HABITAT FOR HUMANITY OF VENTURA COUNTY, INC.

(A NONPROFIT PUBLIC BENEFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023 AND 2022

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

HABITAT FOR HUMANITY OF VENTURA COUNTY, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Ventura County, Inc.:

We have audited the accompanying financial statements of Habitat for Humanity of Ventura County, Inc., a nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
June 7th, 2024

HABITAT FOR HUMANITY OF VENTURA COUNTY, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,	**2023**	**2022**
Assets		
Cash and cash equivalents	$ 3,788,373	$ 1,533,226
Contributions and grants receivable	156,339	57,135
Prepaid expenses	60,114	52,452
Mortgage notes receivable, net of unamortized discount and allowance	1,827,667	2,028,122
Restricted cash - homeowner impound funds	34,709	34,709
Inventory	34,700	21,795
Construction-in-progress	777,037	1,061,608
Homes held for sale	124,998	1,484,997
Property and equipment, net	128,987	46,480
Deposits and other assets	220,189	137,471
Total assets	$ 7,153,113	$ 6,457,995
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 290,539	$ 161,256
Construction costs payable	53,872	268,456
Deferred revenue	-	56,648
Deposits and impound liability	73,046	75,634
Total liabilities	417,457	561,994
Net assets		
Without donor restrictions	5,600,281	4,896,523
With donor restrictions	1,135,376	999,478
Total net assets	6,735,656	5,896,001
Total liabilities and net assets	$ 7,153,113	$ 6,457,995

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF VENTURA COUNTY, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEARS ENDED JUNE 30,			2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Contributions (corporate, foundation and individual)	$ 1,093,875	$ 188,554	$ 1,282,429	$ 501,588	$ 47,460	$ 549,048
Government contracts and grants	364,621	-	364,621	445,492	-	445,492
Grants - Paycheck Protection Program	-	-	-	275,770	-	275,770
ReStore sales	1,799,579	-	1,799,579	1,580,595	-	1,580,595
Sale of homes	340,000	-	340,000	1,360,000	-	1,360,000
In-kind contributions	-	-	-	80,501	-	80,501
Special events	351,935	-	351,936	341,575	-	341,575
Mortgage notes discount amortization	99,357	-	99,357	96,935	-	96,935
Other revenue	54,100	-	54,100	32,616		32,616
Total revenue and support	4,103,467	188,554	4,292,022	4,163,445	47,460	4,762,532
Net assets released from restrictions	52,658	(52,658)	-	14,992	(14,992)	-
Expenses						
Program services						
Housing	826,246	-	826,246	2,579,190	-	2,579,190
Home Repair	481,038	-	481,038	144,959	-	144,959
ReStore	1,191,652	-	1,191,652	1,253,450	-	1,253,450
Supporting services						
Management and general	637,053	-	637,053	579,566	-	579,566
Fundraising	316,378	-	316,378	265,314	-	265,314
Total expenses	3,452,367	-	3,452,367	4,822,479	-	4,822,479
Change in net assets	703,758	135,896	839,655	(659,034)	32,468	(626,566)
Net assets, beginning of year	4,896,523	999,478	5,896,001	5,555,557	967,010	6,522,567
Net assets, end of year	$ 5,600,281	$ 1,135,374	$ 6,735,656	$ 4,896,523	$ 999,478	$ 5,896,001

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF VENTURA COUNTY, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					
	Housing	**Home Repair**	**ReStore**	**Management and General**	**Fundraising**	**Total**
Cost of homes sold and reserve for construction-in-progress	$ 606,543	$ -	$ -	$ -	$ -	$ 606,543
Compensation and benefits	148,102	82,973	620,543	354,328	72,258	1,378,204
Occupancy	23,133	7,685	384,449	117,634	10,344	543,245
Home repair materials	-	364,305	-	-	-	364,305
Professional fees	155	-	2,428	54,421	-	55,004
Insurance	10,378	2,908	28,848	30,419	940	73,483
HFHI tithes and fees	-	-	-	49,996	-	49,996
ReStore cost of goods	-	-	37,466	-	-	37,466
Vehicles	10,741	22,827	53,963	619	627	88,777
Bank fees and charges	-	-	28,482	18,122	6,154	52,758
Marketing and advertising	1,004	280	6,359	1,382	44,995	54,020
Volunteer and other expenses	25,107	60	1,891	621	1,920	29,599
Repairs and maintenance	-	-	15,679	10,403	-	26,082
Depreciation and amortization	1,083	-	11,544	-	-	12,627
Travel and seminars	-	-		1,108	-	1,108
Special events	-	-	-	-	78,095	78,095
Interest	-	-	-	-	1,055	1,055
Total expenses	$ 826,246	$ 481,038	$ 1,191,652	$ 637,053	$ 316,378	$ 3,452,367

