HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2024

MAULDIN & JENKINS

CPAs & ADVISORS

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Lee and Hendry Counties, Inc.
Fort Myers, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Habitat for Humanity of Lee and Hendry Counties, Inc.** (a nonprofit organization) (the "Habitat"), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Habitat as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Habitat 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Habitat'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Habitat's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and by Section 215.97, Florida Statutes, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of Habitat's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 18, 2024

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS		
Cash and cash equivalents		
Operating	$	1,103,000
Escrow funds		432,663
Accounts receivable		33,518
Grants receivable		474,896
Investments		63,317
Prepaid expenses and deposits		78,891
Building materials inventory		33,387
First and second mortgages receivable, net		16,624,014
Land held for home sites		13,417,556
Construction in progress		9,532,821
Property and equipment, net		2,297,449
Right of use assets, financing		21,663
Right of use assets, operating		2,377,675
Total assets	$	46,490,850
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other accrued liabilities	$	1,809,852
Escrow accounts payable		129,148
Annuity obligations payable		30,881
PPP loan		56,701
Long-term debt		5,695,436
Lines of credit		1,500,000
Lease liabilities, financing		20,152
Lease liabilities, operating		2,457,367
Total liabilities		11,699,537
Net assets		
Without donor restrictions		
Undesignated		33,175,729
Board designated for future projects		300,000
With donor restrictions		
Purpose		1,315,584
Total net assets		34,791,313
Total liabilities and net assets	$	46,490,850

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Change in net assets			
Revenue and support			
Contributions			
Cash and pledge contributions	$ 3,290,477	$ 1,048,378	$ 4,338,855
Materials and services	1,906,330	-	1,906,330
Land donations	67,886	-	67,886
Special events (less direct expenses of $36,142)	1,634,285	-	1,634,285
Grants and subsidies	6,456,955	-	6,456,955
Application fees	98,007	-	98,007
Retail store sales	3,920,646	-	3,920,646
Amortization of mortgage discounts	414,642	-	414,642
Interest income	10,641	-	10,641
Change in gift annuities	19,530	-	19,530
Loss on disposal of property and equipment	(124,291)	-	(124,291)
Miscellaneous revenue	673,875	-	673,875
Net assets released from restriction	1,673,412	(1,673,412)	-
	20,042,395	(625,034)	19,417,361
Transfers to homeowners for mortgage loans	5,108,852	-	5,108,852
Total revenue and support	25,151,247	(625,034)	24,526,213
Expenses			
Program services			
Construction	17,077,233	-	17,077,233
Retail stores	4,068,199	-	4,068,199
Family services	1,119,352	-	1,119,352
Total program service expenses	22,264,784	-	22,264,784
Administrative and general	1,592,257	-	1,592,257
Fundraising	349,729	-	349,729
Total administrative and general and fundraising expenses	1,941,986	-	1,941,986
Change in net assets	944,477	(625,034)	319,443
Net assets, beginning of year	32,531,252	1,940,618	34,471,870
Net assets, end of year	$ 33,475,729	$ 1,315,584	$ 34,791,313

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services			Total	Administrative		
	Construction	Retail Stores	Family Services	Program Services	and General	Fundraising	Total
Construction costs	$ 15,177,460	$ -	$ -	$ 15,177,460	$ -	$ -	$ 15,177,460
Direct program expenses							
Volunteer department	1,591,692	530,564	-	2,122,256	-	-	2,122,256
Tithe to Habitat for Humanity International	192,409	-	-	192,409	-	-	192,409
Program indirect expenses							
Communication	95,657	95,657	95,657	286,971	-	-	286,971
Development	-	-	-	-	-	349,729	349,729
Cost of retail store sales	-	3,300,186	-	3,300,186	-	-	3,300,186
Family services cost	-	-	1,016,440	1,016,440	-	-	1,016,440
Office and other salaries	-	-	-	-	720,588	-	720,588
Insurance	-	-	-	-	26,468	-	26,468
Mortgage interest	-	-	-	-	51,751	-	51,751
Office operations	-	-	-	-	344,916	-	344,916
Maintenance	-	-	-	-	11,261	-	11,261
Real estate taxes and fees	-	-	-	-	20,539	-	20,539
Rent	-	-	-	-	310,234	-	310,234
Utilities	-	-	-	-	34,476	-	34,476
Miscellaneous	-	-	-	-	39,059	-	39,059
Total functional expenses before depreciation	17,057,218	3,926,407	1,112,097	22,095,722	1,559,292	349,729	24,004,743
Depreciation	20,015	141,792	7,255	169,062	32,965	-	202,027
Total functional expenses	$ 17,077,233	$ 4,068,199	$ 1,119,352	$ 22,264,784	$ 1,592,257	$ 349,729	$ 24,206,770

