

*Financial Statements*

**HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.**

**June 30, 2023 and 2022**

**HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.**

**Financial Statements**

**June 30, 2023 and 2022**

**(With Independent Auditor's Report Thereon)**

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

Financial Statements

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## **Independent Auditor's Report**

Board of Directors  
Habitat for Humanity in Seminole County  
and Greater Apopka, Florida, Inc.

### **Opinion**

We have audited the accompanying financial statements of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. (a nonprofit corporation), which comprise the statement 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 in Seminole County and Greater Apopka, Florida, 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 in Seminole County and Greater Apopka, Florida, 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.

### **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 in Seminole County and Greater Apopka, Florida, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 in Seminole County and Greater Apopka, Florida, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity in Seminole County and Greater Apopka, Florida, 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.

*Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP*

August 24, 2023  
Maitland, Florida

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Statements of Financial Position**

June 30, 2023 and 2022

Assets

	2023	2022
Cash and cash equivalents	\$ 1,063,695	5,720,267
Investments (note 3)	4,228,863	-
Accounts receivable	36,870	29,576
Other inventory	22,382	40,151
Prepaid and other assets	143,513	37,486
Construction in process	2,741,108	1,444,130
Homes in inventory	98,451	83,726
Mortgages receivable, net (note 4)	4,173,063	4,277,628
Property and equipment, net (notes 5)	137,523	125,973
Right of use assets (note 6):		
Operating leases	65,809	-
Beneficial interest in assets held by Central Florida Foundation (note 7)	19,464	18,243
Total assets	\$ 12,730,741	11,777,180

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 195,688	100,055
Accrued expenses	40,269	55,166
Deferred revenue	-	40,000
Lease liabilities (note 6):		
Operating leases	40,929	-
Total current liabilities	276,886	195,221
Lease liabilities (note 6):		
Operating leases	24,880	-
Total liabilities	301,766	195,221
Commitments (notes 7, 8 and 9)		
Net assets:		
Without donor restrictions	12,409,511	11,563,716
With donor restrictions:		
Perpetual	19,464	18,243
Total net assets	12,428,975	11,581,959
Total liabilities and net assets	\$ 12,730,741	11,777,180

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Statement of Activities**

Year ended June 30, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue:</b>			
Transfers to homeowners	\$ 2,962,673	-	2,962,673
Donations (note 10)	617,298	1,221	618,519
Grants	1,519,824	-	1,519,824
Amortization of mortgage interest	403,227	-	403,227
Special events, net of direct benefit to donor costs of \$8,005	190,543	-	190,543
Other income	49,900	-	49,900
In-kind contributions	233,056	-	233,056
Interest and dividend income	122,773	-	122,773
Realized gains	1,275	-	1,275
Unrealized gains	52,277	-	52,277
Loss on disposal of assets	(11,410)	-	(11,410)
Net assets released from restrictions	-	-	-
Total support and revenue	6,141,436	1,221	6,142,657
<b>Expenses:</b>			
Program services	4,892,927	-	4,892,927
Management and general	289,420	-	289,420
Fundraising	113,294	-	113,294
Total expenses	5,295,641	-	5,295,641
Increase in net assets	845,795	1,221	847,016
<b>Net assets, beginning of year</b>	11,563,716	18,243	11,581,959
<b>Net assets, end of year</b>	\$ 12,409,511	19,464	12,428,975

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Statement of Activities**

Year ended June 30, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue:</b>			
Transfers to homeowners	\$ 1,581,754	-	1,581,754
Donations (note 10)	4,075,631	-	4,075,631
Grants	885,327	-	885,327
Amortization of mortgage interest	198,543	-	198,543
Special events, net of direct benefit to donor costs of \$0	129,744	-	129,744
Other income	117,947	-	117,947
In-kind contributions	234,959	-	234,959
Interest income	3,043	-	3,043
Gain on sale of ReStore	384,786	-	384,786
Net assets released from restrictions	2,162	(2,162)	-
Total support and revenue	7,613,896	(2,162)	7,611,734
<b>Expenses:</b>			
Program services	2,842,117	-	2,842,117
Management and general	270,722	-	270,722
Fundraising	113,212	-	113,212
Total expenses	3,226,051	-	3,226,051
Increase in net assets	4,387,845	(2,162)	4,385,683
<b>Net assets, beginning of year</b>	7,175,871	20,405	7,196,276
<b>Net assets, end of year</b>	\$ 11,563,716	18,243	11,581,959

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Statement of Functional Expenses**

