388	334	2,722	18,479	618	21,819
Public Relations	31,804	-	31,804	-	-	31,804
Purchased Product	8,103	-	8,103	-	-	8,103
Repairs and Maintenance	9,624	10,803	20,427	-	-	20,427
Special Events	4,291	-	4,291	-	48,041	52,332
Supplies	20,852	991	21,843	198	99	22,140
Telephone	2,964	2,963	5,927	-	-	5,927
Tithe to Habitat For Humanity International, Inc.	38,907	-	38,907	-	-	38,907
Travel	5,352	1,255	6,607	-	-	6,607
In-Kinds	-	338,124	338,124	-	-	338,124
Total	$ 1,750,491	$ 569,081	$ 2,319,572	$ 74,458	$ 90,971	$ 2,485,001

See accompanying Notes to Financial Statements.

HFH OF DOUGLAS COUNTY, MINNESOTA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributors and Grants	$ 512,905	$ 594,854
Cash Received from Sales and Special Events	2,011,430	1,593,130
Interest Received	1,611	528
Interest Paid	(8,231)	(8,779)
Cash Paid to Employees and Suppliers	(2,410,121)	(1,799,729)
Net Cash Provided by Operating Activities	107,594	380,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal Repayments From Homeowners	115,211	167,108
Purchases of Property and Equipment	(6,159)	(51,062)
Net Cash Provided by Investing Activities	109,052	116,046
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(36,845)	(30,645)
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,801	465,405
Cash and Cash Equivalents - Beginning of Year	1,412,844	947,439
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,592,645	$ 1,412,844
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 437,242	$ 193,551
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Gain on Mortgages Assumed	(584,557)	-
Amortization on Mortgage Discounts	(49,400)	(28,836)
Remaining Discount from Early Mortgage Payoffs - Receivable	(27,458)	(62,184)
Loss on Disposal of Equipment	2,550	-
Depreciation	62,701	56,423
Discount on New Mortgages Assumed	415,203	-
Amortization on Note Discounts	21,753	15,840
Loan Discount Revenue on New Long-Term Debt Assumed	(103,148)	-
(Increase) Decrease in Assets:		
Accounts Receivable	2,355	19,750
Pledges Receivable	(94,381)	49,077
Notes Receivable	(5,177)	(12,541)
Inventory	(50,343)	29,553
Construction in Progress	60,683	157,819
Prepaid Expenses	10,932	(5,904)
Increase (Decrease) in Liabilities:		
Accounts Payable	14,867	(24,741)
Payroll Liabilities	1,612	563
Accrued Expenses	(7,840)	(8,366)
Net Cash Provided by Operating Activities	$ 107,594	$ 380,004
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Gross Mortgages Receivable Assumed	$ 785,016	$ -
Gross Long-Term Debt Assumed	$ 200,459	$ -

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity (HFH) of Douglas County, Minnesota, Inc. (the Organization) was incorporated January 31, 1997. The Organization is an affiliate of Habitat for Humanity International, Inc., an ecumenical Christian ministry that builds with people in need of decent, affordable housing regardless of race or religion, and welcomes volunteers and supporters from all backgrounds. The Organization seeks to help homeowners achieve the strength, stability, and independence they need to build a better life for themselves and their families. The Organization is supported primarily through donor contributions.

May 1, 2014, the Organization opened the ReStore. The ReStore is a nonprofit home improvement store/donation center that sells new and gently used building materials, furniture, and appliances. Profits support the construction of affordable housing in Douglas County.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Designated amounts represent those revenues which the board has set aside for a particular purpose. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the nonprofit Organization. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Method of Accounting

The accompanying financial statements have been prepared in accordance with GAAP as prescribed by the Financial Policy of the Habitat for Humanity International Affiliate Operations Manual.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of the following:

	2023	2022
Cash in Checking	$ 1,492,567	$ 1,312,840
Cash in Savings	100,078	100,004
Total Cash and Cash Equivalents	$ 1,592,645	$ 1,412,844

The Organization maintains its cash balances at local financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. At times the balance may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

Inventory

Building Materials inventory includes items held for sale or to use for construction and are valued at cost for purchased items or fair market value for donated items which is determined at the time of donation. The Organization also has donated inventory on hand at the end of the year. The ending inventory value is based on average daily sales. Inventory consists of the following:

	2023	2022
Building Materials	$ 20,785	$ 1,162
ReStore Donated Inventory	30,720	-
Total Inventory	$ 51,505	$ 1,162

Property and Equipment

Property and equipment additions over $5,000 are recorded at cost except those involving donations. Donated items are recorded at their estimated fair market value at the time of donation. Maintenance and repairs are charged to expense. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation expense for the years ended June 30, 2023 and 2022 was $62,701 and $56,423, respectively.

Impairment or Disposal of Long-Lived Assets

The Organization follows standards for, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2023.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give are recognized as assets and revenue in the period in which the pledges are made. Pledges receivable are normally expected to be collected within one year and are uncollateralized. The Organization expects to collect all pledges; therefore, no allowance for uncollectible pledges has been accrued.