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contracts and donations	$ 25,953,160
Cash payments for program and support services	(28,526,000)
Cash received for interest	10,641
Cash payments for interest	(78,799)
Net cash used in operating activities	(2,640,998)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,133,191)
Payments on the issuance of mortgages	(10,995)
Net mortgage payments received	414,642
Net cash used in investing activities	(729,544)
CASH FLOWS FROM FINANCING ACTIVITIES	
Annuity payments	(11,862)
Proceeds from long-term debt financing	2,816,333
Principal payments on notes and mortgages payable	(311,391)
Net cash provided by financing activities	2,493,080
Decrease in cash and cash equivalents	(877,462)
Cash and cash equivalents, beginning of year	2,413,125
Cash and cash equivalents, end of year	$ 1,535,663
Operating cash	$ 1,103,000
Escrow cash	432,663
	$ 1,535,663

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

Change in net assets	$ 319,443
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	202,027
Amortization of right of use assets	11,425
Loss on disposal of property and equipment	124,291
Impairment loss on construction in progress	143,850
Donated land, materials and services	(171,156)
(Increase) decrease in assets	
Accounts receivable	761,928
Unconditional promises to give	200,000
Grants receivable	475,660
Charitable annuity split-interest agreements	14,686
Prepaid expenses and deposits	6,801
Building materials inventory	70,052
Land held for homesites	(271,891)
Construction in progress	(4,335,183)
Increase (decrease) in liabilities	
Accounts payable and other accrued liabilities	(181,231)
Escrow accounts payable	10,654
Annuity obligations payable	(22,354)
Net cash used in operating activities	$ (2,640,998)

See Notes to Consolidated Financial Statements.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity of Lee and Hendry Counties, Inc. (the “Habitat”) is a non-profit organization funded by public contributions. Habitat was incorporated on October 8, 1982 and is dedicated to providing affordable home ownership in Lee County and Hendry County, Florida, for those families who cannot otherwise afford a decent place to live.

Habitat is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a faith based, non-profit organization whose purpose is to create affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat has chosen to contribute a tithe on undesignated revenue received to Habitat International, as part of the affiliation.

Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include all of the accounts and activity of Habitat for Humanity of Lee and Hendry Counties, Inc., Majorca Palms, LLC, HFHLHC Funding Company I, LLC, Habitat Harlem Heights, LLC, and Habitat McNeill, LLC. All transactions between the above entities have been eliminated in consolidation and the above entities are collectively referred to as the “Organization.”

Majorca Palms, LLC (formerly known as “Habitat for Humanity Senior Housing, LLC”) was incorporated under the laws of the State of Florida in 2007, for the purpose of operating the rental complexes. In 2014, Habitat changed the name of Habitat for Humanity Senior Housing, LLC to Majorca Palms, LLC. Habitat is the sole member of the Majorca Palms, LLC.

HFHLHC Funding Company I, LLC was incorporated under the laws of the State of Florida in 2014, for the purpose of securitizing 21 mortgage notes that were sold in 2014. Habitat is the sole member of the HFHLHC Funding Company I, LLC.

Habitat Harlem Heights, LLC was incorporated under the laws of the State of Florida in 2016, for the purpose of developing and constructing future homesites. Habitat is the sole member of the Habitat Harlem Heights, LLC.

Habitat McNeill, LLC was incorporated under the laws of the State of Florida in 2017, for the purpose of limiting liability exposure for the McNeill neighborhood land development project. Habitat is the sole member of the Habitat McNeill, LLC.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Basis of Presentation

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The accompanying consolidated financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, net assets are reported in each of the following two classes:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Board has designated $300,000 for future projects.

