



PIEDMONT HABITAT FOR HUMANITY, INC.

**Financial Statements
For the years ended
June 30, 2023 and 2022**

Not-for-Profit Corporation
501(c)3





PIEDMONT HABITAT FOR HUMANITY, INC.

Contents

	Page
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Piedmont Habitat For Humanity, Inc.
Farmville, VA

Report on the Financial Statements

We have audited the accompanying financial statements of Piedmont Habitat For Humanity, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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



Lynchburg, Virginia
January 9, 2024





PIEDMONT HABITAT FOR HUMANITY, INC.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash	\$ 213,183	\$ 225,116
Accounts receivable	9,943	9,765
Grants receivable	27,000	24,300
Mortgages receivable, current portion	75,058	79,059
Pledges receivable, current portion	13,750	11,411
Prepaid expenses	<u>2,847</u>	<u>7,802</u>
Total current assets	<u>341,781</u>	<u>357,453</u>
Property and equipment		
Furniture and equipment	14,693	14,918
Vehicle	16,526	26,530
Leasehold improvements	<u>24,099</u>	<u>24,099</u>
	55,318	65,547
Less accumulated depreciation	<u>24,734</u>	<u>33,255</u>
Total property and equipment	<u>30,584</u>	<u>32,292</u>
Operating lease right-of-use assets, net	<u>17,971</u>	<u>-</u>
Other assets		
Land and property held for construction	1,476,276	551,466
Homes under construction	59,943	163,305
Mortgages receivable, less current maturities net of unamortized discounts of \$324,458 and \$517,090, respectively	710,742	589,031
Pledges receivable, less current maturities net of unamortized discounts of \$445 and \$331, respectively	<u>24,715</u>	<u>18,104</u>
Total other assets	<u>2,217,676</u>	<u>1,321,906</u>
Total assets	\$ <u>2,662,012</u>	\$ <u>1,711,651</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 22,427	\$ 14,164
Credit card liabilities	4,626	682
Payroll liabilities	6,110	3,707
Deferred revenue	-	500
Notes payable, current	19,421	21,514
Related party notes, current	586,200	-
Line of credit	20,008	20,008
Operating lease obligations, current	<u>17,971</u>	<u>-</u>
Total current liabilities	676,763	60,575
Non-current liabilities		
Notes payable, non-current	<u>37,902</u>	<u>57,322</u>
Total non-current liabilities	<u>37,902</u>	<u>57,322</u>
Net assets		
Without donor restrictions	1,353,618	947,401
With donor restrictions	<u>593,729</u>	<u>646,353</u>
Total net assets	<u>1,947,347</u>	<u>1,593,754</u>
Total liabilities and net assets	\$ <u>2,662,012</u>	\$ <u>1,711,651</u>

See notes to financial statements.





PIEDMONT HABITAT FOR HUMANITY, INC.
Statement of Activities
Year ended June 30, 2023

-3-

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 114,344	\$ 34,465	\$ 148,809
Capital campaign contributions	-	25,000	25,000
In-kind contributions	9,171	-	9,171
Grants	21,625	556,772	578,397
Discount income (loss)	192,518	-	192,518
Home sales	143,000	-	143,000
USDA income	-	83,635	83,635
Brush with kindness	12,773	-	12,773
Restore sales	245,779	-	245,779
Special events, net of expenses \$10,001	13,732	7,500	21,232
Total public support	<u>752,942</u>	<u>707,372</u>	<u>1,460,314</u>
Other revenue (loss)			
Interest income	85	-	85
Realized gains and losses	(50)	-	(50)
Other income	2,526	-	2,526
	<u>2,561</u>	<u>-</u>	<u>2,561</u>
Net assets released from restriction	<u>759,996</u>	(<u>759,996</u>)	<u>-</u>
Total other revenue (loss)	<u>762,557</u>	(<u>759,996</u>)	<u>2,561</u>
Total public support and revenue	<u>1,515,499</u>	(<u>52,624</u>)	<u>1,462,875</u>
Expenses			
Program services	982,457	-	982,457
Management and general	99,161	-	99,161
Fund raising	27,664	-	27,664
Total expenses	<u>1,109,282</u>	<u>-</u>	<u>1,109,282</u>
Increase (decrease) in net assets	406,217	(52,624)	353,593
Net assets at beginning of year	\$ <u>947,401</u>	\$ <u>646,353</u>	\$ <u>1,593,754</u>
Net assets at end of year	\$ <u>1,353,618</u>	\$ <u>593,729</u>	\$ <u>1,947,347</u>



See notes to financial statements.