Year ended June 30, 2023

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Construction and Homeowner Activities</u>	<u>Family Support and Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	
Construction costs	\$ 3,618,217	-	3,618,217	-	-	-	3,618,217
Discounts on mortgages	259,900	-	259,900	-	-	-	259,900
Salaries and related costs	442,441	166,958	609,399	166,958	58,435	225,393	834,792
Advertising	1,732	1,731	3,463	-	-	-	3,463
Bank fee	-	-	-	9,106	-	9,106	9,106
Tithe to Habitat International and SOSI	23,400	-	23,400	-	-	-	23,400
Dues and subscriptions	25,727	-	25,727	-	-	-	25,727
Occupancy	31,192	31,192	62,384	17,092	5,982	23,074	85,458
Telephone	4,897	4,897	9,794	4,081	2,448	6,529	16,323
Supplies	1,974	1,974	3,948	1,646	987	2,633	6,581
Postage	-	-	-	1,121	-	1,121	1,121
Printing and promotions	-	-	-	-	8,492	8,492	8,492
Travel	-	-	-	18,306	-	18,306	18,306
Outside services	70,484	70,484	140,968	58,737	35,242	93,979	234,947
Depreciation	14,985	14,985	29,970	7,493	-	7,493	37,463
Insurance	8,907	8,907	17,814	4,880	1,708	6,588	24,402
Vehicle	19,929	-	19,929	-	-	-	19,929
Staff development	17,943	-	17,943	-	-	-	17,943
Website hosting and management	9,901	9,901	19,802	-	-	-	19,802
Miscellaneous	30,269	-	30,269	-	-	-	30,269
Total expenses	<u>\$ 4,581,898</u>	<u>311,029</u>	<u>4,892,927</u>	<u>289,420</u>	<u>113,294</u>	<u>402,714</u>	<u>5,295,641</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Statement of Functional Expenses**

Year ended June 30, 2022

	Program Services				Supporting Services			Total Expenses
	Construction and Homeowner Activities	Family Support and Education	Store Operations	Total	Management and General	Fund Raising	Total	
Construction costs	\$ 1,691,557	-	-	1,691,557	-	-	-	1,691,557
Discounts on mortgages	191,115	-	-	191,115	-	-	-	191,115
Salaries and related costs	420,156	170,621	31,991	622,768	170,621	59,717	230,338	853,106
Advertising	-	-	5,385	5,385	-	-	-	5,385
Bank fee	-	-	8,531	8,531	-	-	-	8,531
Tithe to Habitat International and SOSI	22,200	-	-	22,200	-	-	-	22,200
Support to Habitat Florida	254	-	-	254	-	-	-	254
Dues and subscriptions	16,551	-	-	16,551	-	-	-	16,551
Occupancy	35,270	35,270	8,110	78,650	12,781	6,882	19,663	98,313
Telephone	3,855	3,855	513	8,223	3,427	2,056	5,483	13,706
Supplies	1,660	1,660	220	3,540	1,475	885	2,360	5,900
Postage	-	-	-	-	1,542	-	1,542	1,542
Printing and promotions	-	-	-	-	-	19,568	19,568	19,568
Travel	-	-	-	-	16,504	-	16,504	16,504
Outside services	36,547	36,547	4,874	77,968	32,487	19,492	51,979	129,947
Depreciation	-	-	2,299	2,299	24,198	-	24,198	26,497
Insurance	7,303	7,303	3,844	18,450	7,687	4,612	12,299	30,749
Vehicle	20,721	-	6,155	26,876	-	-	-	26,876
Interest expense	20,154	-	2,239	22,393	-	-	-	22,393
Website hosting and management	10,160	10,160	2,903	23,223	-	-	-	23,223
Miscellaneous	22,134	-	-	22,134	-	-	-	22,134
Total expenses	\$ 2,499,637	265,416	77,064	2,842,117	270,722	113,212	383,934	3,226,051