Net assets with donor restriction – Net assets with donor restrictions are created only by donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met either by actions of the Organization and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same accounting period are reported as net assets without donor restrictions. Habitat has $1,315,584 of net assets with donor restrictions as of June 30, 2024.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Gifts and Contributions

Habitat records contributions upon receipt of an unconditional promise to give, less an allowance for uncollectible amounts and an allowance for the present value of gifts to be received over more than one year. Gifts, bequests, and other promises or receipts restricted by donors as to use or time period are recorded as net assets with donor restrictions until used in the manner designated or upon expiration of the time period. Donated property and equipment are recorded at fair market value at the date received as net assets with or without donor restrictions, based on the donor's intent.

When the assets are used for their intended purposes, the applicable amount is transferred to net assets without donor restrictions.

Grants and Subsidies

Habitat recognizes grants and subsidies as revenue in the period earned. For grants that are reimbursement basis, Habitat records revenue and a receivable when the condition identified in the grant has been completed. As of June 30, 2024, Habitat has grants receivable of $474,896.

Investments for Gift Annuity Obligations

Habitat is a named beneficiary under certain charitable gift annuity arrangements. Under these arrangements, Habitat receives the contributed amounts upon the execution of the agreement and is required to pay a fixed annuity to the donor during the lifetime of the donor. Habitat has recorded the contributed assets based on fair value and the annuity obligation based on the present value of future cash flows expected to be paid. The difference between the fair value of amounts contributed and the annuity obligation is recognized as contribution revenue without donor restrictions. Changes in the recorded assets and annuity obligations due to changes in life expectancy, present value actuarial assumptions, or market value of assets are reflected as other revenue in the accompanying consolidated statements of activities and changes in net assets.

Upon death of the grantor and the receipt of the monies, Habitat will recognize the revenues according to the donor restrictions, if any. A discount rate of 2% was used to determine the present value of all split interest agreements at June 30, 2024.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Building Materials Inventory

Building materials are stated at the lower of cost (utilizing the first-in, first-out method) or market.

Mortgages Receivable

First mortgages from the sale of houses are interest free amounts due from the home buyer. Second mortgages on houses represent the difference between the first mortgage and the sales price of the home, less any homeowner assistance grants received. Both mortgages are interest free to the homeowner but are discounted at an appropriate rate of interest for financial statement presentation purposes.

A loan is considered impaired when it is probable, based on current information and events, the Organization will be unable to collect all principal payments due in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impaired loans are measured by the fair value of the collateral. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Allowance for Credit Losses – Mortgages Receivable

The allowance for credit losses on mortgages receivable is established through a provision for credit losses charged to expense. Credit losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, concentrations and current economic conditions that may affect the borrower’s ability to pay.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Allowance for Credit Losses – Mortgages Receivable (Continued)

The allowance consists of specific and general components. The specific components relate to loans that are impaired. For such loans that are classified as impaired, an allowance is established when the collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers unimpaired loans and is based on historical experience adjusted for qualitative factors.

This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. For the year ending June 30, 2024, Habitat's allowance for credit loss is $200,000.

Second mortgages are held on most homes sold. The terms of the second mortgages range from ten to 20 years and must be satisfied if the home is sold within the term of the mortgage. The second mortgages are offset by second mortgage reserves of $11,511,807 as of June 30, 2024, as reported on the consolidated statements of financial position, because payment on these mortgages is waived over the term of the mortgage. Second mortgages issued prior to January 2006 decrease on a pro-rata basis over the term of the mortgage. Second mortgages issued after January 2006 remain at the full balance until the end of the mortgage term.

Foreclosed Assets

Foreclosed homes acquired through or in lieu of loan foreclosure are refurbished for future qualified residents and are initially recorded at the lower of cost or fair value. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed homes and subsequent adjustments to the value are expensed.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Land and Construction Inventory

Land Held for Home and Commercial Property Sites

Land purchased for homes and commercial property sites is recorded at cost unless it is determined to be impaired, in which case the impaired land is written down to fair value. Donated land is recorded at the donor's appraised amount or the property appraiser's value. All related carrying costs for these properties such as maintenance, any assessments, real estate taxes, etc. are capitalized into the cost of the properties. Habitat reviews land for impairment during each reporting period on a lot by lot basis. Generally accepted accounting principles require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Construction in Progress