PIEDMONT HABITAT FOR HUMANITY, INC.
Statement of Activities
Year ended June 30, 2022

-4-

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 85,376	\$ 9,100	\$ 94,476
Capital campaign contributions	-	26,322	26,322
In-kind contributions	36,248	-	36,248
Grants	97,885	66,000	163,885
Discount income (loss)	2,850	-	2,850
Home sales	90,000	-	90,000
USDA income	-	13,350	13,350
Brush with kindness	12,017	-	12,017
Restore sales	221,194	-	221,194
Special events, net of expenses \$889	5,657	-	5,657
Total public support	<u>551,227</u>	<u>114,772</u>	<u>665,999</u>
Other revenue			
SBA Payroll Protection Program grant	75,005	-	75,005
Interest income	237	-	237
Realized gains and losses	(105)	-	(105)
Other income	6,263	-	6,263
	<u>81,400</u>	<u>-</u>	<u>81,400</u>
Net assets released from restriction	<u>62,847</u>	(<u>62,847</u>)	<u>-</u>
Total other revenue	<u>144,247</u>	(<u>62,847</u>)	<u>81,400</u>
Total public support and revenue	<u>695,474</u>	<u>51,925</u>	<u>747,399</u>
Expenses			
Program services	658,283	-	658,283
Management and general	73,978	-	73,978
Fund raising	33,422	-	33,422
Total expenses	<u>765,683</u>	<u>-</u>	<u>765,683</u>
Increase (decrease) in net assets	(70,209)	51,925	(18,284)
Net assets at beginning of year	\$ <u>1,017,610</u>	\$ <u>594,428</u>	\$ <u>1,612,038</u>
Net assets at end of year	\$ <u>947,401</u>	\$ <u>646,353</u>	\$ <u>1,593,754</u>



See notes to financial statements.



PIEDMONT HABITAT FOR HUMANITY, INC.
Statement of Functional Expenses
Year ended June 30, 2023

	<u>Program Service Expenses</u>	<u>Management And General Expenses</u>	<u>Fund Raising Expenses</u>	<u>Total</u>
Salaries	\$ 404,979	\$ 17,739	\$ 6,533	\$ 429,251
Cost of home sales	365,543	-	-	365,543
ReStore expense	64,837	-	-	64,837
Rent expense	28,451	8,884	8,381	45,716
Taxes and licenses	28,851	7,213	-	36,064
Professional fees	-	30,519	-	30,519
Insurance	12,530	12,530	-	25,060
Interest expense	13,351	-	-	13,351
Employee benefits	12,314	452	278	13,044
Miscellaneous	5,551	4,441	1,110	11,102
Brush with Kindness program	10,307	-	-	10,307
Tithes to Habitat for Humanity International, Inc.	9,680	-	-	9,680
Telephone	3,661	3,660	-	7,321
Advertising	2,050	-	4,783	6,833
Utilities	3,334	3,334	-	6,668
Dues & Subscriptions	6,090	-	-	6,090
Depreciation	-	5,039	-	5,039
Office expense	1,497	1,997	1,497	4,991
Other program expense	3,457	-	-	3,457
Travel	1,013	1,013	1,013	3,039
Computer expense	771	1,027	770	2,568
Fundraising expenses	-	-	2,215	2,215
Postage & shipping	880	879	440	2,199
Conferences & Meetings	1,253	313	522	2,088
Volunteer expense	1,936	-	-	1,936
Printing and publication	121	121	122	364
Total functional expenses	\$ <u>982,457</u>	\$ <u>99,161</u>	\$ <u>27,664</u>	\$ <u>1,109,282</u>



See notes to financial statements.



