

Habitat for Humanity Butte County, Inc.

Chico, CA

Financial Statements

For the Year Ended June 30, 2024



PRICE PAIGE & COMPANY
Certified Public Accountants

TABLE OF CONTENTS

	PAGE
Independent Auditor’s Report	1
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to the Financial Statements.....	9



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Habitat for Humanity Butte County, Inc.
Chico, California

Opinion

We have audited the accompanying financial statements of Habitat for Humanity Butte County, Inc. (Habitat), a nonprofit organization, which comprise the statement of financial position as of June 30, 2024, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Price Pange & Company

Clovis, California
February 25, 2025

FINANCIAL STATEMENTS

HABITAT FOR HUMANITY BUTTE COUNTY, INC. | JUNE 30, 2024
Statement of Financial Position

ASSETS

Current assets:

Cash and cash equivalents	\$ 277,131
Investments	222,413
Accounts receivable	4,965
Grants receivable	16,000
Merchandise inventory	55,417
Mortgage receivable, net, current	177,362
Impound accounts	24,727
Prepaid expenses	28,011
Total current assets	<u>806,026</u>

Fixed assets:

Leasehold improvements	118,854
Equipment	42,471
Vehicles	116,190
Accumulated depreciation	<u>(109,151)</u>
Total fixed assets, net	<u>168,364</u>

Other assets:

Operating lease, right-of-use asset	106,442
Construction in progress	2,935,138
Mortgage receivable, net	1,128,751
Loan receivable	386,023
Deposits	-
Total other assets	<u>4,556,354</u>

Total assets \$ 5,530,744

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 92,282
Accrued vacation	46,537
Personnel costs payable	42,092
Deferred revenue	9,158
Impound accounts	39,397
Line of credit	200,000
Operating lease liability, current portion	106,227
Total current liabilities	<u>535,693</u>

Total liabilities 535,693

Net assets:

Without donor restrictions	4,173,427
With donor restrictions	<u>821,624</u>
Total net assets	<u>4,995,051</u>

Total liabilities and net assets \$ 5,530,744

See Independent Auditor's Report and Notes to the Financial Statements.

HABITAT FOR HUMANITY BUTTE COUNTY, INC. | FOR THE YEAR ENDED JUNE 30, 2024

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
ReStore sales less cost of goods sold of \$401,081	\$ 58,141	\$ -	\$ 58,141
Home sales less discount on mortgages of \$102,113	1,193,362	-	1,193,362
Grants	660,188	1,238,000	1,898,188
Contributions:			
Cash and other financial assets	273,736	899	274,635
Nonfinancial assets	557,078	-	557,078
Imputed interest	101,013	-	101,013
Investment gains/losses	4,705	8,100	12,805
Interest income	4,473	3,337	7,810
Other income	14,532	-	14,532
 Total revenues, support and gains before net assets released from restrictions	 2,867,228	 1,250,336	 4,117,564
 Net assets released from restriction	 524,343	 (524,343)	 -
 Total revenues, support and gains after reclassification of net assets released from restrictions	 3,391,571	 725,993	 4,117,564
Costs and expenses:			
Program services:			
Programs	1,661,433	-	1,661,433
ReStore	484,773	-	484,773
Total program services	2,146,206	-	2,146,206
Support services:			
General administration	387,919	-	387,919
Fundraising	217,723	-	217,723
Total support services	605,642	-	605,642
 Total costs and expenses	 2,751,848	 -	 2,751,848
 Change in net assets	 639,723	 725,993	 1,365,716
 Net assets, beginning of year	 3,533,704	 95,631	 3,629,335
 Net assets, end of year	 <u>\$ 4,173,427</u>	 <u>\$ 821,624</u>	 <u>\$ 4,995,051</u>

See Independent Auditor's Report and Notes to the Financial Statements.