Costs of construction in progress consist of a budgeted amount for the land transferred from land inventory to the construction account and direct home construction costs, unless it is determined to be impaired. In which case, the impaired construction in progress is written down to fair value. Construction overhead is expensed as incurred. Homes completed pending closing are classified as construction in progress until delivered. Habitat reviews construction in progress for impairment during each reporting period on a lot by lot basis. Generally accepted accounting principles require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Habitat estimates fair values of land and construction inventory evaluated for impairment under generally accepted accounting principles based on market conditions and assumptions made by management at the time they are evaluated, which may differ materially from actual results if market conditions or assumptions change. For example, further market deterioration or changes in assumptions may lead to Habitat incurring additional impairment charges on previously impaired land and construction inventory, as well as on land and construction inventory in progress not currently impaired but for which indicators of impairment may arise if further deterioration occurs.

Property and Equipment

Property and equipment are recorded at cost or estimated fair market value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to 39 years.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Donated Property and Equipment

Donations of property and equipment (in-kind contributions) are recorded as revenue at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Revenue Recognition

It is Habitat's policy to sell affordable housing with interest free mortgages. In accordance with generally accepted accounting principles, the mortgages receivable have been discounted based upon the prevailing market rates at the inception of the mortgage and the discount recognized in income over the life of the mortgage. Retail store sales are recognized as revenue at the time of purchase. Transfers to homeowners for mortgage loans and application fees are recognized as revenue when the home is sold to the homeowner. Rental income is recognized as revenue over the term of the lease in accordance with the lease terms.

Impairment Loss

For assets to be held and used, generally accepted accounting principles require the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired and the future cash flows from that asset are less than the asset's carrying amount. The impairment loss is measured as the difference between the asset's carrying amount and its fair value.

During the year ended June 30, 2024, Habitat did not have any impairment losses related to land held for homesites and had an impairment loss of $143,850 on construction in progress.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Donated Materials and Services

Donations of building materials (in-kind contributions) are recorded at their estimated fair value at the date of donation.

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the consolidated statement of activities included:

Contracted labor	$ 1,803,060
Land	67,886
Materials	17,763
Services	48,228
Other	37,279
	$ 1,974,216

No amounts have been reflected in the consolidated statements of activities for volunteer services because the criteria for recognition of such volunteer efforts under FASB guidance have not been satisfied. Nevertheless, volunteers have donated a substantial amount of their time to the program services of the Organization.

Program Services

Program services include construction, family services, owner occupied repairs, and providing affordable home furnishings in the retail stores. The cost of home building or rehabilitation is charged to program services as the homes are completed and sold.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses, and the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted on a reasonable basis that is consistently applied. Some expenses are directly identifiable and are charged to programs and supporting services accordingly. Administrative and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Allocations of significant costs are based on estimates of time and effort and other reasonable methods.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued):

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements.

Management of Habitat considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

Habitat files the Form 990 in the U.S. Federal Jurisdiction.

Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term related to the determination of the allowance for loan losses, the valuation of land and construction in progress and the determination of accrued construction rehab costs.

Recent Accounting Pronouncements

On July 1, 2023, the Habitat adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which replaces the incurred loss methodology with an expected loss that is referred to as the current credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including mortgages receivable.

The Habitat adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning July 1, 2023 are presented under ASC 326 while prior amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new methodology did not have a financial impact on the Habitat.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows have seasonal variations during the year attributable to contributions, grants, retail sales and mortgage loans earned throughout the year. The Organization manages liquidity during the year by utilizing the following strategies: operating within a budget that reflects the Board of Directors' strategy, regular analysis of actual operating results versus budget, and establishment of an operating reserve fund funded to be used to fund operating shortfalls with the approval of the Board of Directors.

The following table reflects the Organization's total financial assets as of June 30, 2024 which could be made available within 12 months to meet operating expenditures:

Financial assets available to meet operating expenditures over the next 12 months	
Cash, operating	$ 1,103,000
Accounts receivable	33,518
Grants receivable	474,896
Mortgages receivable, due within one year	1,123,404
Less Board designated net assets	(300,000)
Less net assets with donor restrictions	(1,315,584)
	$ 1,119,234

NOTE 3. ESCROW CASH

Funds received from homebuyers prior to closing are held in escrow and restricted to closing costs on home sales. Habitat also holds funds in escrow as security deposits for its rental units. These escrow funds are recorded as cash with a corresponding liability in the consolidated financial statements as escrow accounts payable.

