

**SEA ISLAND HABITAT FOR HUMANITY, INC.
JOHNS ISLAND, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Sea Island Habitat for Humanity, Inc.
Johns Island, South Carolina

Opinion

We have audited the financial statements of Sea Island Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sea Island Habitat for Humanity, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sea Island Habitat for Humanity, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Sea Island Habitat for Humanity, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sea Island Habitat for Humanity, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Glaser and Company, LLC

Charleston, South Carolina

December 12, 2024

SEA ISLAND HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents - unrestricted	\$ 1,048,957	\$ 1,006,705
Cash and cash equivalents - restricted for escrow	201,417	130,568
Accounts receivable	5,433	20,953
Mortgages receivable, current, net of discount	281,221	320,879
Land and home construction in progress	447,055	579,176
Prepaid expenses	28,611	22,092
Total current assets	2,012,694	2,080,373
<u>Other Assets</u>		
Mortgages receivable, net of discount, net of current portion	4,045,134	3,971,090
Land inventory	1,273,869	1,391,178
Total other assets	5,319,003	5,362,268
<u>Property and Equipment, net</u>	775,645	798,757
Total Assets	\$ 8,107,342	\$ 8,241,398

The accompanying notes are an integral part of these financial statements.

SEA ISLAND HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2024 AND 2023

	2024	2023
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable and credit card liabilities	\$ 76,453	\$ 41,443
Accrued expenses	66,621	43,999
Accrued compensated absences	55,328	51,633
Resident escrow	34,179	27,220
Deferred revenue	6,947	10,097
Notes payable - current portion	151,735	153,334
Total current liabilities	391,263	327,726
<u>Long-Term Liabilities</u>		
Notes payable, net of current portion	-	145,543
Total long-term liabilities	-	145,543
Total Liabilities	391,263	473,269
<u>Net Assets</u>		
Without donor restrictions	7,616,079	7,768,129
With donor restrictions	100,000	-
Total Net Assets	7,716,079	7,768,129
Total Liabilities and Net Assets	\$ 8,107,342	\$ 8,241,398

The accompanying notes are an integral part of these financial statements.

SEA ISLAND HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Support</u>			
Contributions	\$ 449,495	\$ 100,000	\$ 549,495
Contributed nonfinancial assets/services	160,047	-	160,047
Grants	107,515	-	107,515
Special events, net of expense of \$53,635	299,981	-	299,981
Home sales, net of discount of \$440,245	358,513	-	358,513
ReStore sales	1,768,940	-	1,768,940
Critical repairs	22,984	-	22,984
Imputed interest on mortgages	445,959	-	445,959
Gain on early termination of mortgages	79,422	-	79,422
Interest	13,875	-	13,875
Insurance proceeds	9,138	-	9,138
Miscellaneous	9,516	-	9,516
Total revenues and support	<u>3,725,385</u>	<u>100,000</u>	<u>3,825,385</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
<u>Expenses</u>			
Program services	3,277,750	-	3,277,750
Supporting services:			
Management and general	238,733	-	238,733
Fundraising	360,952	-	360,952
Total supporting services	<u>599,685</u>	<u>-</u>	<u>599,685</u>
Total expenses	<u>3,877,435</u>	<u>-</u>	<u>3,877,435</u>
Change in net asset	(152,050)	100,000	(52,050)
Net assets, beginning of year	<u>7,768,129</u>	<u>-</u>	<u>7,768,129</u>
Net assets, end of year	<u>\$ 7,616,079</u>	<u>\$ 100,000</u>	<u>\$ 7,716,079</u>

The accompanying notes are an integral part of these financial statements.