HABITAT FOR HUMANITY BUTTE COUNTY, INC. | FOR THE YEAR ENDED JUNE 30, 2024

Statement of Functional Expenses

	Program Services		Supporting Services		Total
	Programs	ReStore	General Administration	Fundraising	
Costs and expenses:					
Advertising	\$ 510	\$ 887	\$ 1,380	\$ 10,651	13,428
Bank and credit card fees	383	15,005	8,407	2,323	26,118
Computer and internet expenses	-	617	7,107	1,129	8,853
Cost of home sales	1,026,643	-	-	-	1,026,643
Depreciation	5,758	13,930	10,686	-	30,374
Dues and subscriptions	8,897	130	2,690	2,817	14,534
Equipment lease and maintenance	11,554	681	521	-	12,756
Gifts/donations	1,084	4,169	500	3,000	8,753
In-kind expenses	35,993	418	3,277	500	40,188
Insurance	21,759	9,376	5,646	903	37,684
Interest	-	-	18,977	-	18,977
Lease cost	-	82,282	20,570	-	102,852
Miscellaneous	-	-	6,481	-	6,481
Personnel costs	497,686	323,112	212,676	188,941	1,222,415
Postage	15	-	1,893	2,432	4,340
Printing	16	-	5,287	143	5,446
Professional services	3,450	1,547	41,624	-	46,621
Repairs and maintenance	6,549	4,517	1,424	-	12,490
Supplies	1,577	5,689	3,701	2,418	13,385
Taxes, licenses and permits	10,901	1,106	1,535	-	13,542
Telephone	448	853	2,846	-	4,147
Trainings and conferences	3,733	395	11,557	130	15,815
Travel	2,956	846	13,964	1,384	19,150
Utilities	20,705	19,187	4,760	-	44,652
Volunteer appreciation	816	26	410	952	2,204
Total costs and expenses	<u>\$ 1,661,433</u>	<u>\$ 484,773</u>	<u>\$ 387,919</u>	<u>\$ 217,723</u>	<u>\$ 2,751,848</u>

See Independent Auditor's Report and Notes to the Financial Statements.

HABITAT FOR HUMANITY BUTTE COUNTY, INC. | FOR THE YEAR ENDED JUNE 30, 2024
Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 1,365,716
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:	
Imputed interest income	(101,013)
Home sales on mortgage notes receivable, net of discount	(109,498)
Reduction in basis of right of use assets	92,229
Donated inventory	(30,611)
Depreciation	30,374
Gain/loss on investments	(12,805)
Gain/loss on disposal	430
(Increase)/decrease in operating assets:	
Accounts receivable	(4,869)
Grants receivable	(16,000)
Prepaid	13,574
Inventories	(543,010)
Deposits	4,500
Increase/(decrease) in operating liabilities:	
Accounts payable	36,771
Accrued payroll and other expenses	10,958
Deferred revenue	(281,257)
Impound accounts	14,670
Lease liabilities	(92,229)
Net cash provided by (used in) operating activities	<u>377,930</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(3,012)
Purchases of property and equipment	<u>(17,157)</u>
Net cash provided by (used in) investing activities	<u>(20,169)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal receipts on mortgage receivable	192,805
Principal payments on line of credit	(1,300,000)
Advances from line of credit	<u>800,000</u>
Net cash provided by (used in) financing activities	<u>(307,195)</u>

Net change in cash 50,566

Cash and cash equivalents, beginning of year 226,565

Cash and cash equivalents, end of year \$ 277,131

SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid \$ 18,977

See Independent Auditor's Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF THE ORGANIZATION

Habitat for Humanity Butte County, Inc. (Habitat) was incorporated in 1993 in the State of California. Habitat was established as a nondenominational Christian not-for-profit organization for the purposes of constructing modest but adequate housing and associating with other similar organizations.

The principal activities of Habitat include developing and supervising the construction of homes for low-income families and financing the sale of such homes to qualified homeowners. Habitat also operates a “ReStore” facility where donated, used, or excess building and home repair supplies are sold to the general public at discount prices. The net proceeds of ReStore sales help to fund the affiliate operations and the construction of homes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

In June 2016, the FASB issued guidance (FASB ASU 2016-13 Financial Instruments – Credit Losses) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through change in net assets or net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing Habitat’s exposure to credit risk and the measurement of credit losses. Financial assets held by Habitat that are subject to the guidance in FASB ASU 2016-13 were accounts and mortgages receivable.

Habitat adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Basis of Presentation

The financial statements of Habitat have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require Habitat to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat’s management and Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Habitat or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets with donor restrictions, which are both received and released within the same year, are recorded as an increase in net assets with donor restrictions and released from restriction.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Habitat considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

Concentration of Credit Risks

Habitat maintains cash balances at several financial institutions located in California. Deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution. Habitat had no uninsured cash balances at June 30, 2024.