As of June 30, 2024, Habitat held $308,908 in tax and insurance escrow funds. These assets, along with the corresponding liability, are not included on the consolidated statement of financial position.

NOTE 4. MORTGAGES RECEIVABLE

There were first mortgages receivable on 244 homes at June 30, 2024.

The following is a summary of mortgages receivable, presented net of the imputed interest amounts:

Balance, beginning of year	$ 17,027,661
New mortgages	4,972,818
	22,000,479
Payments	(414,642)
Change in discount rate	(31,961)
Sale of mortgages	(4,929,862)
	$ 16,624,014

Maturities of first mortgage notes receivable are summarized as follows:

Gross amounts due in:	
Less than one year	$ 1,123,404
1 to 5 years	4,321,379
After 5 years	19,075,606
	24,520,389
Unamortized discount	(7,696,375)
Allowance for doubtful accounts	(200,000)
Net amounts due	$ 16,624,014

The following is a summary of information pertaining to impaired and non-impaired loans:

Gross non-impaired loans with a valuation allowance	$ 23,353,649
Valuation allowance for non-impaired loans	(200,000)
Net non-impaired loans	$ 23,153,649
Gross impaired loans with a valuation allowance	$ 1,166,740
Valuation allowance for impaired loans	-
Net impaired loans	$ 1,166,740
Second mortgages with a valuation allowance	$ 11,511,807
Valuation allowance for second mortgages	(11,511,807)
Net second mortgages	$ -

During the year ended June 30, 2024, Habitat sold mortgages receivable with a book value of $4,929,862 for $4,685,162.

NOTE 5. HOME BUILDING AND SITE PREPARATION ACTIVITY

During the year ended June 30, 2024, 43 homes were transferred to homeowners, 40 new homes were completed, three homes were rehabbed, and 12 homes were repaired. Total production was 102 at year-end.

NOTE 6. PROPERTY AND EQUIPMENT

At June 30, 2024, the carrying value of property and equipment and the related accumulated depreciation are as follows:

Land	$ 346,353
Buildings and building improvements	3,304,267
Office fixtures and equipment	117,055
Computer equipment	33,462
Forklifts and other equipment	45,828
Vehicles	1,009,349
	4,856,314
Less accumulated depreciation	(2,558,865)
	$ 2,297,449

NOTE 7. LEASES

Habitat enters into leases in the normal course of business primarily for office and retail space. Habitat's leases have remaining terms ranging from one to three years, some of which include renewal options to extend the lease for up to five years and none include lease termination options.

Habitat includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain Habitat will exercise the option. Habitat has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on Habitat's statement of financial position.

Leases are classified as operating or finance lease at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent Habitat's right to use an underlying asset for the lease term and lease liabilities represent Habitat's obligation to make lease payments arising from the lease. Right-of-use assets and are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Right-of-use assets related to operating leases are associated with real estate primarily use in Habitat's operations as office and retail space. Right-of-use assets related to finance lease are associated with vehicles used in Habitat's operations that have a purchase option that is likely to be exercised at the end of the lease term.

NOTE 7. LEASES (CONTINUED)

As permitted under U.S. GAAP for non-public business entities, when the rate implicit in the lease is not known, Habitat uses a risk-free rate for a period comparable to the lease term to calculate the present value of lease payments. The risk-free rate is 3.02%.

Right-of-use assets and lease liabilities by lease type, and the associated statement of financial position classifications at June 30, 2024 are as follows:

Right-of-use assets:		
Operating leases	$	2,377,675
Finance leases		21,663
Total right-of-use assets	$	2,399,338
Lease liabilities:		
Operating leases	$	2,457,367
Finance leases		20,152
Total lease liabilities	$	2,477,519

The components of total lease cost were as follows for the year ending June 30, 2024:

Finance lease cost		
Right-of-use amortization	$	17,285
Interest expense		732
Operating lease cost		730,072
Total lease cost	$	748,089

Future maturities of lease liabilities for finance and operating leases with initial terms of one year or more as of June 30, 2024 are as follows:

	Operating Leases		Finance Leases	
2025	$	966,836	$	20,152
2026		788,844		-
2027		490,346		-
2028		211,341		-
Total lease liabilities	$	2,457,367	$	20,152

NOTE 8. LINES OF CREDIT

Habitat has a line of credit in the amount of $1,000,000 with a financial institution. The line of credit bears interest at Prime (8.50% at June 30, 2024), and matures in March 2025. The outstanding balance as of June 30, 2024 is $1,000,000. Subsequent to year-end, Habitat increased the maximum borrowing on this line of credit to $3,000,000.