SEA ISLAND HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Support</u>			
Contributions	\$ 435,516	\$ -	\$ 435,516
Contributed nonfinancial assets/services	150,000	-	150,000
Grants	81,500	-	81,500
Special events, net of expense of \$6,528	120,517	-	120,517
Home sales, net of discount of \$318,738	335,212	-	335,212
ReStore sales	1,779,752	-	1,779,752
Imputed interest on mortgages	393,427	-	393,427
Interest	20,329	-	20,329
Miscellaneous	43,829	-	43,829
Total revenues and support	<u>3,360,082</u>	<u>-</u>	<u>3,360,082</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
<u>Expenses</u>			
Program services	3,073,935	-	3,073,935
Supporting services:			
Management and general	241,003	-	241,003
Fundraising	234,451	-	234,451
Total supporting services	<u>475,454</u>	<u>-</u>	<u>475,454</u>
Total expenses	<u>3,549,389</u>	<u>-</u>	<u>3,549,389</u>
Change in net asset	(189,307)	-	(189,307)
Net assets, beginning of year	<u>7,957,436</u>	<u>-</u>	<u>7,957,436</u>
Net assets, end of year	<u>\$ 7,768,129</u>	<u>\$ -</u>	<u>\$ 7,768,129</u>

The accompanying notes are an integral part of these financial statements.

SEA ISLAND HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
<u>Payroll and Personnel</u>				
Salaries	\$ 1,166,471	\$ 139,215	\$ 192,771	\$ 1,498,457
Payroll taxes	128,558	15,343	21,246	165,147
Employee benefits	132,550	18,075	-	150,625
Total payroll and personnel	<u>1,427,579</u>	<u>172,633</u>	<u>214,017</u>	<u>1,814,229</u>
<u>Other Functional Expenses</u>				
Cost of sales - houses	1,032,823	-	-	1,032,823
Cost of repairs - houses	65,241	-	-	65,241
Contributed construction services	160,047	-	-	160,047
Legal and professional	28,671	9,736	-	38,407
Liability and title insurance	84,427	5,692	4,744	94,863
Depreciation	85,939	3,234	3,234	92,407
Repairs and maintenance	76,557	724	1,086	78,367
Utilities and telephone	38,618	2,603	2,169	43,390
Dues and subscriptions	22,480	9,392	5,701	37,573
Dues and subscriptions	20,742	3,840	14,715	39,297
Advertising and marketing	19,770	453	968	21,191
Interest	10,045	-	-	10,045
Bank fees	29,641	22,763	-	52,404
Travel and lodging	8,797	5,132	733	14,662
Vehicle and supplies	61,070	-	-	61,070
Computer and IT support	12,961	702	3,957	17,620
Capital campaign	-	-	109,628	109,628
Homeowner and warranty services	52,553	-	-	52,553
Taxes and licenses	28,506	160	-	28,666
National affiliate tithes	9,000	-	-	9,000
Miscellaneous expense	2,283	1,669	-	3,952
Total other expenses	<u>1,850,171</u>	<u>66,100</u>	<u>146,935</u>	<u>2,063,206</u>
Total Functional Expenses	<u>\$ 3,277,750</u>	<u>\$ 238,733</u>	<u>\$ 360,952</u>	<u>\$ 3,877,435</u>

The accompanying notes are an integral part of these financial statements.

SEA ISLAND HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<u>Payroll and Personnel</u>				
Salaries	\$ 980,246	\$ 152,197	\$ 165,057	\$ 1,297,500
Payroll taxes	110,270	17,643	19,113	147,026
Employee benefits	124,586	16,988	-	141,574
Total payroll and personnel	1,215,102	186,828	184,170	1,586,100
<u>Other Functional Expenses</u>				
Cost of sales - houses	930,234	-	-	930,234
Cost of repairs - houses	268,311	-	-	268,311
Contributed construction services	150,000	-	-	150,000
Legal and professional	50,089	4,954	-	55,043
Liability and title insurance	108,009	4,175	3,480	115,664
Depreciation	69,305	11,089	12,013	92,407
Repairs and maintenance	66,348	-	-	66,348
Utilities and telephone	40,779	2,749	2,292	45,820
Office, postage and printing	11,432	6,174	4,523	22,129
Dues and subscriptions	16,152	2,965	11,446	30,563
Advertising and marketing	5,483	557	16,161	22,201
Interest	15,907	-	-	15,907
Bank fees	31,283	13,182	-	44,465
Travel and lodging	1,612	5,349	366	7,327
Vehicle and supplies	63,336	-	-	63,336
Computer and IT support	2,311	2,713	-	5,024
Homeowner and warranty services	8,423	-	-	8,423
Taxes and licenses	1,780	268	-	2,048
National affiliate tithes	7,500	-	-	7,500
Miscellaneous	10,539	-	-	10,539
Total other expenses	1,858,833	54,175	50,281	1,963,289
Total Functional Expenses	\$ 3,073,935	\$ 241,003	\$ 234,451	\$ 3,549,389

The accompanying notes are an integral part of these financial statements.