PIEDMONT HABITAT FOR HUMANITY, INC.
Statement of Functional Expenses
Year ended June 30, 2022

	<u>Program Service Expenses</u>	<u>Management And General Expenses</u>	<u>Fund Raising Expenses</u>	<u>Total</u>
Salaries	\$ 359,967	\$ 17,612	\$ 6,345	\$ 383,924
Cost of home sales	96,912	-	-	96,912
ReStore expense	63,711	-	-	63,711
Rent expense	30,808	11,006	9,537	51,351
Taxes and licenses	27,627	6,907	-	34,534
Brush with Kindness program	15,960	-	-	15,960
Insurance	7,101	7,101	-	14,202
Tithes to Habitat for Humanity International, Inc.	12,320	-	-	12,320
Employee benefits	9,469	489	280	10,238
Miscellaneous	4,892	3,913	978	9,783
Telephone	4,708	4,707	-	9,415
Computer expense	2,565	3,420	2,565	8,550
Advertising	2,346	-	5,475	7,821
Professional fees	-	7,214	-	7,214
Utilities	3,184	3,185	-	6,369
Dues & Subscriptions	5,955	-	-	5,955
Fundraising expenses	-	-	5,327	5,327
Depreciation	-	4,776	-	4,776
Office expense	1,271	1,694	1,271	4,236
Interest expense	3,544	-	-	3,544
Travel	1,146	1,146	1,145	3,437
Other program expense	2,213	-	-	2,213
Postage & shipping	679	680	340	1,699
Volunteer expense	1,640	-	-	1,640
Conferences & Meetings	182	46	76	304
Printing and publication	83	82	83	248
Total functional expenses	\$ 658,283	\$ 73,978	\$ 33,422	\$ 765,683



See notes to financial statements.



PIEDMONT HABITAT FOR HUMANITY, INC.
Statements of Cash Flows
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 353,593	\$ (18,284)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	5,039	4,776
PPP Loan forgiveness	-	(75,005)
Realized loss on investments	50	105
Mortgage discount	(192,632)	(3,044)
Pledge discount	114	194
(Increase) decrease in:		
Accounts receivable	(178)	(7,614)
Grants receivable	(2,700)	9,650
Mortgage receivable	74,922	6,977
Pledge receivable	(9,064)	(10,544)
NSP receivable	-	-
Prepaid expenses	4,955	(2,632)
Land and property held for construction	(924,810)	(28,924)
Homes under construction	103,362	(8,703)
Increase (decrease) in:		
Accounts payable	8,263	(5,976)
Credit card payables	3,944	389
Payroll liabilities	2,403	(467)
Deferred revenue	(500)	500
Net cash provided by (used in) operating activities	<u>(573,239)</u>	<u>(138,602)</u>
Cash flows from investing activities		
Additions to investments	(508)	(1,329)
Sale of investments	458	1,224
Additions to property and equipment	(3,331)	(10,448)
Net cash used in investing activities	<u>(3,381)</u>	<u>(10,553)</u>
Cash flows from financing activities		
Proceeds (payments) on notes payable	(21,513)	(27,232)
Proceeds (payments) on lines of credit	-	20,008
Proceeds (payments) on related party notes	586,200	(15,000)
Net cash provided by (used in) financing activities	<u>564,687</u>	<u>(22,224)</u>
Net increase (decrease) in cash and cash equivalents	<u>(11,933)</u>	<u>(171,379)</u>
Cash and cash equivalents at beginning of year	<u>225,116</u>	<u>396,495</u>
Cash and cash equivalents at end of year	\$ <u>213,183</u>	\$ <u>225,116</u>
Cash consists of:		
Cash, unrestricted	86,415	57,747
Cash, restricted	126,768	167,369
Total	<u>213,183</u>	<u>225,116</u>
Cash flow supplemental information:		
Interest paid	\$ <u>13,351</u>	\$ <u>3,544</u>





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 – Nature of activities and significant accounting policies

Nature of activities

Piedmont Habitat For Humanity, Inc., (the “Organization”), was incorporated on December 20, 1990, as a non-stock not-for-profit Virginia corporation. Although the organization is an affiliate of Habitat for Humanity International, Inc., (“Habitat International”), Piedmont Habitat For Humanity is primarily and directly responsible for its own operations. As a Christian housing ministry, the organization’s primary purpose is to provide decent and affordable housing to low-income individuals in the town and surrounding areas of Farmville, Virginia through the sale of homes, at cost, and the provision of interest-free financing. A store to sell items for building or furnishing a home at reduced costs is also a part of the mission.

During 2021, the organization acquired the assets and liabilities of Nelson County Habitat for Humanity in order to run the same programs in and around Nelson County, VA.

