



Asheville Area  
**Habitat**  
for Humanity®

*Serving Buncombe & Madison Counties*

Asheville Area Habitat for Humanity  
Asheville, NC

# financial statements

year ended June 30, 2023





## **ASHEVILLE AREA HABITAT FOR HUMANITY, INC.**

### **FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

**ASHEVILLE AREA HABITAT FOR HUMANITY, INC.**

**June 30, 2023 and 2022**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Asheville Area Habitat for Humanity, Inc.  
Asheville, North Carolina

### *Opinion*

We have audited the accompanying financial statements of Asheville Area Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, changes in net assets, 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 Asheville Area Habitat for Humanity, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibility 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 Asheville Area Habitat for Humanity, Inc. 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.

### *Prior Period Financial Statements*

The financial statements for the year ended June 30, 2022 were audited by us 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. We expressed an unmodified opinion on those financial statements.

### *Responsibilities of Management 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.

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 Asheville Area Habitat for Humanity, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with generally accepted auditing standards and Government 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 Asheville Area 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 Asheville Area 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.

### ***Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2023 on our consideration of the Asheville Area Habitat for Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Asheville Area Habitat for Humanity, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Asheville Area Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

***DMAPS PLLC***

Certified Public Accountants  
Asheville, North Carolina

October 10, 2023

**ASHEVILLE AREA HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

## ASSETS

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 3,482,989	\$ 7,988,576
Restricted cash	2,148,591	1,542,172
Prepaid expenses	53,008	38,743
Grants receivable	129,166	35,000
Employee Retention Credit receivable	270,044	-
Promises to give, net	122,372	32,776
Inventory	5,760,362	3,943,973
Construction in progress	723,719	1,187,390
Mortgages receivable, net	10,016,471	9,671,776
Operating lease right of use assets, net	191,790	-
Property and equipment, net	8,610,124	8,411,103
Investments	3,794,624	701,065
Other assets	133,994	128,607
	<u>35,437,254</u>	<u>33,681,181</u>
<b>Total Assets</b>	<u>\$ 35,437,254</u>	<u>\$ 33,681,181</u>

## LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 164,976	\$ 546,424
Payroll liabilities	274,839	159,522
Funds held for others:		
Homeowners' escrow payable	304,872	250,365
Refundable deposits	12,676	12,676
Operating lease liabilities	192,500	-
Notes payable	8,971,313	9,479,514
	<u>9,921,176</u>	<u>10,448,501</u>
<b>Total Liabilities</b>	<u>9,921,176</u>	<u>10,448,501</u>
<b>Net Assets</b>		
Without donor restrictions	21,152,248	19,260,803
With donor restrictions	4,363,830	3,971,877
	<u>25,516,078</u>	<u>23,232,680</u>
<b>Total Net Assets</b>	<u>25,516,078</u>	<u>23,232,680</u>
	<u>\$ 35,437,254</u>	<u>\$ 33,681,181</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 35,437,254</u>	<u>\$ 33,681,181</u>

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



## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Changes in Net Assets without Donor Restrictions:</b>		
<b>Public Support, Revenues and Gains:</b>		
Contributions of cash and other financial assets	\$ 1,877,789	\$ 6,967,631
Contributions of nonfinancial assets	4,786,180	3,730,573
Sale of homes	3,306,695	2,212,836
Home repair sales	11,310	42,000
Government grants - Employee Retention Credit	658,837	-
Government grants - Paycheck Protection Program	-	562,375
Government grants - other	916,584	1,044,362
Gain on sale of asset	-	1,494
ReStore sales	4,350,558	3,683,856
Less cost of goods sold	(4,267,852)	(3,551,152)
Rents, net of related expenses	-	205
Amortization of mortgage discounts	878,096	691,995
Investment income, net	91,540	6,594
Forgiven mortgage income	518,037	461,113
Other income	129,914	95,108
	<u>13,257,688</u>	<u>15,948,990</u>
<b>Net Assets Released from Restrictions:</b>		
Satisfaction of program restrictions	1,083,554	685,646
Total net assets released from restrictions	<u>1,083,554</u>	<u>685,646</u>
Total public support, revenues, and gains without donor restrictions, and satisfaction of program restrictions	<u>14,341,242</u>	<u>16,634,636</u>
<b>Expenditures:</b>		
Program services	11,257,837	8,968,128
Supporting services:		
Management and general	559,233	425,711
Fundraising	632,727	523,293
	<u>12,449,797</u>	<u>9,917,132</u>
Increase in net assets with donor restrictions, before inherent contribution received	1,891,445	6,717,504
Inherent contribution of net asset without donor restrictions from Madison County Habitat for Humanity, Inc.	<u>-</u>	<u>501,674</u>
Increase in net assets without donor restrictions	<u>1,891,445</u>	<u>7,219,178</u>
<b>Changes in Net Assets with Donor Restrictions:</b>		
Contributions	1,431,179	1,675,899
Satisfaction of program restrictions	(1,083,554)	(685,646)
Rents, net of related expenses	265	65
Investment income (loss), net of related expenses	44,063	(99,775)
	<u>391,953</u>	<u>890,543</u>
<b>Increase in Net Assets</b>	<u>\$ 2,283,398</u>	<u>\$ 8,109,721</u>

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

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## STATEMENTS OF CHANGES IN NET ASSETS

Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net Assets, June 30, 2021</b>	\$ 12,041,625	\$ 3,081,334	\$ 15,122,959
Increase in Net Assets	<u>7,219,178</u>	<u>890,543</u>	<u>8,109,721</u>
<b>Net Assets, June 30, 2022</b>	<u>\$ 19,260,803</u>	<u>\$ 3,971,877</u>	<u>\$ 23,232,680</u>
Increase in Net Assets	<u>1,891,445</u>	<u>391,953</u>	<u>2,283,398</u>
<b>Net Assets, June 30, 2023</b>	<u><u>\$ 21,152,248</u></u>	<u><u>\$ 4,363,830</u></u>	<u><u>\$ 25,516,078</u></u>