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Statements of Cash Flows**

Years ended June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 847,016	4,385,683
Adjustments to reconcile change in net assets to cash provided by (used in) operations:		
Transfers to homeowners	(374,773)	(226,885)
Depreciation	37,463	26,497
Amortization of discount mortgage loans	(403,227)	(198,543)
Unrealized gains on investments	(52,277)	-
(Gain) loss on disposal of fixed asset	11,410	(384,786)
Change in operating assets and liabilities:		
Accounts receivable	(7,294)	53,540
Other inventory	17,769	(18,673)
Prepaid and other assets	(106,027)	(15,044)
Construction in process	(1,296,978)	(96,570)
Land for development	-	9,349
Homes in inventory improvements	(14,725)	-
Assets held by Central Florida Foundation	(1,221)	2,162
Accounts payable	95,633	84,570
Accrued expenses	(14,897)	(7,855)
Deferred revenue	(40,000)	(20,000)
Cash (used in) provided by operating activities	(1,302,128)	3,593,445
<b>Cash flows from investing activities:</b>		
Purchase of investment	(4,176,586)	-
Mortgage payments received	662,565	399,942
Purchase of property and equipment	(60,423)	(53,950)
Proceeds from sale of ReStore	-	850,000
Proceeds from sale of homes	220,000	114,810
Cash provided by (used in) investing activities	(3,354,444)	1,310,802
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	-	(665,497)
Cash used in financing activities	-	(665,497)
Net change in cash and cash equivalents	(4,656,572)	4,238,750
Cash at beginning of year	5,720,267	1,481,517
Cash at end of year	\$ 1,063,695	5,720,267
Supplemental cash flow information:		
Cash paid for interest	\$ -	22,393
Issuance of non-interest bearing mortgage loans	\$ 558,000	418,000

See accompanying notes to financial statements

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization**

Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. (Habitat or Organization) is a not-for-profit corporation organized in the State of Florida in June 1991. The Organization is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian not-for-profit organization whose purpose is to build strength, stability and self-reliance through shelter. Through shelter, Habitat for Humanity empowers families and helps to build strong and stable communities. 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 operation in Seminole County, Florida and the Greater Apopka area.

**(b) Basis of Presentation**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of 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 that are not subject to donor-imposed stipulations and, therefore, available for use in general operations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

**(c) Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(d) Contributions**

Contributions and grants and payments under various contracts are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contract with customers are satisfied. Prior to the adoption of ASC 606, the Organization recognized revenue when persuasive evidence of an arrangement existed, delivery of products occurred, the sales price was fixed or determinable and collectability was reasonably assured.

In May of 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, Topic 606, which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with the customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. With respect to not-for-profit entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is not permitted. The Organization adopted the requirements of the new guidance as of July 1, 2020, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in no material changes to the accounting policies.

Contributions and Grants - Contributions are recognized when donors make a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Home Sales and Mortgages Receivable - Home sales represent the sale to qualified families of houses built in Seminole County and Apopka by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. The mortgages are secured by the underlying real estate and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. There are \$4,173,063 and \$4,277,628 of mortgages receivable at June 30, 2023 and 2022, respectively, that are over 90 days old.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(d) Contributions (Continued)**

The present value discount on mortgages for homes sold is shown as amortization of discount in mortgages receivable within the mortgage program. Mortgages are placed on nonaccrual status when they are foreclosed.

**(e) Mortgages Receivable**

Mortgages receivable represent non-interest-bearing loans upon the sale of a home and have been discounted based upon prevailing market rates at the inception of the mortgage obligations. The original discount is recorded as discounts on mortgage originations within program services on the statements of functional expenses at the date the mortgage is originated. Discounts are amortized using the effective interest method over the lives of the mortgage loans and are recorded as amortization of mortgage loan discounts within support and revenue in the statements of activities.

The allowance for mortgage receivable losses, if needed, is established through a provision for mortgage receivable losses charged to earnings. Mortgage receivable losses are charged against the allowance when management believes the uncollectability of a mortgage receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for mortgage receivable losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the mortgage portfolio. The amount of the allowance is based on management's evaluation of the collectability of the mortgage portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio.

**(f) Property and Equipment**

Property and equipment is recorded at cost or estimated value at the date of purchase or contribution. Expenditures for repairs and maintenance are expensed as incurred. The Organization capitalizes additions of property and equipment that exceed \$500. The Organization primarily utilizes the straight-line method of depreciation. Furniture, equipment and vehicles are depreciated over their various estimated useful lives ranging from three to seven years. Buildings are depreciated over their estimated useful life of 39 years.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(g) Transfers to Homeowners**

Transfers to homeowners are recorded when a home is occupied and title is transferred. The transfer is recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest-bearing mortgages have been discounted at various rates ranging from 2% to 12% based upon prevailing market rates at the inception of the mortgage obligations. Discounts are amortized using the effective interest method over the lives of the mortgages.

**(h) Advertising**

Advertising costs are expensed the first time the advertising takes place. Total advertising costs were \$3,463 and \$5,385 during 2023 and 2022, respectively.