A summary of the Organization’s significant accounting policies follows:

Basis of Accounting

The financial statements of the Organization are prepared under the accrual method of accounting in accordance with generally accepted accounting principles in the United States.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions- Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions- Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that the resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition

The Organization recognizes revenues from the sale and renovation of homes as well as the sale of home materials from the store during the year in which control of the homes or home materials are transferred to the buyers. The performance obligation of program services is simultaneously received and consumed by the buyers., therefore, the revenue is recognized at the time of the events. All amounts received prior to the event are deferred to the applicable period. Incidental items that are immaterial in the context of the contract are recognized as expenses.

The Organization has significant financing components as payment is received through mortgages. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

The Organization accounts for contributions in accordance with FASB ASC 958-605, Accounting for Contributions Received and Contributions Made. In accordance with FASB ASC 958-605, contributions are recorded with or without donor restricted support depending on the existence and/or nature of any donor restrictions. The Organization recognizes contributions when cash, securities, other assets; or an unconditional promise to give are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions upon which they depend have been met.

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 – Nature of activities and significant accounting policies (continued)

Revenue recognition (continued)

Gifts of property and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions are recorded as of the date cash or unconditional promises to give are received. Contributions other than cash are recorded at the estimated fair market values on the date of the contribution.

Cash and cash equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with maturity of three months or less to be cash equivalents. The Organization maintains substantially all of its cash with one financial institution and, at times, may maintain balances, which are in excess of the federally insured limits (FDIC). Management of the Organization believes the risk of loss resulting from uninsured balances is immaterial.

Pledges Receivable

Pledges receivable are reviewed by management periodically and any that are considered to be uncollectible are expensed at that time. Recoveries of accounts previously charged off are credited to income in the year received. During the year ended June 30, 2023, no pledges were written-off.

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization evaluates new and modified leases using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. The Organization recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease. Beginning July 1, 2022, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the balance sheet.

A lease liability is measured based on the present value of its future lease payments. Variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. The Organization determines its incremental borrowing rates by starting with the interest rates on recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, an operating ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for operating lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are subsequently measured throughout the lease term at cost, net of accumulated amortization. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset. Interest expense and amortization expense are recorded in the statement of income for finance leases.





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 – Nature of activities and significant accounting policies (continued)

Leases (continued)

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Property and equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated furniture and equipment at the date of gift is similarly capitalized. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized primarily on the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Estimated Useful Life</u>
Leasehold improvements	15 years
Furniture and equipment	5-7 years
Vehicle	3-5 years

Advertising

The Organization expenses advertising costs as such costs are incurred.

Income Taxes

No provision for income taxes has been made in the financial statements because the Organization is a not-for-profit corporation as described in Section 501 (c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC.

The Financial Accounting Standards Board ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization’s financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2023 and 2022. Fiscal years ending on or after June 30, 2020 remain subject to examination by federal and state tax authorities.

Functional allocation of expenses

Costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services using estimated percentages established by management.

Estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 – Nature of activities and significant accounting policies (continued)

Non-financial Contributed Assets and Services

Donations of property and equipment are recorded as support at their estimated fair value at the time of donation. Such donations are reported as 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 with donor restrictions. Material donations of services requiring specific expertise are recorded as support at their estimated fair value at the date of donation. No amounts have been reflected in the accompanying financial statements for other donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time on behalf of the organization.

Homes Under Construction

Costs incurred in connection with home construction are capitalized until the completion and subsequent sale of each home.

Mortgages

Mortgages receivable consist of non-interest bearing mortgage notes issued in order to finance the sale of fully constructed homes to eligible individuals. The mortgages are collateralized by real estate and are payable in monthly installments over the life of the mortgage. Because the mortgages bear no interest, they are discounted to their present value at the time of issuance. The discount rate currently utilized is 7.49% and 5% for 2023 and 2022, respectively. The resulting discount is amortized, using the interest method, over the life of the mortgage and is reflected in the accompanying statement of activities as mortgage discount income. If the mortgage is satisfied prior to maturity, any remaining unamortized discount is also reflected as mortgage discount income in the year of satisfaction. Mortgages receivable are presented net of any discount in the accompanying financial statements.

Mortgages receivable are considered past due in accordance with the terms of the mortgage agreements and efforts are made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the organization may accept back the deed in lieu of foreclosure where homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or accepting a deed in lieu of foreclosure may be sold directly on the open market or refurbished in partnership with and sold to other families in need of decent and affordable housing. The organization did not acquire any homes through foreclosure during the years ended June 30, 2023 and 2022.