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

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services							Supporting Services			Total Program and Supporting Services
	New Home Construction	Home Repair	Mortgage Lending	Land Acquisition	Restore	Other Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	
<b>Expenses</b>											
Salaries and wages	\$ 54,908	\$ 325,695	\$ 255,051	\$ 38,823	\$ 1,508,171	\$ 142,818	\$ 2,325,466	\$ 345,475	\$ 392,751	\$ 738,226	\$ 3,063,692
Payroll taxes	4,741	24,648	19,461	2,965	115,090	10,922	177,827	21,258	29,891	51,149	228,976
Employee benefits	3,363	53,801	48,505	5,734	358,416	26,644	496,463	56,730	69,324	126,054	622,517
Construction and repair of homes	3,446,388	502,405	6,236	2,228	3,794	310,651	4,271,702	356	230	586	4,272,288
Discounts on mortgages	-	-	-	-	-	1,559,786	1,559,786	-	-	-	1,559,786
Advertising and promotion	1,971	817	5,090	29	65,648	2,128	75,683	270	4,813	5,083	80,766
Supplies	6,535	12,871	1,118	267	42,231	6,807	69,829	2,400	1,595	3,995	73,824
Other expenses	6,853	8,133	16,764	769	224,093	5,930	262,542	6,658	6,404	13,062	275,604
IT technical services	15,006	7,846	5,809	3,305	26,907	23,603	82,476	21,837	12,695	34,532	117,008
Mortgage servicing	-	-	32,526	-	-	(25)	32,501	-	-	-	32,501
Special events	3,086	1,227	1,514	110	4,644	5,094	15,675	3,748	31,575	35,323	50,998
Travel and entertainment	10,365	4,755	1,317	4	6,164	3,522	26,127	38	697	735	26,862
Grants to other organizations	-	-	-	-	24,695	147,000	171,695	-	-	-	171,695
Maintenance and repairs	(53,140)	4,713	2,542	407	64,463	150,588	169,573	15,287	8,312	23,599	193,172
Insurance	13,290	18,874	11,310	511	62,687	18,941	125,613	6,914	2,737	9,651	135,264
Interest expense	107	70	1,326	6	73,695	100,606	175,810	58	40	98	175,908
Dues and subscriptions	3,596	5,523	1,519	173	8,123	5,268	24,202	1,580	1,883	3,463	27,665
Taxes and licenses	7	305	5	451	267,712	11,604	280,084	13	8	21	280,105
Postage and printing	1,407	783	1,260	145	16,530	1,444	21,569	1,300	26,939	28,239	49,808
Professional fees	26,376	17,271	54,355	20,666	57,658	37,795	214,121	40,065	17,262	57,327	271,448
Rent expense	2,239	12,440	1,270	369	202,645	7,414	226,377	3,316	2,137	5,453	231,830
Staff development, training and internships	5,680	29,172	2,352	143	15,067	10,919	63,333	7,814	2,781	10,595	73,928
Utilities	11,431	5,052	4,062	787	69,843	10,593	101,768	7,463	6,816	14,279	116,047
Vehicle expense	4,667	6,529	126	36	31,454	299	43,111	327	211	538	43,649
Depreciation expense	22,843	22,960	12,277	375	172,881	13,168	244,504	16,326	13,626	29,952	274,456
<b>Total Expenses</b>	<b>\$ 3,591,719</b>	<b>\$ 1,065,890</b>	<b>\$ 485,795</b>	<b>\$ 78,303</b>	<b>\$ 3,422,611</b>	<b>\$ 2,613,519</b>	<b>\$ 11,257,837</b>	<b>\$ 559,233</b>	<b>\$ 632,727</b>	<b>\$ 1,191,960</b>	<b>\$ 12,449,797</b>

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

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services							Supporting Services			Total Program and Supporting Services
	New Home Construction	Home Repair	Mortgage Lending	Land Acquisition	Restore	Other Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	
<b>Expenses</b>											
Salaries and wages	\$ 172,200	\$ 192,309	\$ 220,652	\$ 34,750	\$ 1,291,239	\$ 88,336	\$ 1,999,486	\$ 220,447	\$ 348,240	\$ 568,687	\$ 2,568,173
Payroll taxes	13,014	14,191	16,812	2,650	97,398	6,673	150,738	16,782	26,051	42,833	193,571
Employee benefits	29,632	32,842	30,105	4,540	290,936	15,576	403,631	37,598	42,548	80,146	483,777
Construction and repair of homes	2,506,982	413,503	1,986	57	2,127	71	2,924,726	127	105	232	2,924,958
Discounts on mortgages	-	-	-	-	-	1,343,664	1,343,664	-	-	-	1,343,664
Advertising and promotion	1,341	441	4,244	9	65,245	580	71,860	86	1,297	1,383	73,243
Supplies	4,383	9,388	883	47	38,169	2,333	55,203	1,344	1,137	2,481	57,684
Other expenses	2,710	14,717	9,769	565	240,347	2,223	270,331	6,169	7,774	13,943	284,274
IT technical services	4,193	11,671	14,082	674	22,015	12,213	64,848	21,348	16,504	37,852	102,700
Mortgage servicing	-	-	40,854	-	-	-	40,854	-	-	-	40,854
Special events	1,703	719	1,150	431	6,228	2,018	12,249	1,819	8,924	10,743	22,992
Travel and entertainment	9,099	1,787	2,024	2	4,765	583	18,260	1,238	443	1,681	19,941
Grants to other organizations	-	-	-	-	25,562	60,156	85,718	-	-	-	85,718
Maintenance and repairs	3,895	7,344	8,855	439	83,218	43,824	147,575	13,276	10,559	23,835	171,410
Insurance	15,194	16,135	3,800	211	54,238	7,869	97,447	18,957	3,130	22,087	119,534
Interest expense	153	-	(600)	-	79,123	159,012	237,688	-	-	-	237,688
Dues and subscriptions	1,722	1,834	897	69	5,131	4,649	14,302	1,042	2,005	3,047	17,349
Taxes and licenses	440	18	81	1	238,108	11,242	249,890	235	25	260	250,150
Postage and printing	922	828	1,452	36	13,291	847	17,376	1,089	23,135	24,224	41,600
Professional fees	10,395	3,899	52,639	11,920	39,157	8,764	126,774	28,637	8,882	37,519	164,293
Rent expense	8,712	12,314	3,391	119	205,564	5,347	235,447	3,775	2,919	6,694	242,141
Staff development, training and internships	23,045	28,407	6,402	38	16,159	12,618	86,669	30,427	3,397	33,824	120,493
Utilities	6,352	5,361	4,933	347	68,398	6,544	91,935	7,294	5,162	12,456	104,391
Vehicle expense	1,642	1,182	-	-	24,784	-	27,608	-	-	-	27,608
Depreciation expense	17,159	12,718	9,574	412	145,315	8,671	193,849	14,021	11,056	25,077	218,926
<b>Total Expenses</b>	<b>\$ 2,834,888</b>	<b>\$ 781,608</b>	<b>\$ 433,985</b>	<b>\$ 57,317</b>	<b>\$ 3,056,517</b>	<b>\$ 1,803,813</b>	<b>\$ 8,968,128</b>	<b>\$ 425,711</b>	<b>\$ 523,293</b>	<b>\$ 949,004</b>	<b>\$ 9,917,132</b>