Mortgages Receivable

Mortgages receivable balances represent the amount charged to the homeowners for Habitat houses built and are to be paid back over an established and mutually agreed period of time. These mortgages are typically paid back on a monthly basis. At the same time the first mortgage is signed, a second lien mortgage is executed by the homeowner, reflecting the difference between the purchase price and the fair market value of the house. This second mortgage, also known as a “silent mortgage,” is a legal document executed for protection against homeowners who may sell their house for a profit before the mortgage is paid off and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage.

The Organization’s mortgages are noninterest-bearing and have been discounted to present value based upon prevailing market rates for low-income housing at the inception of the mortgages. Habitat For Humanity International, Inc. (HFHI) develops a discount rate once a year on June 30. The difference between the face amount of the mortgage and its present value is accounted for as a discount that is recorded on the statement of financial position as a contra account to Mortgages Receivable and amortized over the life of the mortgage using the straight-line method. The effect of discounting on the financial statements results in Mortgages Receivable being reduced by the discount amount as the expense is increased. HFHI recommends that mortgage discounts be charged as a program services expense to a Mortgage Discount Expense account and each year a ratable amount of the discount be amortized to a Mortgage Discount Amortization revenue account. For practical purposes, delinquent or prepaid mortgage payments are not adjusted in the annual amortization. However, mortgage payoffs or foreclosures do result in the remaining Unamortized Discount balance being closed and recorded to a Mortgage Discount Revenue account.

The Organization’s policy for determining when mortgages are past due or delinquent is based on how recently payments have been received. Mortgages are considered past due 15 days after the due date.

Construction in Progress and Land Held for Development

Construction in progress and land held for development are stated at cost and include land under development, property taxes, and direct costs of housing construction. Indirect costs of housing construction are allocated when the house is complete.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Payable

Notes payable are at 0% or below market interest rates and are discounted to net present value. These notes are secured by noninterest-bearing mortgages receivable that have also been discounted. The difference between the face amount of the note and its present value is accounted for as a discount and is amortized over the life of the note.

Home Sales

Homes are sold to qualified buyers at approximately the cost to build the home. Noninterest-bearing mortgages are accepted as payment for the homes sold. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages and revenue is recognized upon closing. Noninterest-bearing mortgages have been discounted at various rates based upon prevailing market rates for low-income housing at the inception of the mortgages. See Note 4. Revenue is recognized upon the home closing date.

ReStore Sales

ReStore income is recognized at a point in time when the item is sold. There is only a single performance obligation and the transaction price is the price listed within the ReStore.

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Contributions with donor restrictions are recorded as increases in net assets with donor restrictions as appropriate. When a time restriction is met or a purpose restriction accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Functional Allocation of Expenses

The cost of providing various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on specific identification and time studies. Other expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Line of Credit

The Organization has an unsecured $200,000 line of credit at a local bank with an interest rate of 8.75%, which matures on February 1, 2025. The Organization had no outstanding balances on the line of credit as of June 30, 2023 and 2022.

Income Taxes

HFH of Douglas County, Minnesota, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no expense has been recognized for income taxes in the accompanying financial statements. The Organization is not a private foundation and contributions to the Organization qualify as charitable deductions by the contributor.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization follows the income tax standard for uncertain tax positions. The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2023 and 2022.

Adoption of New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization has applied the portfolio approach in identifying its population of leases and in applying its risk-free rate in certain relevant cases.

The Organization has elected to apply the practical expedient, which does not require contracts to be separated between lease and nonlease components.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the adoption period presented using a modified retrospective approach, with certain practical expedients available.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term for existing leases and in assessing impairment of the Organization’s ROU assets.

The standard had an immaterial impact on the statements of financial position and did not have an impact on the statements of activities nor the statements of cash flows.

Reclassifications

Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impacted on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 21, 2023, the date the financial statements were available to be issued. Subsequent to year-end, the Organization purchased a lot for future builds on July 21, 2023 for $360,000 with cash.

NOTE 2 LIQUIDITY AND AVAILABILITY

Habitat for Humanity of Douglas County structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat for Humanity of Douglas County maintains a line of credit in the amount of $200,000 which can be drawn upon. Further, Habitat for Humanity of Douglas County maintains an operating reserve included as part of cash and cash equivalents on the accompanying statements of financial position.

Habitat for Humanity of Douglas County's financial assets due within one year of the statements of financial position date for general expenditures are as follows:

	2023	2022
Cash and Cash Equivalents	$ 1,592,645	$ 1,412,844
Accounts Receivable	2,145	4,500
Current Maturities of Mortgages Receivable	36,061	27,115
Current Maturities of Pledges Receivable	120,518	26,137
Total Financial Assets	1,751,369	1,470,596
Donor-imposed Restrictions:		
Funds Subject to Purpose Restrictions	(60,000)	(9,730)
Financial Assets Available to Meet General Expenditures Within One Year	$ 1,691,369	$ 1,460,866

NOTE 3 PLEDGES RECEIVABLE

Pledges Receivable were due as follows:

	2023	2022
Unconditional Promise to Give Expected to be Collected in:		
Less Than One Year	$ 120,518	$ 26,137
Total Unconditional Promises to Give	$ 120,518	$ 26,137

NOTE 4 MORTGAGES RECEIVABLE

It is the Organization's policy to sell completed houses to individuals under payment terms that require no interest. GAAP requires that such transactions be discounted to more closely reflect current economic conditions.