All homes sold after 1999 have been encumbered by a second, third, or fourth deed of trust note which is payable only upon the sale or default by the homeowner. The note balance is to be forgiven ratably over a period of 15 to 25 years. Because of the contingent nature of the collectability of the second, third, and fourth deed of trust notes, they will be recorded on the organization's books only if they become enforceable.

Adoption of new accounting standards

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of June 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to retained earnings as of June 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. There were no significant effects of adopting FASB ASC 842. No cumulative effect adjustment to retaining earnings as of June 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results or operations or cash flows for the year ended June 30, 2023. As part of the transition, the Organization implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases
- Election not to reassess the lease classification for any expired or existing leases
- Election not to reassess initial direct costs on any existing leases





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 – Nature of activities and significant accounting policies (continued)

Adoption of new accounting standards (continued)

Other practical expedients:

- Election whereby the lease and nonlease components will not be separated for leases of office space, warehouses, and vehicles.
- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

New accounting pronouncements

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The amendments are effective for annual periods beginning after June 15, 2021. The amendments are to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The Organization has implemented the standard.

Note 2 – Cash Balances

The Organization maintains its cash balances at one financial institution. The accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the cash balances may exceed the federally insured limits (FDIC). Management does not believe that there is a risk of loss based on the history of the accounts.





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Financing Receivables

The Organization has financed receivables with a total outstanding balance of \$1,110,258 and \$1,185,180 at June 30, 2023 and June 30, 2022, respectively. The following is an analysis of the recorded investment in financing receivables at June 30, 2023:

	2023	2022
Mortgage to individual, 30 yr term, due 2047	\$ 104,880	\$ 109,267
Mortgage to individual, 30 yr term, due 2045	106,225	109,208
Mortgage to individual, 30 yr term, due 2049	98,448	102,211
Mortgage to individual, 30 yr term, due 2045	84,436	89,458
Mortgage to individual, 20 yr term, due 2041	83,250	87,000
Mortgage to individual, 30 yr term, due 2042	55,593	58,330
Mortgage to individual, 30 yr term, due 2043	54,819	57,549
Mortgage to individual, 30 yr term, due 2041	47,358	50,124
Mortgage to individual, 29 yr term, due 2042	45,232	47,445
Mortgage to individual, 30 yr term, due 2041	42,885	45,106
Mortgage to individual, 30 yr term, due 2041	37,302	39,667
Mortgage to individual, 30 yr term, due 2039	35,242	37,432
Mortgage to individual, 30 yr term, due 2039	34,061	36,066
Mortgage to individual, 30 yr term, due 2039	33,827	36,013
Mortgage to individual, 20 yr term, due 2033	32,112	35,124
Mortgage to individual, 30 yr term, due 2047	33,218	32,277
Mortgage to individual, 30 yr term, due 2039	26,235	29,688
Mortgage to individual, 30 yr term, due 2037	27,659	29,653
Mortgage to individual, 25 yr term, due 2031	18,398	20,718
Mortgage to individual, 15 yr term, due 2033	17,450	19,255
Mortgage to individual, 25 yr term, due 2031	15,083	17,093
Mortgage to individual, 25 yr term, due 2031	13,378	15,532
Mortgage to individual, 20 yr term, due 2029	12,341	14,250
Mortgage to individual, 20 yr term, due 2023	12,747	14,043
Mortgage to individual, 20 yr term, due 2025	11,083	12,972
Mortgage to individual, 20 yr term, due 2025	7,765	10,040
Mortgage to individual, 20 yr term, due 2025	7,563	10,001
Mortgage to individual, 20 yr term, due 2027	7,666	8,466
Mortgage to individual, 20 yr term, due 2027	3,479	5,379
Mortgage to individual, 20 yr term, due 2024	523	2,231
Mortgage to individual, 24 yr term, due 2023	-	1,497
Mortgage to individual, 22 yr term, due 2023	-	1,257
Mortgage to individual, 20 yr term, due 2022	-	828
Gross receivables	1,110,258	1,185,180
Unamortized discounts	324,458	517,090
Total, net	\$ 785,800	\$ 668,090





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Financing Receivables (continued)

Financed receivable maturities at June 30, 2023 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2024	\$ 75,058
2025	72,242
2026	67,541
2027	66,050
2028	62,155
Thereafter	<u>767,212</u>
	<u>\$ 1,110,258</u>

Note 4 – Pledges receivable

The Organization has pledges receivable due in future years. The pledges have been discounted using a rate of 1% as of June 30, 2023 and 2022.