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

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Increase in net assets	\$ 2,283,398	\$ 8,109,721
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Inherent contribution of net assets from Madison County Habitat for Humanity, Inc.	-	(501,674)
Net realized and unrealized gains on investments	(49,231)	-
Depreciation	274,456	218,926
Amortization of operating lease right of use assets	155,981	-
Non-cash government grant income - Paycheck Protection Program	-	(562,375)
Non-cash interest expense	3,862	3,873
Net change in operating asset and liabilities:		
Prepaid expenses	(14,265)	10,453
Grants receivable	(94,166)	(12,500)
Employee Retention Credit receivable	(270,044)	-
Promises to give, net	(89,596)	57,806
Inventory	(1,816,389)	(747,906)
Construction in progress	463,671	(582,889)
Mortgages receivable	(344,695)	(142,871)
Other assets	(5,387)	30,608
Accounts payable and accrued expenses	(381,448)	397,448
Payroll liabilities	115,317	(69,389)
Homeowners' escrow payable	54,507	(29,337)
Refundable deposits	-	(3,160)
Operating lease liabilities	(155,271)	-
<b>Net Cash Provided by Operating Activities</b>	<b>130,700</b>	<b>6,176,734</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(3,000,000)	-
Cash and restricted cash received from Madison County Habitat for Humanity, Inc.	-	279,812
Acquisition of property and equipment	(473,477)	(395,091)
Net change in investments held in endowments	(44,328)	126,510
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(3,517,805)</b>	<b>11,231</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of notes payable	675,930	1,755,000
Payments on notes payable	(1,187,993)	(2,343,467)
<b>Net Cash Used in Financing Activities</b>	<b>(512,063)</b>	<b>(588,467)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,899,168)</b>	<b>5,599,498</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>9,530,748</b>	<b>3,931,250</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,631,580</b>	<b>\$ 9,530,748</b>
<b>Cash as Presented on Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 3,482,989	\$ 7,988,576
Restricted cash	2,148,591	1,542,172
<b>Cash and Cash Equivalents, and Restricted Cash</b>	<b>\$ 5,631,580</b>	<b>\$ 9,530,748</b>
<b>Supplemental disclosures:</b>		
Right of use assets and operating lease liabilities established upon adoption of ASC 842	\$ 347,771	\$ -
Net assets contributed from Madison County Habitat for Humanity, Inc.	\$ -	\$ 501,674
Interest expense paid	\$ 165,671	\$ 222,455

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

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Nature of Activities**

Asheville Area Habitat for Humanity, Inc. (“the Organization”) is a nonprofit ministry that fosters community by partnering with qualified families and individuals to build new houses and preserve existing homes. Its vision is to provide a safe and decent home for every family. The Organization has been building houses and changing lives in Buncombe County since 1983. In December, 2021 the organization expanded its outreach into neighboring Madison County through a merger with the Madison County Habitat for Humanity affiliate. The combined organization, with community members from the Madison County Habitat for Humanity Board of Directors and volunteers already in the community, will be able to expand the work of building and repairing homes in a historically underserved area. The joined organization is completing its first home by mid-year and has begun the infrastructure development on a second home adjacent to the first. The Home Repair team also completed its first project in Madison County and expects to complete 5 in the year ended June 30, 2024.

The Organization’s primary activity is affordable new home construction. In conjunction with this activity, the Organization originates affordable mortgage loans and finances these for the income-qualified homebuyers who purchase these new homes. Another important part of the Organization’s work is land acquisition and development which provides the building lots for its new home construction program. During the year ended June 30, 2023, the Organization spent \$100,000 on the acquisition of land for future development in the Shiloh community of Asheville and \$1,092,633 combined for land development in the new Glenn Bridge community of Arden and in the second phase of the New Height community in West Asheville. During the year ended June 30, 2022, the Organization spent \$122,277 on the acquisition of land for future development and \$1,012,022 for land development.

Another of the Organization’s activities is its home repair program in which it provides affordable home repairs to income-qualified homeowners. The program changed in 2022 by eliminating the requirement of a promissory note for the cost of the project and instead implemented an up-front fee program which is based on the homeowners’ income. The additional costs of the project are supported by program revenues and public affordable housing sources.

Another important part of the Organization’s activities is its ReStore (thrift store) operation which provides support for its other activities. The Organization currently operates two ReStores.

The Organization receives its support principally through contributions, grants, and net proceeds from its ReStore operations.