Mortgage Notes Receivable

Mortgage notes receivable represent the amounts financed by Habitat for the homeowners upon purchase of the Habitat built homes. Habitat's mortgages are non-interest bearing and are typically due in monthly installments over 20 to 40 years. The mortgages have been discounted using the effective interest rate established by Habitat for Humanity International at the end of each fiscal year for each of the fiscal years ended June 30, 2008 through June 30, 2024. In prior years, the mortgage discount varied between 7.23% and 8.34%. The discount is recognized as interest income under the effective interest method over the life of the loans. The mortgages are secured by deeds of trust on the underlying real estate located in Butte County.

Mortgages are considered past due and a late fee of 6% of the outstanding balance is assessed if the payment is not made 15 days after the due date. The Finance Executive Committee and management perform periodic reviews of the mortgage loans status. The mortgages are considered adequately secured and collectible as of June 30, 2024.

Prepays and Deposits

Prepays and deposits consist of primarily prepaid insurance and security deposits.

Inventories

Inventories consist of the following and are valued at the lower of cost or market:

Merchandise inventory – represents purchased and donated products held for sale for the ReStore on a regular basis.

Construction in progress – represents building materials, labor, land development costs, and other costs incurred for house construction on property owned by Habitat.

Property and Equipment

Property and equipment is recorded at cost or at fair value as of the date of donation. Habitat's policy is to capitalize property and equipment over \$1,000. Repairs and maintenance costs are charged to operations when incurred. Routine repairs and maintenance, including planning major maintenance activities are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years.

Impound Account Liabilities

Impound amounts are collected monthly from homeowners to pay for their property taxes and insurance on the properties financed by Habitat. These costs are classified as impound account assets or liabilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Habitat determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. Habitat does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

Operating leases are included in ROU assets and long-term liabilities in the statement of financial position. Finance leases are included in property and equipment and long-term liabilities in the statements of financial position.

Revenue and Revenue Recognition

Gifts of cash and other assets are reported as net assets with donor restrictions 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. Net assets with donor restrictions, which are both received and released within the same year, are recorded as an increase in net assets with donor restrictions and released from restriction.

A portion of Habitat's revenue is obtained through the sale of goods through the ReStore. Sales are made on a cash and carry basis and recognized at a point in time.

Home Sales

Habitat's policy is to sell the houses they build at approximately the appraised fair value of the house at the date of the sale. Home sales are reported in the statement of activities at the gross sales price less any discounts on mortgages held by Habitat. Four homes were sold during the year ended June 30, 2024 for a total of \$1,295,475.

Contributed Nonfinancial Assets

Habitat recognizes contributed nonfinancial assets within revenue, including donated materials, assets, land, space, and professional services. A substantial number of volunteers have made significant contributions of their time to Habitat's programs and supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill.

Donated materials were used in various programs within Habitat. Habitat estimates the value based on the fair value that would be paid for similar items in the Chico area.

Land and assets are contributed to Habitat. Habitat will determine whether to sell or utilize the contributed land and assets based on its current needs. Habitat assigns values based on fair market value of the land or asset.

Contributed services recognized comprise of professional services varying from media, information technology, and hauling services. Contributed services are valued and reported at the estimated fair value based on current rates for similar services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ReStore

In conformity with the Habitat for Humanity International Affiliate Operations Manual Financial Policies, Habitat estimates the value of inventory items donated to the ReStore by reviewing actual ReStore sales, similarly to the way it estimates the cost of donated ReStore items sold.

For the year ended June 30, 2024, total ReStore sales were \$459,222, cost of goods sold was \$401,081, and in-kind contribution of donated resale items received was \$367,337.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$13,427 for the year ended June 30, 2024.

Estimates in the Financial Statements

The preparation of the financial statements, in accordance with accounting principles generally accepted in the United States of America 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 may differ from those estimates.

Functional Classification of Expenses

The costs of providing Habitat's various charitable and general services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, direct and indirect expenses have been allocated to program services or other activities based on their specific identification or the personnel resources utilized in the function. Supporting services consist principally of general, administrative and management costs and fundraising activities not directly allocable to program services.

Fair Value of Financial Instruments

Habitat's financial instruments consist of cash, receivables, accounts payable, accrued costs, and impond account liabilities. These financial statements are stated at cost, which approximates fair value.