<u>Year</u>	<u>Face Value</u>	<u>Present Value Discount</u>	<u>2023 Discounted Pledges</u>	<u>2022 Discounted Pledges</u>
2023	\$ -	\$ -	\$ -	\$ 11,411
2024	13,750	-	13,750	8,193
2025	10,160	100	10,060	5,058
2026	10,000	198	9,802	4,853
2027	5,000	147	4,853	-
2028	-	-	-	-
	<u>\$ 38,910</u>	<u>\$ 445</u>	<u>\$ 38,465</u>	<u>\$ 29,515</u>
Allowance for losses			<u>-</u>	<u>-</u>
Net pledges receivable			<u>\$ 38,465</u>	<u>\$ 29,515</u>

Note 5 – Non-financial contributed assets and services

The Organization received the following non-financial contributions for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Building:		
Supplies	\$ 1,494	\$ -
Services	4,700	500
Land	-	33,700
Restore Supplies	-	1,078
Office Expenses	1,605	670
Fundraising Expense	<u>1,372</u>	<u>300</u>
	<u>\$ 9,171</u>	<u>\$ 36,248</u>

The contribution of land is valued at the assessed tax value. The contributed supplies and goods are valued at the cost if they had to be purchased if not donated. Donated services are recognized in the financial statement only if they create or enhance nonfinancial assets or if they require specialized skills and would typically need to be purchased if not provided by donation. Donated services are valued at the cost if they had to be purchased if not donated.





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 6 – Notes Payable

The Organization’s notes payables as of June 30, 2023 and 2022 are as follows:

	2023	2022
VHDA loan, 3% interest rate, payable in monthly installments of \$725.55 including interest due December 2023	\$ 3,686	\$ 9,931
VHDA loan, 3% interest rate, payable in monthly installments of \$513.45 including interest due December 2024	5,321	9,475
VHDA loan, 3% interest rate, payable in monthly installments of \$221.12 including interest due December 2026	6,764	9,175
VHDA loan, 3% interest rate, payable in monthly installments of \$841.11 including interest due December 2027	41,550	50,255
Related party, 4.00% interest rate, payable in monthly installments of \$1,266.67 interest only with principal due June 2024	376,200	-
Related party, 4.25% interest rate, payable in monthly installments of \$389.58 interest only with principal due May 2024	110,000	-
Related party, 4.25% interest rate, payable in monthly installments of \$210 interest only with principal due August 2024	60,000	-
Related party, 4.25% interest rate, payable in monthly installments of \$141.67 interest only with principal due June 2024	40,000	-
	643,523	78,836
Less Current Portion	\$ 605,621	\$ 21,514
Long-term Portion	\$ 624,102	\$ 57,322

Future maturities of long-term notes payable are as follows:

2023	\$	605,621
2024		12,844
2025		11,243
2026		9,813
2027		4,002
Thereafter		-
	\$	643,523

Note 7 – Retirement plan

The Organization adopted a SIMPLE IRA plan effective May 1, 2020. The SIMPLE IRA plan covers all employees. A matching contribution will be made up to a limit of 3% of compensation for the calendar year. As of June 30, 2023 and 2022 employer retirement contributions were \$8,128 and \$8,260, respectively.

Note 8 – CARES Act PPP Loan

The Organization received a loan on March 15, 2021 under the Paycheck Protection Program of the CARES Act. The note was \$75,045 with an interest rate of 1%. The loan matures March 15, 2026 with all proceeds and accrued interest due. The loan was forgiven under the terms of the Paycheck Protection Program on September 28, 2021.





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 9 – Line of Credit

The Organization has a \$50,000 line of credit with a local community bank that matures September 1, 2023. The interest rate is prime plus 1.50% and is payable monthly. The balance was \$20,008 and \$20,008 at June 30, 2023 and 2022, respectively.

Note 10 – Additional Deeds of trust Notes

As discussed in Note 1, homes sold after 1999 have been encumbered by either a second, third, or fourth deed of trust notes which are payable only upon the sale or default by the homeowner. The outstanding balance of these deeds of trust notes was \$1,254,938 and \$1,254,938 as of June 30, 2023 and 2022, respectively. As discussed in Note 1, these notes have not been recorded due to the contingent nature of the collectability.