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF VENTURA COUNTY, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services					
	Housing	Home Repair	ReStore	Management and General	Fundraising	Total
Cost of homes sold and reserve for construction-in-progress	$ 412,965	$ -	$ -	$ -	$ -	$ 412,965
Compensation and benefits	147,470	117,755	480,700	269,105	144,533	1,159,563
Occupancy	19,088	3,181	358,694	125,094	11,327	517,384
Home repair materials	-	184,037	-	-	-	184,037
Professional fees	10,059	18	679	74,661	-	85,417
Insurance	9,688	7,145	20,671	22,949	2,740	63,193
HFHI tithes and fees	-	-	-	49,996	-	49,996
ReStore cost of goods	-	-	64,307	-	-	64,307
Vehicles	8,700	6,122	27,769	639	1,315	44,545
Bank fees and charges	2,085	-	20,048	9,541	3,068	34,742
Marketing and advertising	-	749	12,082	8,608	3,450	24,889
Volunteer and other expenses	6,244	192	2,674	6,439	2,440	17,989
Repairs and maintenance	-	-	3,776	6,128	-	9,904
Depreciation and amortization	614	3,782	962	-	-	5,358
Travel and seminars	758	1,618	760	6,406	1,459	11,001
Special events	-	-	-	-	54,563	54,563
Interest	688	-	-	-	-	688
Total expenses	$ 618,359	$ 324,599	$ 993,122	$ 579,566	$ 224,895	$ 2,740,541

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF VENTURA COUNTY, INC.

(A NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	**2023**	**2022**
Cash flows from operating activities		
Change in net assets	$ 839,655	$ (626,566)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Amortization of mortgage notes discount	(99,357)	(96,935)
Depreciation and amortization expense	12,627	13,172
Changes in operating assets and liabilities		
Contributions and grants receivable	(789,206)	(99,204)
Prepaid expenses	14,515	(7,662)
Mortgage notes receivable	200,455	162,712
Inventory	12,905	6,837
Construction-in-progress	284,031	558,970
Homes held for sale	1,359,999	(135,581)
Deposits and other assets	(82,718)	(43,024)
Accounts payable and accrued liabilities	129,283	(117,322)
Construction costs payable	214,584	108,354
Deferred revenue	56,648	(56,648)
Deposits and impound liability	(2,588)	(8,285)
Net cash provided by (used in) operating activities	2,150,833	(341,182)
Cash flows from investing activities		
Purchase of property and equipment	-	-
Cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds from notes payable	-	-
Payments on notes payable	-	-
Net cash used in financing activities	-	-
Net change in cash, cash equivalents, and restricted cash	2,150,833	(341,182)
Cash, cash equivalents, and restricted cash, beginning of year	1,965,135	2,306,317
Cash, cash equivalents, and restricted cash, end of year	$ 4,115,968	$ 1,965,135

See accompanying notes to financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

Habitat for Humanity of Ventura County, Inc. (the "Organization" or "Habitat") is a nonprofit public benefit corporation which was incorporated on June 5, 1986. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational, Christian, not-for-profit organization whose purpose is to create decent, affordable housing for families in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, and prayer support, Habitat is primarily and directly responsible for its own operations.

Description of Programs The Organization improves the quality and affordability of housing in Ventura County through the following programs:

- **Housing Program** – Through this program, the Family Selection Committee recommends qualified families to the Board of Directors based upon income, current housing need, and willingness to partner with Habitat. Habitat's policy is that each family is generally required to complete a minimum of 500 hours of "sweat equity" (voluntary labor). Habitat partners with selected families, volunteers provide most of the labor, and government agencies and donors provide funds, materials and land to build Habitat homes. Finished affordable homes are then sold to selected or approved families. The Organization's mortgages for all homes sold are interest free, with terms and monthly payments that are affordable for the homeowner.