NOTE 4 MORTGAGES RECEIVABLE (CONTINUED)

These mortgages have been discounted to reflect interest at rates ranging from 7.38% to 8.18% as follows:

	2023	2022
Noninterest-Bearing Mortgages Receivable	$ 1,320,637	$ 650,832
Less: Current Portion of Mortgages Receivable	(85,561)	(55,543)
Less: Unamortized Mortgage Discount	(711,806)	(373,461)
Adjust for Current Portion of Unamortized Mortgage Discount	49,500	28,428
Mortgages Receivable, Net of Current Portion and Discount	$ 572,770	$ 250,256

As of June 30, 2023 and 2022, gross mortgages receivable of $732,787 and $255,414, respectively, are pledged as collateral for the Organization’s notes payable. Management believes mortgages receivable to be fully collectible; therefore, no allowance has been recorded.

NOTE 5 LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

Description	2023	2022
Notes payable to Habitat for Humanity of Minnesota in monthly installments through March 2038 - stated rates of 0-3% interest, effective rates 7.39% to 8%; secured by mortgages receivable.	$ 584,999	$ 421,385
Total Long-Term Debt	584,999	421,385
Less: Current Portion of Long-Term Debt	(41,444)	(30,956)
Less: Unamortized Loan Discount	(233,717)	(152,322)
Adjust for Current Portion of Unamortized Loan Discount	20,676	15,840
Long-Term Debt, Net of Current Portion and Discount	$ 330,514	$ 253,947

Future principal payments are as follows:

Fiscal Year Ending June 30,	Amount
2024	$ 41,444
2025	42,023
2026	42,619
2027	43,231
2028	41,214
Thereafter	374,468
Total	$ 584,999

NOTE 6 CONDITIONAL PROMISES TO GIVE

During the years ended June 30, 2023 and 2022, the Organization received four and five promises to give totaling $155,700 and $410,111, respectively that contained donor conditions. Since these are conditional promises to give, they are not recorded as contribution revenue until the donor conditions are met. During 2023 and 2022, respectively, some of the conditions were met and payment of $41,890 and $43,841 were received and recognized as revenue.

NOTE 7 RELATED PARTY TRANSACTIONS

As summarized in Note 5, the Organization has notes payable due to Habitat for Humanity of Minnesota, Inc., an affiliate, of $584,999 and $421,385 for the years ended June 30, 2023 and 2022, respectively. The Organization also pays an annual fee of $100 per home closed on during each year to Habitat for Humanity of Minnesota, Inc. The annual fee paid during 2023 and 2022 was $500 and $400, respectively.

The Organization contributes 10% of its contributions without donor restrictions (excluding in-kind contributions) to Habitat for Humanity International, Inc. for their international housing programs. Contributions for the years ended June 30, 2023 and 2022 were $26,207 and $38,907, respectively. The Organization also pays an annual fee of $1,500 to Habitat for Humanity International, Inc.

NOTE 8 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or time specified by the donors as follow for the years ended June 30:

	2023	2022
Purpose Restrictions	$ 329,858	$ 324,751
Total Released Net Assets With Donor Restrictions	$ 329,858	$ 324,751

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2023	2022
Purpose Restrictions:		
Enhance Alexandria	$ 50,000	$ -
Team Build	10,000	-
DEI Toolkit	-	9,730
Total Net Assets With Donor Restrictions	$ 60,000	$ 9,730

NOTE 10 COMMITMENTS

The Organization offers a 10-year warranty on homes upon completion of construction at which they are liable for any costs related to items that fall under the warranty.

NOTE 11 DONATED SERVICES AND ASSETS

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require specialized skills. However, certain other contributed services that require specialized skills, were provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation, are recognized as revenue and expense. Such amounts, which are included in the statements of activities, are as follows:

	2023			
	Affordable Housing	The ReStore	Management and General	Total
Professional Services	$ -	$ -	$ 6,702	$ 6,702
Construction Costs	35,284	-	-	35,284
Donated Materials	78,456	-	-	78,456
ReStore Donations	-	381,593	-	381,593
Total	$ 113,740	$ 381,593	$ 6,702	$ 502,035

	2022			
	Affordable Housing	The ReStore	Management and General	Total
Professional Services	$ -	$ -	$ 26,439	$ 26,439
Construction Costs	36,028	-	-	36,028
Donated Materials	34,015	-	-	34,015
Land	20,700	-	-	20,700
ReStore Donations	-	338,124	-	338,124
Total	$ 90,743	$ 338,124	$ 26,439	$ 455,306

Donated materials are valued at the wholesale prices that would be received for similar products. Professional services and construction costs are valued at the cost that the Organization would pay that specific professional. Land is valued at fair market value. ReStore Donations are valued at the wholesale prices that would be received for similar products. There were no donor-imposed restrictions associated with the donated goods.