SEA ISLAND HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
<u>Cash Flows from Operating Activities:</u>		
Decrease in net assets	\$ (52,050)	\$ (189,307)
Adjustments to reconcile decrease in net assets to cash provided by operating activities:		
Depreciation	92,407	92,407
Gain on early disposition of mortgage	79,422	-
Discount on mortgages issued	360,823	318,738
Change in:		
Accounts receivable	15,520	(10,165)
Grants receivable	-	109,514
Land and home construction in progress	132,121	199,432
Prepaid expenses	(6,519)	1,975
Mortgage receivable, net of discount	(474,631)	(522,666)
Land inventory	117,309	121,000
Debt reserve funds	-	2,000
Accounts payable and credit card liabilities	35,010	(21,452)
Accrued compensated absences	3,695	(3,113)
Accrued expenses	22,622	6,470
Resident escrow	6,959	(31,465)
Deferred revenue	(3,150)	(3,150)
Net cash provided by operating activities	329,538	70,218
<u>Cash flows from Investing Activities:</u>		
Purchases of property and equipment	(69,295)	(132,414)
Net cash used for investing activities	(69,295)	(132,414)
<u>Cash Flows from Financing Activities</u>		
Payments on notes payable	(147,142)	(149,568)
Net cash used for financing activities	(147,142)	(149,568)
Net increase (decrease) in cash and cash equivalents	113,101	(211,764)
Cash and cash equivalents, beginning of year	1,137,273	1,349,037
Cash and cash equivalents, end of year	\$ 1,250,374	\$ 1,137,273
<u>Supplemental Disclosures</u>		
Cash paid for interest	\$ 10,045	\$ 15,907
<u>Reconciliation of Cash Balances</u>		
Cash and cash equivalents - unrestricted	\$ 1,048,957	\$ 1,006,705
Cash and cash equivalents - restricted for escrow	201,417	130,568
	\$ 1,250,374	\$ 1,137,273

The accompanying notes are an integral part of these financial statements.

SEA ISLAND HABITAT FOR HUMANITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sea Island Habitat for Humanity, Inc. (the “Organization”) is a South Carolina not-for-profit corporation. Its purpose is to build and sell affordable houses with donated and borrowed funds and volunteer labor to qualified low-income families. The Organization also runs a resale store (ReStore). The ReStore operates a thrift shop where substantially all merchandise sold has been received as contributions from the general public. The net proceeds from the thrift shop are used by the Organization to build and sell houses.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, *Not-For-Profit Entities – Presentation of Financial Statements*. These standards require the Organization 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 or are no longer subject to donor-imposed stipulations and may be expended for any purposes in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. 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 and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Use of Estimates and Assumptions

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

Cash and Cash Equivalents

For financial statement reporting, cash and cash equivalents include all cash and short-term liquid investments with an original maturity of three months or less.

SEA ISLAND HABITAT FOR HUMANITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Mortgages Receivable

The Organization records and accounts for mortgages receivable based upon the present value of the loan at the time of closing. For the purpose of calculating loan present value, mortgages are discounted at annual rates ranging from 7.23% to 8.48% based upon market rates at the time of closing. All mortgages are non-interest bearing, and accordingly, the discount on mortgages provides interest income over the term of the mortgage. First mortgages are non-interest bearing and require monthly payments of varying amounts for a period of 20 – 30 years. The mortgages are collateralized by each of the respective homes and land. The Organization has a waiting list for these homes and management believes the mortgages to be fully collectible, therefore, no allowance for collectability has been made. Mortgages are considered delinquent when payments are 30 days past due, however, delinquency status may be mitigated by a number of other factors in dealing with the mortgage holder.