**(i) Functional Allocation of Expenses**

The cost of providing the program and other activities of the Organization have been summarized on a functional basis in the statements of activities. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

**(j) Fair Value of Financial Instruments**

The Organization's financial instruments consist of cash and cash equivalents, receivables, accounts payable, accrued expenses, and notes payable. Cash and cash equivalents, receivables, accounts payable, accrued expenses, and notes payable are stated at cost which approximates fair value.

**(k) Contributed Services and Materials**

A substantial number of volunteers have made significant contributions of their time to the Organization's programs and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require specialized skills.

Contributions of materials and services requiring specialized skills or otherwise needing to be purchased are reflected in the accompanying financial statements. The majority of the items included as in-kind contributions in the accompanying statements of activities and changes in net assets reflect the contribution of materials utilized for construction of the various homes.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(l) Land Held for Development**

Land held for development primarily consists of land costs and related improvements for land that has not been presently assigned to a future homeowner.

**(m) Land/Structures Donated or Purchased**

Houses owned by affiliate consist primarily of re-acquired homes, or homes completed but not sold to homeowners. These properties are recorded at the lower of the carrying amount or fair value less estimated selling cost. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

**(n) Income Taxes**

The Habitat for Humanity of Seminole County and Greater Apopka, Florida, Inc. has received exemption from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service.

The Organization adopted the provisions of the Income Tax Topic of the ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2023, Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc. had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2020 to 2022 are open to examination by federal authorities.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(1) Organization and Summary of Significant Accounting Policies (Continued)**

**(o) Concentration of Credit Risks**

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist principally of bank deposits. The Organization's policy is to place its deposits with high quality financial institutions. The Organization holds its cash and equivalents and certificates of deposit with institutions insured by the FDIC. These funds are insured subject to FDIC limits.

The Organization's support is received primarily from local governments, foundations, businesses, churches and individuals located in the Seminole County and Orange County, Florida area. In addition, all of the mortgages receivable, reflected in the accompanying financial statements, relate to residential properties within Seminole and Orange Counties, Florida. As a result, continued contributions may be affected by the economy of this region.

**(p) Estimates in the Financial Statements**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on the mortgages receivable. The evaluation of the adequacy of the allowance for mortgages receivable is based on estimates that are susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on mortgages receivables, management may utilize market conditions, sales of comparables and independent appraisals.

**(q) Subsequent Events**

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through August 24, 2023, which is the date the financial statements were available to be issued.

**(2) Liquidity and Availability**

As of June 30, 2023, the Organization has \$5,550,707 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. Financial assets subject to donor or other restrictions that make them unavailable for general expenditure within one year of the balance sheet date were \$0 as of June 30, 2023. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(2) Liquidity and Availability (Continued)**

The following table reflects the Organization's financial assets as of June 30, 2023 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$ 1,063,695
Investments	4,228,863
Accounts receivable	36,870
Mortgages receivable (current)	<u>221,279</u>
Total financial assets	5,550,707
Restricted cash	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,550,707</u>

**(3) Fair Value Measurement**

The fair value of financial instruments is presented based upon a hierarchy of levels that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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 three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 – Inputs to the valuation methodology that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments held by the Corporation consist of equity securities, mutual funds, and certain government and corporate fixed income securities carried at fair value. The Corporation derives the fair value of its securities based on quoted market prices.

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(3) Fair Value Measurement (Continued)**

The following table summarizes the Corporation's investments at June 30, 2023:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gains (Losses)</u>
Cash and cash equivalents	\$ 33,169	33,169	-
Money market funds	1,807,500	1,807,500	-
Equity securities:			
Mutual funds	<u>2,388,194</u>	<u>2,335,917</u>	<u>52,277</u>
Total	<u>\$ 4,228,863</u>	<u>4,176,586</u>	<u>52,277</u>

The following tables set forth by level, within the fair value hierarchy, the Corporation's investments at fair value as of June 30, 2023:

	<u>Fair Value Measurement</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 33,169	-	-	33,169
Money market funds	1,807,500	-	-	1,807,500
Investments:				
Equity securities	<u>2,388,194</u>	<u>-</u>	<u>-</u>	<u>2,388,194</u>
Investments at fair value	<u>\$ 4,228,863</u>	<u>-</u>	<u>-</u>	<u>4,228,863</u>

**(4) Mortgages Receivable**

Mortgages receivable consist entirely of non-interest bearing first mortgage notes secured by residential real estate payable in monthly installments with maturities ranging from twenty to thirty years. These mortgages are originated through the Organization's home building program. The amounts presented in the statement of financial position are net of unamortized discounts arising from imputed interest as follows:

	<u>2023</u>	<u>2022</u>
First mortgages receivable (remaining face value)	\$ 6,059,624	6,181,984
Less: unamortized discounts (2-12% imputed interest)	<u>(1,886,561)</u>	<u>(1,904,356)</u>
	<u>\$ 4,173,063</u>	<u>4,277,628</u>

Management feels no provision for mortgage receivable losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(4) Mortgages Receivable (Continued)**

mortgage balance. In the event of foreclosure, management believes that the only costs the Organization is likely to incur would be legal and rehab expenses to prepare the property for a new homeowner. These costs are uncertain and are dependent on a future event; as such no amount has been reflected in these financial statements for such a contingency. These mortgages receivable relate entirely to single family residential properties in Seminole and Orange Counties, Florida. At June 30, 2023, the principal balances due on the mortgages were scheduled to be received as follows:

<b>Year Ended June 30,</b>	<b>Mortgage Payment</b>
2024	\$ 221,279
2025	220,100
2026	223,180
2027	218,805
2028	219,891
Thereafter	3,069,808
Total	\$ 4,173,063

**(5) Property and Equipment**

Property and equipment consists of the following at June 30:

	<b>2023</b>	<b>2022</b>
Buildings	\$ 66,452	66,452
Fixtures and equipment	84,787	65,632
Vehicles	82,715	85,842
	233,954	217,926
Less accumulated depreciation	(96,431)	(91,953)
	\$ 137,523	125,973

Depreciation expense for the years ended June 30, 2023 and 2022 was \$37,463 and \$26,497, respectively.

**(6) Adoption of FASB ASC 842**

Effective July 1, 2022, the Company adopted FASB ASC 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(6) Adoption of FASB ASC 842 (Continued)**

the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Company elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Company also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The Company has a lease arrangement for certain facilities. This lease typically has original terms not exceeding 10 years and generally contain multiyear renewal options, some of which are reasonably certain of exercise. The Company's lease arrangement may contain both lease and non-lease components. The Company has elected to combine and account for lease and non-lease components as a single lease component for its lease.

The following table shows ROU assets and lease liabilities, and the associated financial statement line items as of June 30, 2023:

<b><u>Lease-Related Assets and Liabilities</u></b>	
Right-of-use assets:	
Operating leases	<u>\$ 65,809</u>
Lease liabilities:	
Operating leases:	
Other current liabilities	40,929
Other non-current liabilities	<u>24,880</u>
Total lease liabilities	<u>\$ 65,809</u>

Lease liability maturities as of June 30, 2023, are as follows:

2024	\$ 40,929
2025	<u>24,880</u>
Total lease liabilities	<u>\$ 65,809</u>

HABITAT FOR HUMANITY IN SEMINOLE COUNTY  
AND GREATER APOPKA, FLORIDA, INC.

**Notes to Financial Statements**

June 30, 2023 and 2022

**(7) Central Florida Foundation Endowment**

The Organization has established an endowment with the Central Florida Foundation. This endowment will provide a permanent source of income for Habitat for Humanity in Seminole County, Florida, Inc. Future income may be withdrawn or added to the principal balance of the endowment at the Organization's discretion. The Organization's endowment is carried as an asset in the accompanying statements of financial position.

The Board of Directors of the Central Florida Foundation shall have the power to modify or eliminate any restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if the Board of Directors determines that such restriction, limitation or condition becomes by material and significant change of circumstances in effect unnecessary, in capable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

**(8) Transactions With Habitat International**

The Organization remits a portion of its revenues to Habitat International. These funds are used to construct homes in economically depressed areas around the world, and therefore these amounts are included in the Organization's program services in the accompanying statements of activities. For the years ended June 30, 2023 and 2022, the Organization contributed \$8,400 and \$7,200, respectively. During the years ended June 30, 2023 and 2022, the Organization contributed \$15,000 to the Habitat International Stewardship and Sustainability Initiative (SOSI) each year.

**(9) Significant Contribution**

In March 2022 the Organization received a contribution from philanthropist MacKenzie Scott in the amount of \$3,500,000. This contribution is nonrecurring and has no donor restrictions which allows for this to be used at any time at the discretion of the Organization.

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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
Habitat for Humanity in Seminole County  
and Greater Apopka, Florida, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Habitat for Humanity in Seminole County and Greater Apopka, Florida, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP*

August 24, 2023  
Maitland, Florida