- **Home Repair** – This program provides low-income homeowners much needed repair service. Since Habitat launched this program in May 2011, home preservations have been completed in Ventura County (Fillmore, Camarillo, Oxnard, Piru, Simi Valley, Thousand Oaks, and Ventura). The homeowner and family members contribute sweat equity hours, when physically able, in partnership with Habitat staff and volunteers.

- **ReStores** – Habitat operates two ReStores, which are discount home improvement centers that accept and resell new and gently used building materials and furniture to the public at a fraction of their retail price. ReStores reduce the amount of usable building materials going into local landfills through reuse. All items sold through ReStores, with the exception of purchase-to-sell merchandise, are received through donations. The proceeds from the operations of ReStores are used to further Habitat's mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Classes of Net Assets Net assets of the Organization and changes therein are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes have been classified and are reported as follows:

- ***Net Assets Without Donor Restrictions*** Net assets without donor restrictions are available to support operations and are not subject to donor or grantor-imposed stipulations. The only limits on net assets without donor restrictions are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

- ***Net Assets With Donor Restrictions*** Net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities and change in net assets, as net assets released from restrictions.

Cash, Cash Equivalents, and Restricted Cash The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents. The restricted cash represents the homeowners' impound balance held by the Organization for property taxes and insurance collected as part of the homeowners' monthly mortgage payments that has not yet been paid to the county tax collector or insurance providers.

The following table reconciles cash, cash equivalents, and restricted cash reported in the statements of financial position to the amount reported in the statements of cash flows for the years ended June 30, 2023 and 2022.

At June 30,	**2023**	**2022**
Cash and cash equivalents	$ 4,115,968	$ 1,965,135
Restricted cash – homeowner impound funds	36,709	34,709
Total cash, cash equivalents, and restricted cash	$ 4,152,677	$ 1,999,844

Property and Equipment Property and equipment includes leasehold improvements, equipment, and vehicles, at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight- line method over the shorter of the estimated useful life of the asset or the lease term. The estimated useful lives of the assets are as follows:

Description	**Life**
Leasehold improvements	Lesser of lease term or useful life
Vehicles	5 years
Computer equipment	5 years

The Organization capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is included in operations. Abandoned projects are expensed when management determines the project is not feasible.

Management reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Organization recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2023 or 2022.

Construction-in-Progress Costs incurred to build homes are recorded as construction-in-progress until the home is available to be sold. Consistent with Habitat's mission, homes are constructed to build affordable housing for low-income families. Any known amounts which are estimated to be non-recoverable from the ultimate sales price of homes are recognized as a loss reserve of construction in progress and absorbed by Habitat and included with cost of homes sold on the statements of functional expenses.

Habitat incurs predevelopment costs in connection with properties it is considering for development as well as costs associated with properties in the initial state of development. Habitat capitalizes these costs until the project moves forward or charges the costs to operations at the time it is determined the project is not feasible. There were no abandoned project costs for the years ended June 30, 2023 and 2022.

Homes Held for Sale Homes held for sale are stated at the lower of cost or net realizable value (estimated fair value, less selling costs) and include initial acquisition cost, direct rehabilitation/construction costs, real estate taxes and interest. Interest costs are capitalized until construction is substantially complete.

Upon completion, the carrying value of the home is reclassified from construction-in-progress to homes held for sale. Approved homeowners are allowed to reside in the homes prior to the home sale being finalized. Homeowners pay Habitat a monthly fee based on the anticipated sales price until the sale is completed, at which time payments made by the homeowner will be applied to the purchase of the home.