Note 11 – Transactions with Habitat International

The Organization remits a portion of its contributions, excluding in-kind contributions, to Habitat International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. The organization contributed \$9,680 and \$12,320 to Habitat International for 2023 and 2022, respectively.

Note 12 –Leases

The Organization has obligations as a lessee for office space and retail space with initial noncancelable terms in excess of one year. Generally, the office space and retail space leases have an initial term of 20 months. The Organization classifies these leases as operating leases, except for any leases that meet the FASB ASC 842 criteria to be classified as a finance lease. Renewal and termination options that the Organization is not reasonably certain to exercise are not included in determining the lease term, and associated payments under these options are excluded from lease payments used to determine the lease liabilities.

Payments due under lease contracts are fixed payments. The Organization’s office and retail space leases require it to make variable payments for the Organization’s proportionate share of the buildings’ property taxes and insurance. These variable lease payments are not included in lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred.

The components of lease cost and income statement caption allocation for the year ended June 30, 2023, are as follows:

	<u>Income statement caption(s)</u>	<u>2023</u>
Operating lease cost	General and administrative expenses	\$ <u>22,355</u>
Total operating lease cost		<u>22,355</u>
Short-term lease cost	General and administrative expenses	<u> </u>
Total short-term lease cost		<u> </u>
Variable lease cost	General and administrative expenses	<u>23,360</u>
Total variable lease cost		<u>23,360</u>
Total lease cost		\$ <u>45,715</u>

Other information related to leases as of or for the year ended June 30, 2023 are as follows:

Weighted-average remaining lease term (years)	
Operating leases	0.75 years
Weighted-average discount rate	
Operating leases	4.25%





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 12 –Leases (continued)

Supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows – operating leases	22,355
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	39,172
Reductions to right-of-use assets resulting from reduction to lease liabilities	
Operating leases	21,202

Maturities of operating and finance lease liabilities (in millions) as of June 30, 2023, were as follows:

Year Ending	Operating leases
2024	\$ 18,291
2025	-
2026	-
2027	-
2028	-
Thereafter	-
Total lease payments	18,291
Less: present value adjustment	(320)
Present value of lease liabilities	\$ 17,971

The rent expense under operating leases for the year ending June 30, 2023 was \$45,715. The rent expense for the year ending June 30, 2022 was \$51,351.

Note 13 – Related Party

During the year ended June 30, 2023, the Organization received a note from a related party. The funds from the note were used for the development of real estate. The note was in the amount of \$110,000 with a 9-month term and 4.25% interest and was from a parent organization. In August 2023, the maturity date was amended to May 31, 2024. The balance of the note was \$110,000 and \$-0- as of June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023, the Organization received a note from a related party. The funds from the note were used for the development of real estate. The note was in the amount of \$376,200 with an 18-month term and 4.00% interest and was from a parent organization. The balance of the note was \$376,200 and \$-0- as of June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023, the Organization received a note from a related party. The funds from the note were used for the development of real estate. The note was in the amount of \$60,000 with a 4-month term and 4.25% interest and was from a parent organization. The balance of the note was \$60,000 and \$-0- as of June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023, the Organization received a note from a related party. The funds from the note were used for the development of real estate. The note was in the amount of \$40,000 with a 12-month term and 4.25% interest and was from a parent organization. The balance of the note was \$40,000 and \$-0- as of June 30, 2023 and 2022, respectively.





PIEDMONT HABITAT FOR HUMANITY, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 14 – Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Donor Restricted		
Land held for construction	\$ 401,496	\$ 425,169
Cash	126,768	167,369
Grants Receivable	27,000	24,300
Pledges Receivable	38,465	29,515
Total donor restricted	\$ 593,729	\$ 646,353

Note 15 – Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing decent and affordable housing to low-income individuals as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization aims to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations for fiscal year 2023.

As of June 30, 2023, the following financial assets could readily be made available to meet general expenditures:

Cash and cash equivalents, unrestricted	\$	86,415
Accounts receivable		9,943
Mortgages receivable		77,633
Pledges receivable		13,750
Grants receivable		27,000
	\$	214,741

Note 16 – Subsequent Events

The Organization has evaluated subsequent events through January 9, 2024, the date the audit report was made available. No events requiring disclosure have been noted.