Property and Equipment, Net

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Generally, items costing \$1,000 or more are capitalized; lesser amounts for property and equipment and costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Management periodically determines if any property and equipment is impaired. Useful lives of property and equipment are as follows:

Buildings and improvements	5 – 39 years
Equipment	5 – 10 years
Vehicles	5 years

ReStore Inventory

The Organization purchased inventories are stated at the lower of cost or market value. The Organization accepts contributions of household items for resale to customers in its ReStore. The value of donated inventory is not recorded in the financial statements at the time of donation. The Organization considers this method preferable due to the nature of donated items – used, restocks and overstock items. The value of such items is not readily determinable until the merchandise is sold.

Land and Home Construction in Progress

All direct material and related costs, and indirect costs related to home construction are recorded as land and home construction in progress on the statements of financial position as they are incurred. Land costs included in construction in progress are stated at lower of cost or market value. If land costs are part of a larger parcel, this parcels under development are moved from land inventory to land and home construction in progress at the start of the development. When the sale of a home is recognized, the corresponding costs are then expensed in the statements of activities as program services. At June 30, 2024 and 2023, the Organization had three homes under construction.

Land Inventory

Contributed land inventory for the construction of houses is valued at fair market value on the date of contribution, or if purchased, at cost. The Organization may acquire tracts of land for development with goals of constructed homes over a period of time. Land inventory includes such parcels that have not begun development at year end.

SEA ISLAND HABITAT FOR HUMANITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Compensated Absences

The Organization provides paid time off to employees to be used during absences from work. Employees accrue paid time off each pay period in accordance with the Organization's personnel policies. Earned but unused paid time off at June 30, 2024 and 2023 was \$55,328 and \$51,633, respectively.

Resident Escrow

The Organization collects monthly amounts from homeowners for garbage collection, homeowner's insurance, homeowners' association dues, termite bond coverage, and property taxes to be remitted on their behalf. Amounts received from homeowners and held in escrow totaled \$201,417 and \$130,568 as of June 30, 2024 and 2023, respectively.

Restricted and Unrestricted Revenue and Support

Contributions, which at times, may include unconditional promises to give, are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the statements of activities.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the appropriate expenditure classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, such expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include janitorial, facilities maintenance, depreciation, and utilities, which are allocated based on a square footage basis, as well as salaries and wages and payroll taxes, which are allocated based on estimates of time and responsibilities, and benefits, supplies, dues, licenses, insurance, professional services, and information technology support, which are allocated on the basis of estimates of usage.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from federal and state income taxes unless income is generated from unrelated business activities. There is no unrelated business income for 2023. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on the Organization's evaluation of accounting for uncertainty in income taxes. Management evaluated the Organization's position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

SEA ISLAND HABITAT FOR HUMANITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributed Nonfinancial Assets and Services

Contributed property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Some grantors may retain a reversionary interest in specific assets if the mission of the Organization changes.

Contributed services are recognized as contributions in accordance with ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided many hours in fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 – 605 are not met.

Contributed nonfinancial assets and services included in the statements of activities are comprised of construction services totaling \$160,047 and \$150,000 for the years ended June 30, 2024 and 2023, respectively.

Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation.

2. CREDIT RISK

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 174,256	\$ 174,256
Buildings and improvements	943,529	935,120
Equipment	115,235	115,235
Vehicles	567,033	506,147
	<u>1,800,053</u>	<u>1,730,758</u>
Less: accumulated depreciation	<u>(1,024,408)</u>	<u>(932,001)</u>
Net property and equipment	<u>\$ 775,645</u>	<u>\$ 798,757</u>

Depreciation expense for each of the years ended June 30, 2024 and 2023 was \$92,407.

SEA ISLAND HABITAT FOR HUMANITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. LAND AND HOME CONSTRUCTION IN PROGRESS

Construction in progress includes the cost of material, land and labor incurred from the period during which the house is built to the time it is sold. Once the house is sold, these costs are transferred to the cost of houses sold. Total construction in progress at June 30, 2024 and 2023 was \$447,055 and \$579,176, respectively.