Habitat has a second line of credit in the amount of $1,000,000, originally entered into in 2015, with a financial institution to fund the single family affordable housing projects. In March 2024, the Organization renewed the line of credit of $1,000,000 with the same financial institution. The renewed line of credit bears interest at Prime less 1% (7.50% at June 30, 2024), and matures in November 30, 2025. The line of credit is secured by the assignment of notes and mortgages receivable. There is no outstanding balance as of June 30, 2024. Subsequent to year-end, Habitat increased the maximum borrowing on this line of credit to $3,000,000.

Habitat has a third line of credit in the amount of $1,000,000 with a financial institution. The line of credit bears interest at Prime (8.50 % at June 30, 2024) with a floor of 5.00% and matures on March 7, 2025. The outstanding balance as of June 30, 2024 $500,000.

NOTE 9. LONG-TERM DEBT

Unsecured investment bond payable to a financial institution, quarterly interest payments of 0.25%, full balance due October 2026.	$	500,000
Note payable secured by Board designated funds, to fund sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and monthly payments of $625 with final payment due December 1, 2023.		1,250
Note payable secured by Board designated funds, to fund sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and monthly payments of $156 with final payment due July 1, 2027.		5,628
Note payable secured by Board designated funds, to fund sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and monthly payments of $61 with final payment due July 1, 2027.		2,213

NOTE 9. LONG-TERM DEBT (CONTINUED)

Note payable secured by Board designated funds, to fund sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and monthly payments of $122 with final payment due January 1, 2026.	$	4,426
Note payable secured by Board designated funds, to fund sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and monthly payments of $520 with final payment due July 1, 2027.		25,000
Note payable secured by Board designated funds, to fund sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and monthly payments of $26 with final payment due July 1, 2029.		1,250
Note payable secured by Board designated funds, to fund sub-granting under the Self-Help Ownership Program (SHOP), payable to Habitat International at 0.00% interest and monthly payments of $1,718 with final payment due January 1, 2030.		82,500
Note payable secured by vehicle, payable to a financial institution at 2.10% interest with final payment May 23, 2027.		13,927
Note payable secured by vehicle, payable to a financial institution at 2.10% interest with final payment May 29, 2027.		14,013
Note payable secured by vehicle, payable to a financial institution at 9.54% interest with final payment February 29, 2028.		80,331
Note payable secured by real estate, payable to a financial institution at 5.625% interest with a balloon payment in January 2029.		1,071,000

NOTE 9. LONG-TERM DEBT (CONTINUED)

Note payable secured by real estate, payable to a financial institution at 4.25% interest with a balloon payment in December 2028.	$	956,687
Note payable secured by real estate, payable to a financial institution at Prime less 0.25% and a lump sum payment in September 4, 2024.		795,197
Note payable secured by real estate, payable to a financial institution at 5.00% interest and payments beginning November 2024.		2,142,014
	$	5,695,436

Principal maturities of long-term debt at June 30, 2024 are as follows:

Year ending June 30,		
2025	$	1,689,553
2026		1,353,421
2027		421,758
2028		386,421
2029		1,444,116
Thereafter		400,167
	$	5,695,436

In January 2021, the Organization obtained a loan through the Paycheck Protection Program – Small Business Administration for $1,013,670 due to COVID-19. The loan is administered through a local financial institution with a fixed interest rate of 1% per year. During the year ended June 30, 2022, 879,659 was forgiven and is recognized on the statement of activities in contributions and $56,701 is due to the Small Business Administration at June 30, 2024.

NOTE 10. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP), establishes a framework for measuring fair value. That framework provides a fair value hierarchy 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).

The three levels of the fair value hierarchy under GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially all of the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets Measured at Fair Value on a Recurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

Mutual funds: Valued at the fair value of shares held by Habitat at year-end.