In March of 2022, the Organization embarked on a pilot program under the direction of the Board of Directors to finance a mortgage through a 3rd-Party lending program with First Bank. Through this program, First Bank writes and holds the homeowner’s mortgage at a 2% rate while maintaining the homeowner’s maximum allowed loan payment under the Organization’s mortgage program. The Organization received an up-front, discounted payment from First Bank. This program provides a potential new source of operating revenue that can be instrumental in funding the early costs of home building and land development. Due to the success of the first loan of this nature, the Organization expanded this program in 2023 with qualified home buyers.

**Basis of Accounting**

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Estimates**

The preparation of financial statements 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**

Cash consists of funds held in demand deposits with banks. The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. Cash and investment balances exceeded federally insured amounts by \$2,720,029 and \$7,634,730 as of June 30, 2023 and 2022, respectively.

**Restricted Cash**

Restricted cash consists of amounts held in escrow to pay property taxes and insurance for homeowners in the amount of \$314,088 and \$255,314 for the years ended June 30, 2023 and 2022, respectively. Restricted cash also includes unspent grant funds with donor restriction in the amount of \$1,126,943 and \$1,094,914 for the year ended June 30, 2023 and 2022, respectively. In addition, there was restricted cash under irrevocable standby letters of credit which secure a local municipality for completion of storm water facilities at affordable home subdivisions that the Organization is developing in the amount of \$707,560 and \$191,944 for the years ended June 30, 2023 and 2022, respectively.

**Prepaid Expenses**

Prepaid expenses consist primarily of prepaid insurance premiums.

**Promises to Give**

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Investments**

Investments purchased by the Organization are initially recorded at their cost, and donated investments are recorded at fair value on the date they are received as a donation. Endowment investments are adjusted to fair values as of the date of the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

**Fair Value Measurement**

Fair value is the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain valuation techniques are used to measure fair value. There are three broad levels as follows:

*Level 1* – (the highest level) inputs are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. For example, securities traded in an active market, such as the New York Stock Exchange, are valued using Level 1 inputs.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Fair Value Measurement** *[cont'd]*

*Level 2* – inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.

*Level 3* – inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

**Property and Equipment**

The Organization capitalizes all property and equipment with a cost, if purchased, or fair value, if donated, of \$5,000 or more. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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 and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the assets' estimated useful lives, ranging from 5 to 40 years for leasehold improvements and buildings, 5 to 10 years for equipment and furniture, and 2 to 5 years for vehicles.

**Net Assets**

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

*Without donor restrictions* – Net assets without donor restrictions include all net assets which are not restricted and are available for use in the performance of the activities of the Organization. If the Board of Directors specifies a purpose where none has been stated by the original donor, such funds are classified as designated, without donor restrictions.

*With donor restrictions* – Net assets with donor restrictions consist of contributions subject to donor-imposed stipulations that they be maintained by the Organization. Generally, the donors of these assets would permit the Organization to use all, or part of the income earned on the related investments for general or specific purposes.

**Contributions and Grants**

Contributions and grants are recognized as received in accordance with ASC 958-605. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.



## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

**Revenue Recognition**

*Home Sales* – A portion of the Organization’s revenue is derived from home sales during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. Such revenue is conditional upon meeting certain performance obligations, and amounts received are recognized as revenue once the requirements have been met. Once construction is complete on a home and closing procedures have been completed, buyers take possession of the home, and the performance obligation is considered to have been met. Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a signed promissory note, which is paid in accordance with the note terms.

*ReStore Revenues* – A portion of the Organization’s revenue is derived from ReStore sales during the year. Such revenue is conditional upon meeting one performance obligation, the sale transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payment in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

*Home repair sales* – A portion of the Organization’s revenue is derived from home repair sales during the year. Such revenue is conditional upon meeting one performance obligation, the sale transaction is completed at a client’s home, and amounts received are recognized as revenue as the repair is completed. For many of the home repair projects completed, the cost associated with the repair is fully covered using grants or other contributions with no cost to the homeowner. The remainder of home repair sales are significantly discounted to achieve affordability for qualifying clients. Through March 21, 2022 these transactions were considered to be contracts with customers as they had commercial substance because they all involve a signed promissory note, which is paid in accordance with the note terms. Beginning March 22, 2022, the program was modified to remove the requirement of a promissory note for the cost of the project. Instead, a fee based on the homeowners income is collected prior to starting the project. Since the fee is unrelated to the cost of the project these fees are considered outside the scope of ASC 606 and instead are recognized as contributions in accordance with ASC 958-605.

**Contributed Nonfinancial Assets and Services**

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Contributed Nonfinancial Assets and Services** *[cont'd]*

Details of the Organization's Contributed nonfinancial assets and services consisted of the following as of June 30:

	2023	2022	Usage
Restore inventory	\$ 4,267,852	\$ 3,551,152	ReStore
Land inventory	255,000	-	New home construction
Other services and materials	263,328	179,421	New home construction & supporting services
Total	<u>\$ 4,786,180</u>	<u>\$ 3,730,573</u>	

Contributions of ReStore inventory, land inventory, and other services and materials were valued using estimated average prices of identical or similar products or services using pricing data of similar products or services under a 'like-kind' methodology, considering the utility of the services and goods at the time of the contribution. No in-kind contributions were restricted. The Organization sells donated items received in the ReStore. The Organization does not sell donated material and only uses materials and services for its own program or supporting service activities.

Additionally, the Organization receives a significant amount of contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time, an estimated 58,414 hours at a value of \$1,857,554 for the year ended June 30, 2023 and 45,297 hours at a value of \$1,356,645, for the year ended June 30, 2022, is not reflected in the accompanying financial statements.

**Sales Tax**

The State of North Carolina imposes a sales tax of 7% on all of the Organization's ReStore sales to nonexempt customers. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to include the tax collected and remitted to the State in revenue and cost of sales. The Organization's revenue and cost of sales of the ReStore included \$267,698 and \$238,079 in sales tax collected and remitted for the years ended June 30, 2023 and 2022, respectively.