Tax-Exempt Status

Habitat for Humanity Butte County was incorporated in July 1993 as a charitable and religious organization under the Non-Profit Public Benefit Corporation Law of the State of California. Habitat is exempt from income taxes and under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Internal Revenue Code Sections 170(b)(1)(A)(vi) and 509(a)(1).

Habitat files exempt organization returns in the U.S. federal and California jurisdictions. There are currently no pending U.S. federal or California tax examinations by taxing authorities. There were no interest and penalties recognized for the year ended June 30, 2024. Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Habitat's returns are subject to examination by federal and state taxing authorities, generally for three or four years, respectively, after they are filed.

NOTE 3 – AVAILABILITY AND LIQUIDITY

Habitat relies primarily on grants and contracts restricted by donors and grantors as well as public support to provide cash flow for operations. Working capital varies during the year based on the timing of irregular receipt of grants and contracts, fundraising events, and other factors with a concentration of cash received.

The following represents Habitat's financial assets at June 30, 2024:

Financial assets at year end:	
Cash and cash equivalents	\$ 277,131
Investments	222,413
Accounts receivable	4,965
Grant receivable	16,000
Mortgages receivable, current	<u>177,362</u>
Subtotal	697,871
Less amounts not available to be used in one year:	
Net assets with donor restrictions	<u>103,423</u>
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 594,448</u>

Habitat's goal is generally to maintain financial assets to meet 180 days of operating expenses. As part of Habitat's liquidity management plan, cash is maintained in liquid demand accounts for immediate access should those funds be needed. Funds in excess of daily cash requirements may be used to meet unexpected liquidity needs.

NOTE 4 – INVESTMENTS

Investments consist of the following at June 30, 2024:

	<u>Fair Value</u>
Mutual funds	\$ 118,990
North Valley Community Foundation	<u>103,423</u>
Total investments	<u>\$ 222,413</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

In accordance with generally accepted accounting principles, fair value is defined as the price that Habitat would receive upon selling an asset or paying to transfer a liability at the reporting date. Generally accepted accounting principles established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability, developed based on the best information available.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and fair value is determined through the use of other valuation methodologies.

Level 3 – Valuations based on inputs that are not observable and significant to the overall fair value measurement, including an organization’s own assumptions in determining the fair value of assets or liabilities.

The following methods and assumptions were used by Habitat in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices. Nonmarketable debt securities are valued based on estimated discounted future cash flows; nonmarketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost.

Beneficial interest in perpetual trust (endowment) – Endowments consisted of an investment held by the North Valley Community Foundation (NVCF). The principal was contributed by private donors and is held in perpetuity by the NVCF. Income is disbursed at the discretion of the NVCF annually. The endowment is carried at fair market value on the Statement of Financial Position as reported by the trustee.

The following is a summary of the inputs used as of June 30, 2024 in valuing Habitat’s assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 277,131	\$ -	\$ -	\$ 277,131
Mutual funds	118,990	-	-	118,990
Beneficial interest in perpetual trust-endowment	-	103,423	-	103,423
Total fair value measurement	<u>\$ 396,121</u>	<u>\$ 103,423</u>	<u>\$ -</u>	<u>\$ 499,544</u>

Fair value for the beneficial interest in a perpetual trust (endowment) is measured using the fair value of the assets held in the trust as reported by the trustee as of June 30, 2024. Habitat considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, Habitat will never receive those assets or have the ability to direct the trustee to redeem them.

Habitat recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The Board of Directors reviews and approves Habitat’s fair market value measurement policies and procedures annually. At least quarterly, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

NOTE 6 – MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable at June 30 are as follows:

Mortgage notes receivable at face value, due in aggregate monthly payments of approximately \$14,825 due in 2024 through 2062, secured by deeds of trust	\$ 3,287,147
Less unamortized mortgage discount	<u>(1,981,034)</u>
Total mortgages receivable	<u>\$ 1,306,113</u>

Principal maturities on the mortgage notes receivable are as follows:

<u>Year Ending June 30</u>	
2025	\$ 177,362
2026	174,025
2027	174,025
2028	174,025
2029	173,200
Thereafter	<u>2,414,510</u>
Total	<u>\$ 3,287,147</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Habitat-owned equipment and accumulated depreciation at June 30, 2024, was as follows:

Leasehold improvements	\$ 118,854
Vehicles	42,471
Equipment and tools	116,190
Less accumulated depreciation	<u>(109,151)</u>
Total property and equipment, net	<u>\$ 168,364</u>

Depreciation expense for the year ended June 30, 2024 was \$30,374.