Mortgage Notes Receivable and Allowance Mortgage notes receivable consist of residential loans made to qualified borrowers, secured by real estate, that are payable in monthly installments over the life of the mortgage notes. At June 30, 2023 and 2022, mortgage notes receivable secured by real estate were $2,803,036 and $3,003,491, respectively (Note 6). These non-interest bearing notes have been discounted based upon prevailing market rates for low-income housing at inception as calculated by Habitat. The discount is amortized using the effective interest method over the lives of the mortgage notes. As of June 30, 2023 and 2023, there was $1,128,056 and $1,102,765, respectively, recorded as a discount for mortgage notes receivable. In addition, the Organization is a secured creditor and the fair value of the homes is generally in excess of the related mortgage note balance. As of June 30, 2023 and 2022, there was $3,000 respectively, recorded as an allowance for uncollectible mortgage notes receivable.

In addition, homes may have a second trust deed in favor of Habitat to ensure compliance with the terms of the Organization's homeownership program. These mortgage notes are referred to as "silent". These silent mortgage notes receivable bear no interest and are forgiven if the homeowner lives in the home for the required period of time and complies with all other covenants and restrictions per the deed of trust. Accordingly, the Organization does not record a value for these silent mortgage notes receivable as it is unlikely the notes will be collected.

Public Support The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Contributions or unconditional promises to give with payments due in future periods are discounted to present value and reported as donor-restricted revenue. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Any funds received in advance of a condition being met are recorded as a liability.

The Organization receives cost-reimbursable grant funding from state and local agencies for developing affordable housing which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring the qualifying expenditures are reported as a liability.

Revenue Recognition The Organization’s revenue are all recognized at a point in time and include revenue from (1) home sales, (2) ReStores and (3) special events.

Revenue and cost of revenue from home sales are recorded when title passes to eligible home buyers. Cost of homes sold consists of capitalized home construction costs and other related costs associated with the sale of the home. The single performance obligation of transferring the home to the external lender is satisfied at a point in time when ownership, risks and rewards transfer.

ReStore revenue consists of cash receipts from the sale of purchased or donated goods and is recognized at point of sale. The performance obligations of transferring the purchased or donated goods are satisfied at a point in time when ownership, risks and rewards transfer.

Revenues from special events include individual and corporate contributions and are recognized at a point in time, specifically when the event is held. The related expenses are recognized on the date of the event. The contributions received for special events scheduled to occur after year-end are recorded as deferred revenue and recognized as revenue on the date of the event.

Contributed Goods and Services A substantial number of volunteers, including family homebuyer voluntary labor (sweat equity) have made significant contributions of their time to Habitat's program and supporting services. These volunteer services have not been reflected in the accompanying financial statements because the volunteer services provided do not meet the criteria necessary for recognition under GAAP. Donated labor for professional construction services are valued at the prevailing rate for the pro-bono services received. Donated building materials and facilities are recorded at fair value.

Inventory Inventory consists of purchase-to-sell merchandise, donated building supplies and other home improvement items available for sale to the general public. Purchase-to-sell inventory is valued at cost and donated inventory is valued at its estimated fair value based on its expected selling price.

Functional Allocation of Expenses Expenses incurred in providing programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Certain expenses may be attributable to both program services and supporting activities and, therefore, these expenses may require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated based upon the estimated time and effort expended by the employees and other expenses are allocated according to management’s estimates or on a direct basis.

The functional classifications are defined as follows:

- Direct program service expenses consist of costs incurred in connection with the Organization’s neighborhood revitalization activities, which include home repairs for individuals, building homes, and providing loans to program participants. Program services also include the operations of the discount home improvement retail outlet ReStores.

- Management and general expenses consist of costs incurred in connection with the overall activities of the Organization, which are not allocable to another functional expense category.

- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Income Taxes The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) under the California Revenue and Taxation Code. In addition, the Organization does not have any income which would be subject to unrelated business income taxes, as defined. Accordingly, there is no provision for income taxes in these financial statements and the Organization has no other tax positions which must be considered for disclosure. The Organization is required to file tax returns with the Internal Revenue Service (IRS) and other taxing authorities. With few exceptions, the Organization is no longer subject to income tax examinations by tax authorities for years before 2016. No examinations are currently pending.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Concentrations of Business and Credit Risk The Organization’s cash and cash equivalents are maintained in various financial institutions. The Organization has exposure to credit risk to the extent cash and cash equivalents exceed amounts covered by federal deposit insurance. The Organization believes that its credit risk is not significant.