**Advertising**

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$80,765 and \$73,243 for the years ended June 30, 2023 and 2022, respectively. The amount paid by the Organization is included in advertising and promotion and ReStore income, net of related expenses.

**Functional Allocation of Expenses**

The cost of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Income Taxes**

The Organization is tax-exempt under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income taxes on net income from exempt purposes. It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain, and what, if any, effect the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for tax years 2022 and 2021. Currently, the statute of limitations remains open subsequent to and including tax year 2019; however, no examinations are in process or anticipated.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to credit risk consist of notes receivable that are secured by the residential property constructed with the proceeds. These undiscounted non-interest bearing notes receivable totaled \$20,660,920 and \$19,942,211 as of June 30, 2023 and 2022, respectively.

**New Accounting Standards*****Adopted***

As of July 1, 2022, the Organization changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) using the modified retrospective transition method. There was no cumulative effect adjustment to the Organization's statement of financial position as of July 1, 2022.

The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. The Organization elected the package of practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. The Organization has not elected the hindsight practical expedient. The Organization has not elected the hindsight practical expedient. The Organization has elected not to record operating leases with a terms of 12 months or less on the statement of financial position.

As of July 1, 2022, \$347,771 in operating lease right-of-use assets and corresponding lease liabilities were recognized. Adoption of the new guidance did not have a significant impact to the statement of activities and net assets or the statement of cash flows for the year ended June 30, 2023.

***Not Adopted as of June 30, 2023***

In June 2016 the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This update introduces the current expected credit loss (CECL) model, which will require an entity to measure credit losses for certain financial instruments and financial assets, including trade receivables and loans receivable. Under this update, on initial recognition and at each reporting period, an entity will be required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. Estimated credit losses under CECL will consider relevant information about past events, current conditions and reasonable and supportable forecasts, resulting in recognition of lifetime expected credit losses upon loan origination. This update will be effective for the Organization for fiscal years beginning after July 1, 2023. The Organization is currently assessing the impact of this update on the Organization's financial statements and related disclosures.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Buncombe County Award**

During the year ended June 30, 2020, Buncombe County awarded \$680,800 to the Organization who will use those funds to develop land, construct 38 homes, and provide direct buyer assistance to empower 38 low-income Buncombe County residents to become homeowners. These 38 homes are the initial construction in a neighborhood of 98 homes on 20.02 acres in western Buncombe County that the Organization will develop over multiple years. The 38 units under this contract will be completed by Spring 2023. As houses are completed, these funds will be shown in each sale as a subsidiary of \$16,700 for 24 homebuyer households in need of down payment assistance, and \$20,000 for 14 homebuyer households in need of down payment assistance. The down payment assistance funds (\$16,700 or \$20,000), which are secured by a lien on subject property, will provide direct affordability assistance to the homebuyer. During the year ended June 30, 2023, the Organization sold 16 houses and has \$723,719 invested in the remaining 10 homes. During the year ended June 30, 2022, the Organization sold 11 houses and had \$980,360 invested in the remaining 21 homes. Although the project is secured by a lien on the property to be released as homes are completed, it has been reflected as a grant recognized for the amount expected to be forgiven prior to legal release since the funds have been spent and there is no right of return. The forgivable principal remaining is \$100,00 and \$396,900 for the years ended June 30, 2023 and 2022, respectively.

**Subsequent Events**

The Organization has evaluated events that have occurred after June 30, 2023 and prior to October 10, 2023 (the date of issuance) for potential recognition or disclosure in the financial statements.

## 2. ACQUISITION OF HABITAT AFFILIATE

In accordance with an agreement and plan of merger, that was effective October 25, 2021, the Organization filed Articles of Merger of Madison County Habitat for Humanity, Inc. into the Organization, No consideration was transferred by Asheville Area Habitat for Humanity, Inc. related to the transaction. Effective December 1, 2021, all assets and liabilities of Madison County Habitat for Humanity, Inc. were assumed by Asheville Area Habitat for Humanity, Inc. Strategically aligning allows the entity to further invest in land opportunities, leverage increased purchasing power, and reduce administrative costs.

In accordance with GAAP, the Organization accounted for the transaction as an acquisition by a not-for-profit entity, with Madison County Habitat for Humanity, Inc.'s identifiable assets and liabilities measured at estimated fair value as of the transaction date.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**2. ACQUISITION OF HABITAT AFFILIATE [cont'd]**

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Assets acquired:	
Cash	\$ 279,812
Mortgages receivable	178,024
Real estate inventory	<u>82,231</u>
Total assets acquired	<u>540,067</u>
Liabilities assumed:	
Funds held for others	20,139
Long-term debt	<u>18,254</u>
Total liabilities assumed	<u>38,393</u>
Inherent contribution received	<u>\$ 501,674</u>

On the statements of activities, the inherent contribution received was recorded as an increase in net assets without donor restrictions of \$501,674 for the year ended June 30, 2022.

The fair value of mortgages receivable acquired was \$178,024. The gross amount due under the mortgages receivable at the acquisition date amounted to \$237,110, all of which is considered collectible.

**3. LIQUIDITY AND AVAILABILITY**

Financial assets available for operations, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,482,989	\$ 7,988,576
Grants receivable	129,166	35,000
Promises to give receivable within one year, net	122,372	32,776
Mortgages receivable within one year	1,014,916	965,615
Investments	3,794,624	701,065
Other assets	<u>432,505</u>	<u>128,607</u>
	8,976,572	9,851,639
Less: donor-restricted endowment to be retained in perpetuity	(683,452)	(670,915)
Less: other assets not available to be used within one year	<u>(78,379)</u>	<u>(73,861)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,214,741</u>	<u>\$ 9,106,863</u>

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

## 3. LIQUIDITY AND AVAILABILITY [cont'd]

Cash balances are invested in money market funds. The Organization maintains two lines of credit (Note 14) with banks to be used primarily to fund any cash flow timing differences between payments for infrastructure project progress payments as they come due and the related draws upon grants or loans for these projects. One line is for \$250,000 which has been in place since June 2020, has never been utilized, and is unsecured. One line is for \$650,000 and is secured by real property. This line was put in place in June 2021 and has never been utilized.