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

NOTE 10. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, Habitat's assets at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 63,317	$ -	$ -	$ 63,317
Total assets at fair value	$ 63,317	$ -	$ -	$ 63,317

The following is a description of the valuation methodologies used for instruments measured at fair value on a non-recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Impaired loans: Loan impairment is reported when full payment under the loan terms is not expected. Impaired loans are carried at the fair value of collateral. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require increase, such increase is reported as a component of the provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan is confirmed. When the fair value of the collateral is based on an observable market price or a current appraised value, the Organization records the loan impairment as nonrecurring Level 2.

Impaired land held for homesites: Land held for homesites impairment are reported when the current tax appraised values are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such assets to its fair value. When the fair values of such assets are based on current tax appraised values, the Organization records the land held for home sites as nonrecurring Level 2.

NOTE 11. NET ASSETS WITH DONOR RESTICTIONS

Net assets with donor restrictions, time and purpose, are restricted for the following purposes at June 30, 2024:

Hurricane relief	$ 1,315,584

Net assets with donor restrictions, time and purpose, as June 30, 2024 consisted of $1,315,584 in cash.

NOTE 11. NET ASSETS WITH DONOR RESTICTIONS (CONTINUED)

Releases from restrictions consisted of the following for the year ended June 30, 2024:

Unconditional promises to give	$	200,000
Hurricane relief		1,473,412
	$	1,673,412

NOTE 12. MORTGAGE LOAN SERVICE AGREEMENT

Habitat services the mortgages it holds, handling the processing of mortgage payments and escrow accounts for the mortgages. In addition, Habitat also services mortgages totaling $38,604,549 as of June 30, 2024, that it sold to outside investors. These mortgages are not owned by Habitat and, therefore, are not reflected in the consolidated financial statements.

NOTE 13. TITHE TO HABITAT INTERNATIONAL

Habitat annually remits a portion of its revenues to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed $355,900 for the period ended June 30, 2024. This amount is included in program services expense in the consolidated statement of functional expenses.

NOTE 14. LEE COUNTY AND CITY OF CAPE CORAL CONTRACTS

During the year ending June 30, 2024, Habitat entered into various SHIP contracts with Lee County and the City of Cape Coral to construct or rehabilitate 38 single family homes of which 1 closed before June 30, 2024. These contracts were funded through the Florida State Housing Initiative Partnership Program.

NOTE 15. CONCENTRATION OF CREDIT RISK

Habitat maintains cash balances at several financial institutions located in Southwest Florida. Accounts in each institution are insured by the Federal Deposit Insurance Corporation up to the statutory limit. At June 30, 2024, Habitat’s uninsured cash balances totaled $1,073,229.

NOTE 16. MORTGAGE LOAN COMMITMENTS

When Habitat sells mortgages to third parties, it agrees with the buyer to replace any delinquent mortgage loan with a mortgage of approximately the same amount. The buyer of the loans must request that this be done. The mortgages summarized in Note 4 are subject to this replacement requirement.

NOTE 17. RELATED PARTY TRANSACTIONS

The Organization paid $8,799 to a law firm that has a board member as a stockholder during the period ended June 30, 2024.

The Organization paid $2,047 to a design and engineering firm that has a board member as a stockholder during the period ended June 30, 2024.

The Organization paid $16,000 to a construction company that has a board member as a stockholder during the period ended June 30, 2024.

The Organization maintains its operating account and money market account in a commercial bank that a board member is an executive vice president of the Organization and also has an unsecured line of credit with the same commercial bank (see Note 8).

NOTE 18. RETIREMENT PLAN

Habitat's employees participate in a defined contribution plan. Employees eligible to participate in the plan must be at least 21 years of age and have three months of service. The plan allows for employee contributions which Habitat may match up to a maximum of 6% of eligible compensation. The employer match expenses for the year ended June 30, 2024 are $177,652.

NOTE 19. LAND SALES

Habitat held a parcel of land approximately 59.04 acres in Lee County, Florida, commonly referred to as the "Tice" parcel, held for future building of homesites. On July 27, 2022, Habitat entered into a contract to sell the parcel for $9,500,000. The closing has been delayed due to required wetlands studies required by the Army Corps of Engineers. As of December 18, 2024 a new closing date has not been established as the buyer is weighing their options for the required studies.

Habitat held a parcel of land approximately 35.40 acres in Lee County, Florida, commonly referred to as the "Diplomat North" parcel, held for future building of homesites. On March 1, 2022, Habitat entered into a contract to sell the parcel for $6,300,000 which is estimated to close in February 2025.