Habitat is vulnerable to the inherent risks associated with voluntary labor and with revenue that is substantially dependent on public support and contributions. The continued growth and operations are dependent on the successful achievement of long-term revenue raising goals. In addition, increased developments costs, supply and labor shortages, entitlement delays and other factors may negatively affect future results.

Recently Adopted Accounting Pronouncement Effective July 1, 2020, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 606 (“ASC 606”), *Revenue from Contracts with Customers.* Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The new standard replaces most existing revenue recognition guidance under US GAAP, except revenues addressed by specific nonprofit guidance. The Organization adopted the standard using the modified retrospective method, which applies the new guidance beginning with the year of adoption, with the cumulative effect of initially applying the guidance recognized as an adjustment to net assets at July 1, 2020.

New Accounting Pronouncements In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability, measured on a discounted basis, on the statements of financial position for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets (deficit). A modified retrospective transition approach is required for capital and operating leases existing at the date of adoption, with certain practical expedients available.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers and Leases: Effective Dates for Certain Entities,* amending the effective date of ASU 2016-02 permitting certain entities that had not issued their financial statements, to adopt the standards for annual reporting periods beginning after December 15, 2021. The Organization has elected to defer the adoption of the standard and has not yet determined the impact implementation will have on its 2023 financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). The amendments in this update make improvements to information presented in the not-for-profit entity's consolidated financial statements including specific disclosure requirements about its contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, including interim periods within annual periods beginning after June 15, 2022. The Organization is currently evaluating the impact of the adoption of the new standard on its 2022 financial statements.

Reclassifications Certain reclassifications were made to the 2023 financial statements to conform to the presentation of the 2022 financial statements.

3. LIQUIDITY AND AVAILABILITY

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets without donor restrictions or other restrictions limiting their use that can be readily made available within one year of the statements of financial position date, comprise the following:

As of June 30,	**2023**	**2022**
Financial assets at year-end:		
Cash, cash equivalents and restricted cash	$ 4,152,677	$ 1,999,844
Contributions and grants receivable	156,339	57,136
Mortgage notes receivable, gross of unamortized discount and net of allowance	2,800,036	3,000,491
Total financial assets	7,109,052	5,057,471
Less: amounts not available to be used within one year:		
Mortgage notes receivable long term	(2,630,380)	(2,809,267)
Funds subject to purpose restrictions	(1,135,374)	(999,478)
Restricted cash	(66,065)	(64,491)
Financial assets not available to be used within one year	(3,831,819)	(3,873,236)
Financial assets available to meet general expenditures within one year	$ 4,277,233	$ 1,184,235

As part of liquidity management, the Organization designates operating surplus cash to a separate cash account, and although the Organization does not intend to spend from this account, the funds could be made available, if necessary. In addition, the Organization has a committed line of credit in the amount of $1,250,000 which it could draw upon (Note 7).

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and Grants Receivable At June 30, 2023 and 2022, the Organization had contributions and grants receivable of $156,339 and $57,136, respectively. Management reviewed contribution and grants receivables, noting no allowance was necessary as of June 30, 2023 and 2021. An allowance for uncollectible contributions receivable is provided based upon management's judgment.

5. RETIREMENT PLANS

The Organization has established a 403(b) plan (the Plan) which covers employees meeting certain qualifications. Under the terms of the Plan, employees are allowed to contribute up to the maximum allowed. The Organization may make discretionary contributions to the Plan based on a percentage of the eligible employees' salaries. For the years ended June 30, 2023 and 2022, the Organization made no contributions to the Plan.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

As of June 30,	2023	2022
Leasehold improvements	$ 20,609	$ 20,609
Vehicles	75,533	94,306
Computer equipment	14,197	14,197
Total property and equipment	110,339	129,112
Less: accumulated depreciation and amortization	(94,342)	(97,287)
Total property and equipment, net	$ 15,997	$ 31,825

Depreciation and amortization expense was $15,827 and $5,358 for the years ended June 30, 2023 and 2022, respectively.

7. MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable range from 25-30 years, are non-interest bearing and represent amounts due from the purchasers of homes constructed by Habitat that are secured by a deed of trust and payable in monthly installments over the term of the note. At the time of sale, a non-interest bearing mortgage loan, secured by a first trust deed and the related discount for interest are recorded. As of

June 30, 2023 and 2022, Habitat's non-interest bearing mortgage loans outstanding were discounted at an imputed interest rate of 3.75%.