## 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's fair value measurements for investments that are measured at fair value on a recurring basis and the level within the fair value hierarchy include the endowment funds held with the Community Foundation of Western North Carolina which are considered to be valued using Level 3 inputs and two investment funds which are considered to be valued using Level 1 inputs.

The following table summarizes assets which have been accounted for at fair value on a recurring basis as of June 30, along with the basis for the determination of fair value:

	2023			
	Total	Level 1	Level 2	Level 3
Exchange traded funds:				
Fixed income equities	\$ 2,827,226	\$ 2,827,226	\$ -	\$ -
Cash and cash equivalents	222,006	222,006	-	-
Endowment fund	745,392	-	-	745,392
	<u>\$ 3,794,624</u>	<u>\$ 3,049,232</u>	<u>\$ -</u>	<u>\$ 745,392</u>
	2022			
	Total	Level 1	Level 2	Level 3
Exchange traded funds:				
Fixed income equities	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	-	-	-	-
Endowment fund	701,065	-	-	701,065
	<u>\$ 701,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,065</u>

The reconciliation of significant unobservable inputs (Level 3) for endowment funds are as follows for the years ended June 30:

	2023	2022
Balance, beginning of year	\$ 701,065	\$ 827,575
Contributions	265	65
Interest and dividends, net	5,690	3,788
Unrealized gains/(loss)	43,729	(97,763)
Less: administrative fees	(5,357)	(5,800)
Less: distributions	-	(26,800)
	<u>\$ 745,392</u>	<u>\$ 701,065</u>

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

4. FAIR VALUE OF FINANCIAL INSTRUMENTS *[cont'd]*

Valuation techniques: Fair values for endowment funds are based on other observable inputs for the investment in the Community Foundation. Fair values for investment funds are based on market value.

Change in valuation techniques: None.

## 5. PROMISES TO GIVE, NET

Unconditional promises to give are as follows as of June 30:

	2023	2022
Receivable in less than one year	\$ 129,025	\$ 36,418
Receivable in one to five years	-	-
Total unconditional promises to give	129,025	36,418
Less allowance for uncollectible promises receivable	(6,653)	(3,642)
Unconditional promises to give, net	\$ 122,372	\$ 32,776

Promises to give receivable in more than one year are discounted at 5% when material.

The allowance for uncollectible amounts is based on an estimated amount that the Organization feels is reasonable.

## 6. MORTGAGES RECEIVABLE

All mortgage notes are receivable in monthly installments. In keeping with the stated purpose of the Organization, persons who purchase homes built by the Organization are not charged interest on their mortgage obligations. The implied market rate interest is considered to be a grant to the homeowner. Notes are amortized over various lives of between 20 and 30 years, and the notes are secured by the residential property sold to the homeowners.

Mortgages receivable are considered past due if a payment has not been received by the 15<sup>th</sup> of the month. A penalty or late fee of 4% of the monthly principal is assessed. The note holder is notified of the penalty by a past-due letter.

The total amount of net mortgages receivable was \$20,660,920 including discounted principal payments of \$10,644,449 as of June 30, 2023 and \$19,942,211 as of June 30, 2022, including discounted principal payments of \$10,270,436. Net present value of mortgages receivable was \$10,016,471 based on imputed interest rates ranging from 7.23% to 8.53% as of June 30, 2023 and \$9,671,775 based on imputed interest rates ranging from 7.23% to 9.00% as of June 30, 2022.

The current portion of mortgages receivable was \$1,014,916 and \$965,615 as of June 30, 2023 and 2022, respectively.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

## 7. INVESTMENTS

Fair value of the Crosby Endowment Fund above is considered to be valued using Level 3 inputs. Fair value of the investments with Park National Bank and First National Bank are valued using Level 1 inputs. Investments consisted of the following for the year ended June 30:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Endowment fund	\$ 584,128	\$ 745,392	\$ 576,717	\$ 701,065
Fixed income equities	2,786,566	2,827,226	-	-
Cash equivalents	222,006	222,006	-	-
	<u>\$ 3,592,700</u>	<u>\$ 3,794,624</u>	<u>\$ 576,717</u>	<u>\$ 701,065</u>

The Crosby Endowment Fund is managed by the Community Foundation of Western North Carolina (CFWNC). The investment and spending policies of CFWNC are the governing policies for the Crosby Endowment Fund. In setting its policies, CFWNC complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted by the State of North Carolina in April 2009, and FASB ASC 958-205. The Organization relies on CFWNC for compliance with State law and does not purport to report its endowment position or activity in compliance with FASB 958-205.

Investment income with and without donor restrictions was comprised of the following for years ended June 30:

	2023	2022
Interest and dividend income	\$ 78,641	\$ 10,382
Realized gains	28,929	32,523
Unrealized gains/(loss)	40,552	(130,286)
Less: investment fees	(12,519)	(5,800)
	<u>\$ 135,603</u>	<u>\$ (93,181)</u>

## 8. INVENTORY

The Organization operates two used furniture and appliance stores. Most of the ReStore inventory is donated and is recorded as unrestricted contributions at fair value on the date of receipt. Inventory of such goods totaled \$270,700 and \$246,616 as of June 30, 2023 and 2022, respectively. Inventory also included developed and undeveloped lots held for future homes. The cost of acquiring and developing the lots was \$5,489,662 and \$3,697,357 which does not exceed net realizable value, as of June 30, 2023 and 2022, respectively.

## 9. CONSTRUCTION IN PROGRESS

As homes are constructed, the corresponding amounts for direct materials and other costs are recorded as construction in progress. Construction in progress consisted of ten homes under construction and four homes bought for resale at a cost of \$723,719 as of June 30, 2023 and twenty-one homes under construction at a cost of \$1,187,390 as of June 30, 2022.



## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**10. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 4,059,733	\$ 4,059,733
Buildings	6,886,535	6,669,155
Store equipment	170,718	168,614
Office equipment	583,313	494,980
Deconstruction equipment	1,480	1,480
Jobsite equipment	156,753	144,056
Vehicles	499,899	345,698
	<u>12,358,431</u>	<u>11,883,716</u>
Less: accumulated depreciation	<u>(3,748,307)</u>	<u>(3,472,613)</u>
Net property and equipment	<u>\$ 8,610,124</u>	<u>\$ 8,411,103</u>

Depreciation expense consisted of the following for the year ended June 30:

	<u>2023</u>	<u>2022</u>
ReStore operations	\$ 172,881	\$ 145,315
Other depreciation	101,575	73,611
Total depreciation expense	<u>\$ 274,456</u>	<u>\$ 218,926</u>

**11. OTHER ASSETS**

Other assets consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Refundable deposits and escrows	\$ 56,487	\$ 58,846
Cash surrender value of life insurance	65,829	61,311
Other receivables	11,678	8,450
Total other assets	<u>\$ 133,994</u>	<u>\$ 128,607</u>

**12. HOMEOWNERS' ESCROW PAYABLE**

The homeowners' escrow account consists of monies collected from homeowners in conjunction with the payment of mortgages receivable, which is retained by the Organization for the payment of homeowners' insurance and property taxes when due. The balance payable was \$304,872 and \$250,365 as of June 30, 2023 and 2022, respectively.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

## 13. NOTES PAYABLE

Notes payable are summarized as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Note payable to First Bank, at an interest rate of 3.24%, due on June 28, 2031, with 119 monthly principal payments of \$26,742 and a final payment of \$2,758,783 due on June 28, 2031. This note is secured by property and improvements thereon, with a carrying value of \$6,192,910 as of June 30, 2023.	\$ 4,356,803	\$ 4,531,010
Thirty-three notes payable to the North Carolina Housing Finance Agency, which run concurrently with homeowners' first mortgages, each in the original note amount of \$20,000, at interest rates of 0%, payable in monthly installments of \$56, beginning on various dates from 7/1/2006 through 3/1/2009, secured by homeowners' property.	314,473	347,474
Thirty-seven notes payable to the North Carolina Housing Finance Agency, which run concurrently with homeowners' first mortgages, each in the original note amount of \$25,000, at interest rates of 0%, payable in monthly installments of \$69, beginning on various dates from 4/1/2009 through 09/06/2013, secured by homeowners' property.	554,676	669,052
Nineteen notes payable to the North Carolina Housing Finance Agency, which run concurrently with homeowners' first mortgages, each in the original note amount of \$30,000, at interest rates of 0%, payable in monthly installments of \$83, beginning on various dates from 2/12/2015 through 8/25/2016, secured by homeowners' property.	425,839	492,339
Nine notes payable to the North Carolina Housing Finance Agency, which run concurrently with homeowners' first mortgages, each in the original note amount of \$40,000, at interest rates of 0%, payable in monthly installments of \$111, beginning on various dates from 10/10/2013 through 11/13/2016, secured by homeowners' property.	250,668	262,668
Seventy-seven notes payable to the North Carolina Housing Finance Agency, which run concurrently with homeowners' first mortgages, each in the original note amount of \$35,000, at interest rates of 0%, payable in monthly installments of \$97 beginning on various dates from 10/27/2016 through 6/23/2023, secured by homeowners' property.	2,354,630	1,956,018
Seven notes payable to the North Carolina Housing Finance Agency, which run concurrently with homeowners' first mortgages, each in the original note amount of \$66,500, at interest rates of 0%, payable in monthly installments of \$185, beginning on various dates from 5/11/2017 through 1/11/2018, secured by homeowners' property.	376,096	391,612

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

## 13. NOTES PAYABLE [cont'd]

	<u>2023</u>	<u>2022</u>
Three notes payable to the North Carolina Housing Finance Agency, which run concurrently with homeowners' first mortgages, each in the original note amount of \$63,000, at an interest rate of 0%, payable in monthly installments of \$175, beginning on various dates from 6/29/2017 through 3/06/2018, secured by homeowners' property.	\$ 152,600	\$ 158,900
One note payable to the North Carolina Housing Finance Agency, which runs concurrently with homeowner's first mortgage, in the original note amount of \$11,388, at an interest rate of 0%, payable in monthly installments of \$67, beginning 12/1/2021, secured by homeowners' property.	5,522	6,322
Note payable to Buncombe County, at an interest rate of 2.0%, for the construction of 24 affordable homes. \$3,300 of this liability will be passed through to each homeowner in the form of a second mortgage to be repaid only in the event that the home is resold to a family which does not meet Buncombe County's income guidelines for affordable housing. The balance per house of \$6,700 plus accrued interest on the full \$10,000 per house will be due and payable upon the sale of the house. The second mortgages will be used to reduce the Organization's mortgages receivable resulting from the sale of the completed house.	-	46,400
Note payable to Park National Bank, at an interest rate of 4.65%, due in full on May 17, 2024, with accrued interest due monthly. This note is secured by the Organization's New Heights Phase I property and improvements thereon with a carrying value of \$2,221,866 as of June 30, 2023. This note require principal pay downs as finished lots and homes are sold.	83,841	641,346
Note payable to City of Asheville at an interest rate of 0% for use in the development of eight units of affordable for-sale housing in Asheville, North Carolina. A portion of the loan shall be used as down payment assistance to purchasers of the eight houses. The balance was paid in full in July 2023.	<u>115,930</u>	<u>-</u>
	8,991,078	9,503,141
Less: debt issuance costs – net of amortization	<u>(19,765)</u>	<u>(23,627)</u>
Total notes payable	<u>\$ 8,971,313</u>	<u>\$ 9,479,514</u>

Prime interest rate was 8.25% and 4.75% as of June 30, 2023 and 2022, respectively.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**13. NOTES PAYABLE** *[cont'd]*

Maturities of notes payable are as follows:

Year ending June 30:		
2024	\$	574,161
2025		383,386
2026		389,583
2027		395,984
2028		402,595
Thereafter		<u>6,845,369</u>
Total	\$	<u>8,991,078</u>

The notes payable to First Bank, and Park National Bank contain various covenants. For the years ended June 30, 2023 and 2022, no violations of debt covenants were noted.