NOTE 8 – OPERATING LEASES

Habitat evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents Habitat's right to use underlying assets for the lease term, and the lease liabilities represent Habitat's obligation to make lease payments arising from these leases. The ROU asset and lease liability, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease term. Habitat uses the incremental borrowing rate to discount future operating lease payments. The discount rate applied to calculate lease liability as of June 30, 2024 was 3.6%.

NOTE 8 – OPERATING LEASES (Continued)

Habitat leases office space under an operating lease expiring in 2025. Monthly payments of \$8,571 are due for the remainder of the term.

The following is a schedule of minimum lease commitments:

<u>Year Ending June 30</u>	
2025	\$ 108,275
Total	108,275
Less Discount	<u>(1,833)</u>
Total	<u>\$ 106,442</u>

NOTE 9 – LINE OF CREDIT

In April 2022, Habitat entered into a loan agreement with Golden Valley Bank for a Line of Credit in the amount of \$750,000 to support operations. The line of credit expires in April 2025 with a variable interest rate based on the Prime index. There were draws on the line of credit of \$800,000 and principal payments of \$1,300,000 during the year ended June 30, 2024. There was a balance due on the line of credit of \$200,000 as of June 30, 2024.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024:

Subject to expenditure for specific purpose:	
Affordable homeownership projects in Butte County	\$ 600,000
Wildfire mitigation	<u>118,201</u>
	718,201
Subject to spending policy and appropriation:	
Endowment earnings and eligible contributions	30,873
Not subject to appropriation or expenditure:	
Required to be retained in perpetuity	<u>72,550</u>
Total net assets with donor restrictions	<u>\$ 821,624</u>

NOTE 11 – ENDOWMENT

The Endowment Fund is a donor-restricted permanent fund created to provide long-term general operating support for Habitat. The endowment fund is held and managed by the North Valley Community Foundation in accordance with their investment policy.

Interpretation of Relevant Law

It is the intent of the North Valley Community Foundation Board of Directors to have the Investment Advisory Committee apply the investment standards of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they apply to both Donor Restricted Funds as well as Unrestricted Institutional Funds in the management of the investment assets.

Donor Restricted Funds

Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider the following factors:

- The duration and preservation of the endowment fund.
- The purposes of the institution and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the institution.
- The investment policy of the institution.

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor requires to be retained as a fund of perpetual duration. In accordance with GAAP, Habitat reports deficiencies of this nature in net assets without donor restrictions.

Spending Policy

Four percent (4%) of the total Fund balance, net of the fees and expenses set forth in the fund agreement, may be committed, granted, or expended for purposes of building affordable homes.

The changes in endowment net assets for the year ended June 30, 2024 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2023	\$ -	\$ 95,631	\$ 95,631
Interest and dividends	-	3,337	3,337
Realized and unrealized gains	-	8,100	8,100
Contributions	-	899	899
Appropriation of endowment assets for expenditure	-	(4,544)	(4,544)
Balance at June 30, 2024	<u>\$ -</u>	<u>\$ 103,423</u>	<u>\$ 103,423</u>

See Independent Auditor's Report.

NOTE 12 – CONTRACTS WITH CUSTOMERS

Revenue from performance obligations satisfied at a point in time consists of the sale of goods through the ReStore and home sales. The total amount of revenues recognized from the sale of goods through Restore, and home sales during the year ended June 30, 2024 were \$1,251,503.

Contract assets include mortgage receivables arising from home sales as follows:

	<u>6/30/2024</u>	<u>7/1/2023</u>
Mortgage receivables	\$ 3,287,147	\$ 3,313,057

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities included the following at June 30, 2024.

Land/Property	\$ 147,320
Materials	10,603
Services	32,221
Inventory	<u>366,934</u>
Total contributed nonfinancial assets	<u>\$ 557,078</u>

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there were no subsequent events that have occurred from June 30, 2024 through the date the financial statements were available to be issued at February 25, 2025 that would require disclosure or adjustment.