Mortgages notes receivable consisted of the following:

As of June 30,	2023	2022
Mortgage notes	$ 2,966,304	$ 3,152,581
Less: unamortized discount	(1,019,926)	(1,083,975)
Less: allowance for loan losses	(3,000)	(3,000)
Mortgage notes receivable, net	$ 1,943,378	$ 2,065,606

Scheduled mortgage notes receivable collections are as follows:

For the Years Ending June 30,	Amount
2023	$ 169,656
2024	169,656
2025	169,656
2026	169,656
2027	169,656
Thereafter	2,118,024
Total	$ 2,966,304

The following table shows an aging analysis of mortgage notes receivable:

As of June 30,	2023	2022
Loan Delinquency Status		
Current	$ 2,966,304	$ 3,152,581
30-60 days delinquent	900	900
60-90 days delinquent		
Total	$ 2,967,204	$ 3,153,481

In July 2017, Habitat entered into a professional service agreement with AmeriNat to service a majority of the mortgage notes receivable owned by Habitat. Per the terms of the service agreement, AmeriNat will collect the monthly mortgage payments in accordance with the loan documents. All funds will be maintained in an FDIC insured banking institution in a custodial account for the benefit of Habitat and the borrowers as applicable.

Habitat sold a portfolio of mortgage notes receivable to Pacific Western Bank in 2011 but remained the servicer. The portfolio servicing was transferred to AmeriNat in July 2017. Each month, Habitat remits the scheduled total monthly payments to Pacific Western based upon the terms of the original purchase agreement. In the event that collections are delinquent, previously sold notes may be substituted with a different note held by Habitat based on agreement with Pacific Western Bank.

8. LINE-OF-CREDIT

On May 8, 2019, the Organization entered into a line-of-credit agreement with Union Bank to provide for maximum borrowings of $1,250,000. The agreement had an original maturity date of May 31, 2021 and bears interest at the Reference Rate (as defined) plus 0.25%. The interest rate on the

Union bank line-of-credit was approximately 3.50% at June 30, 2022 and 2023. As of June 30, 2023 and 2022, the Organization was in violation of the 120 day deadline for audited financial statements but received a waiver from the lender. As of June 30, 2023, the Organization was in compliance with the financial covenants. On December 27, 2021, the line-of-credit agreement was extended until January 1, 2024. As of June 30, 2023 and 2022, there was no outstanding balance on the line-of-credit.

9. RELATED PARTY TRANSACTIONS

Habitat annually remits a tithe, based on its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Donations to Habitat International were $24,996 for each of the years ended June 30, 2023 and 2022. In addition, Habitat paid a stewardship fee of $25,000 to Habitat International for each of the years ended June 30, 2023 and 2022.

10. LEASE OBLIGATIONS, COMMITMENTS, AND CONTINGENCIES

Operating Leases Habitat leases office and warehouse/retail space, effective September 2015 through August 2020, for its Oxnard location. On February 12, 2020, the lease agreement was amended to extend through August 31, 2023. Monthly lease payments start at approximately $15,000 and escalate over the life of the lease. Habitat is additionally scheduled to pay a proportionate share of operating expenses.

Habitat leases retail space in Simi Valley, month-to-month, with a 60-day option to terminate by either party with written notice. Monthly lease payments are approximately $15,000. Habitat is additionally scheduled to pay a proportionate share of operating expenses.

Government Grants Certain grants have been funded by agreements with local city agencies and may be subject to examination of records by the awarding agencies. Unless and until such examinations have been completed, a contingency exists that Habitat could be obligated to refund amounts received in excess of allowable costs. However, management believes that no material liability will result from such audits, should they occur. No examinations are currently pending.

Litigation Habitat is subject to lawsuits and claims which arise out of the normal course of its activities. Based upon the opinion of legal counsel, management believes the disposition of any and all such actions of which it is aware will not have a material effect on Habitat's financial position or changes in the net assets of the Organization.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events that have occurred through the independent auditor's report date, which is the date that the financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements, except as in Note 8.