NOTE 20. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 18, 2024 the date on which the financial statements were available to be issued, noting no events that have occurred for disclosure in the financial statements.

The Organization signed a contract to purchase approximately 8.11 acres land on December 3, 2024 for $2,865,000.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 2024

Agency/Program	Federal Assistance Listing or State CSFA Number	Agency Grant Number	Expenditures	Passed through to Subrecipients
U.S. Department of Housing and Urban Development				
(Passed through the City of Cape Coral)				
Community Development Block Grant/Entitlement Grant	14.218	PY 2021 CDBGHOUSING PR and Land Acquisition	$ 148,000	$ -
Community Development Block Grant/Entitlement Grant	14.218	PY 2023 CDBGHOUSING PR and Land Acquisition	256,800	-
Community Development Block Grant/Entitlement Grant	14.218	PY 2022 CDBGHOUSING Home Ownership	436,969	-
Community Development Block Grant/Entitlement Grant	14.218	PY 2021 CDBGHOUSING Counseling	8,000	-
Total U.S. Department of Housing and Urban Development			$ 849,769	$ -
U.S. Department of Treasury				
(Passed through the Lee County)				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	$ 426,076	$ -
Total U.S. Department of Treasury			426,076	-
Total Federal Expenditures			$ 1,275,845	$ -
Florida Housing Finance Corporation				
(Passed through the City of Cape Coral)				
State Housing Initiatives Partnership Program (SHIP)	40.901	SHIP 21/22 Emergency Repair	$ 82,729	$ -
State Housing Initiatives Partnership Program (SHIP)	40.901	SHIP 21/22 Homeownership	581,710	-
State Housing Initiatives Partnership Program (SHIP)	40.901	SHIP 22/23 Homeownership	110,000	-
State Housing Initiatives Partnership Program (SHIP)	40.901	SHIP 22/23 Disaster Relief	16,395	-
State Housing Initiatives Partnership Program (SHIP)	40.901	SHIP 23/24 Counseling	500	-
(Passed through Lee County)				
State Housing Initiatives Partnership Program (SHIP)	40.901	C-9625	245,420	-
State Housing Initiatives Partnership Program (SHIP)	40.901	C-9774	1,929,800	-
State Housing Initiatives Partnership Program (SHIP)	40.901	C-10021	60,000	-
Total Florida Housing Finance Corporation			$ 3,026,554	$ -
Total State Financial Assistance			$ 3,026,554	$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE JUNE 30, 2024

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes federal award activity of Habitat under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General (the "Chapter"). Because the Schedule presents only a selected portion of the operations of Habitat, it is not intended to and does not present the financial position, changes in net assets or cash flows of Habitat.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(2) Habitat has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

MAULDIN & JENKINS

CPAs & ADVISORS

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*

Board of Directors
Habitat for Humanity of Lee and Hendry Counties, Inc.
Fort Myers, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity of Lee and Hendry Counties, Inc. (a non-profit organization) (the "Habitat"), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Habitat's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 18, 2024

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Board of Directors
Habitat for Humanity of Lee and Hendry Counties, Inc.
Fort Myers, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Habitat for Humanity of Lee and Hendry Counties, Inc.'s (a non-profit organization) (the "Habitat") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Habitat's major federal programs and state projects for the year ended June 30, 2024. Habitat's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat complied, in all material respect, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Habitat and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of Habitat's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Habitat's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Habitat's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 18, 2024

HABITAT FOR HUMANITY OF LEE AND HENDRY COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	____ Yes	__x__ No
• Significant deficiencies identified that are not considered to be material weakness?	____ Yes	__x__ None reported
• Noncompliance material to financial statements noted?	____ Yes	__x__ No

Federal Awards and State Projects

Internal control over major programs:		
• Material weakness(es) identified?	____ Yes	__x__ No
• Significant deficiencies identified that are not considered to be material weakness?	____ Yes	__x__ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General?	____ Yes	__x__ No

Identification of Major Programs:

Assistance Listing Number	**Name of Federal Program**
14.218	Community Development Block Grant

State CSFA Number	**Name of State Project**
40.901	State Housing Initiatives Partnership Program

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

SECTION II − FINANCIAL STATEMENT FINDINGS

No matters reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.