5. MORTGAGE RECEIVABLE

Mortgages receivable are as follows as of June 30:

	2024		
	Current	Non-Current	Totals
Mortgages receivable, face value	\$ 653,533	\$ 9,336,908	\$ 9,990,441
Less: unamortized discount	(372,312)	(5,291,774)	(5,664,086)
Mortgages receivable, net	\$ 281,221	\$ 4,045,134	\$ 4,326,355
	2023		
	Current	Non-Current	Totals
Mortgages receivable, face value	\$ 708,947	\$ 9,246,493	\$ 9,955,440
Less: unamortized discount	(388,068)	(5,275,403)	(5,663,471)
Mortgages receivable, net	\$ 320,879	\$ 3,971,090	\$ 4,291,969

Amortization of the discount is stated as “Imputed interest on mortgages” in the statement of activities, and was \$445,959 and \$393,427 for the years ended June 30, 2024 and 2023, respectively.

Additional Mortgages

The Organization receives second, third, fourth, and fifth mortgages on each house sold for the difference between the first mortgage and the fair value of the house. However, no collections will be received on the additional mortgages unless the house is sold to a third party. For all houses sold from February 2000 to January 31, 2008, the policy is to forgive the additional mortgages after 20 years. For all second, third, fourth, and fifth mortgages created subsequent to January 31, 2008, the policy is to forgive the additional mortgages after 30 years or its corresponding date of forgiveness. If the property is sold to a third party before 30 years, the Organization would receive the balance of the additional mortgages. Because the gain, if any, is contingent on the future sale of the property, the additional mortgages (and any related forgiveness of debt granted to homeowners) are not reported in the financial statements unless the event occurs.

Additional mortgages in the amount of \$14,177,539 and \$12,902,089 at June 30, 2024 and 2023, respectively, were held on the properties by the Organization.

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6. NOTES PAYABLE

Notes payable as of June 30th consist of the following:

	2024	2023
<p>On November 25, 2019, the Organization signed a promissory note payable to Habitat for Humanity International, Inc. in the amount of \$700,000. The note is payable in 20 quarterly installments of \$39,016, bears interest of 4.23% per annum, and matures on November 25, 2024. The promissory note is secured by pledged mortgage loans receivable of the Organization and requires compliance with certain financials and nonfinancial covenants. The Organization is in compliance with all covenants.</p>	\$ 151,735	\$ 297,361
<p>The Organization received HUD-SHOP (Self-Help Homeownership Program) grants to reimburse qualified expenditures for land acquisition and infrastructure costs from Habitat for Humanity International, Inc. Of these amounts received, the Organization is required to repay 25% of the funds received interest free.</p>	-	1,516
	\$ 151,735	\$ 298,877

Future minimum required principal payments at June 30, 2024 are as follows:

2025	\$ 151,735
Thereafter	-
	\$ 151,735

7. DEFINED CONTRIBUTION PLAN

The Organization maintains a 401(k)-retirement plan administered by Principal Financial for the eligible employees of the Organization. Employees are eligible to participate immediately. The Organization matched eligible employee contributions (up to 3% of the individual employee's compensation). Contributions by the Organization were \$18,360 and \$15,972 for the years ended June 30, 2024 and 2023, respectively, and are included in employee benefits.

8. LINE OF CREDIT

On October, 15, 2021 the Organization entered into a line of credit agreement with Pinnacle Bank permitting the Organization to borrow up to \$750,000. This lending agreement has been renewed and bears interest at the bank's prime interest rate. Principal plus any accrued interest on the line of credit is due in full at maturity on December 6, 2026. The Organization did not have any balances due on the line of credit at June 30, 2024 and 2023.

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9. NET ASSETS WITH DONOR RESTRICTIONS

Donor imposed restrictions on net assets are available for the following purposes as of June 30:

	<u>2024</u>	<u>2023</u>
Capital campaign	<u>\$ 100,000</u>	<u>\$ -</u>
	<u>\$ 100,000</u>	<u>\$ -</u>

10. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, management assessed events or transactions for consideration of inclusion as subsequent events. Management evaluated all events and transactions that occurred after June 30, 2024 through December 12, 2024, the date these financial statements were available to be issued.