**14. LINES OF CREDIT**

The Organization established a secured line of credit in the amount of \$650,000 with First Bank in June 2021. This line carries a variable interest rate of the Wall Street prime rate. This line matures on June 28, 2024. As of June 30, 2023, there was no outstanding balance on the line.

The Organization established an unsecured line of credit in the amount of \$250,000 with First National Bank in June 2020. This line carries a variable interest rate of the Wall Street prime rate and is due on demand. As of June 30, 2023, there was no outstanding balance on the line.

**15. RESTRICTED NET ASSETS**

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2023</u>	<u>2022</u>
Building of homes	\$ 493,119	\$ 106,048
Endowment fund - property	2,100,000	2,100,000
Endowment fund - investments	683,452	670,915
American Rescue Plan Act	<u>1,087,259</u>	<u>1,094,914</u>
Total net assets with donor restrictions	<u>\$ 4,363,830</u>	<u>\$ 3,971,877</u>

The endowment fund was established in 2006, when the Organization received a contribution of rental property (land) valued at \$2.1 million, to establish an endowment fund. Under the terms of the contribution, the original property, or the proceeds from sale of such property, as well as the income from the property are restricted with a portion of the income being made available each year for the support of the Organization. As a condition of the gift, an endowment fund was established.

The \$5,000 used to establish the endowment fund is also restricted.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**15. RESTRICTED NET ASSETS** *[cont'd]*

The endowment fund had income/(loss), net of expenses, in the amount of \$44,327 and \$(99,710) for the years ended June 30, 2023 and 2022, respectively. A portion of the endowment income is made available each year for the support of the Organization, according to the agreement between The Community Foundation of Western North Carolina, Inc. and the Organization. The amount made available annually is determined under the spending policies of the Community Foundation of Western North Carolina, Inc.

American Rescue Plan Act (ARPA) funds of \$1,600,000 were awarded through Buncombe County in November, 2021 to complete the infrastructure for two developments within the count. In 2023, \$1,000,000 was added to the award.

**16. NET ASSETS RELEASED FROM RESTRICTION**

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Building of Homes	\$ 1,083,554	\$ 685,646
Total net assets released from restriction	<u>\$ 1,083,554</u>	<u>\$ 685,646</u>

**17. OPERATING LEASES**

The Organization leases retail space, two copiers, several printers and a postage meter under separate leases for varying amounts and varying time frames. The Organization has elected to use the risk-free rate for all operating leases. Operating leases with a term of 12 months or less are not recorded on the statement of financial position.

Supplemental balance sheet information related to operating leases was as follows:

<b>Lease Expense</b>	
Operating lease expense	\$ 163,548
<b>Other Information</b>	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 162,724
Right of use operating lease assets established upon adoption of ASU 842	\$ 347,771
Weighted-average remaining lease term in years for operating leases	1.22 years
Weighted-average discount rate for operating leases	2.83%
<b>Maturity Analysis</b>	
2023	\$ 164,885
2024	<u>30,681</u>
Total undiscounted cash flows	195,566
Less: present value discount	<u>(3,066)</u>
Total operating lease liabilities	<u>\$ 192,500</u>

Operating lease expense was \$231,830 and \$242,141 for the years ended June 30, 2023 and 2022, respectively.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**18. EMPLOYEE RETENTION CREDIT**

The Organization is eligible for the Employee Retention Credit (“ERC”) under the CARES Act. Revenue in the Statement of Activities of \$658,837, of which \$270,044 was receivable for the ERC as of June 30, 2023, represents refunds due on the 2020 and 2021 Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended June 30, 2020, September 30, 2020, and March 31, 2021, June 30, 2021. The Organization is accounting for the credits as a conditional contribution under ASC 958-605. The Organization also applied for the credit for the quarter ended December 31, 2020, as of the date the financial were available to be issued notification of payment had not been received. The Organization will record the contribution once payment is assured.

**19. FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The departmental expenses that are allocated include those from the Communications, Human Resources, Finance and Office Administration departments. The expenses are allocated based on the number of employees and on the square footage of space used.

**20. RETIREMENT PLAN**

The Organization has a defined contribution retirement plan covering substantially all employees. Employees are eligible to participate in the plan after six months of service and reaching age 21. Employees become 100% vested after five years of service. Contributions provided to the plan for the year ended June 30, 2023 were \$324,195 which consisted of \$126,136 from the Organization and \$198,059 from employees. Contributions provided to the plan for the year ended June 30, 2022 were \$261,671, which consisted of \$87,579 from the Organization and \$174,092 from employees. The amount paid by the Organization is included in employee benefits.

**21. COMMITMENTS AND CONTINGENCIES****Contingent Receivable**

When the Organization sells a home, the difference between the cost of the home and its appraised value is recorded as a second mortgage by the Organization. The second mortgage is amortized and forgiven over the life of the original first mortgage, or with more current mortgages, forgiven if the homeowner stays until the first mortgage is satisfied. If the home is sold by its owner before the first mortgage is satisfied, the seller is required to pay to the Organization any remaining balance on the second mortgage. The value of these contingent receivables totaled \$3,859,830 and \$4,888,465 as of June 30, 2023 and 2022, respectively. There are some mortgages where the second mortgage is forgiven only after 30 years. The value of these mortgages is \$1,544,045 and \$926,919 as of June 30, 2023 and 2022, respectively. There are some mortgages where the second mortgage is never forgiven and is due only upon the sale of the home. The value of these mortgages is \$440,453 and \$194,405 as of June 30, 2023 and 2022, respectively. As with the other contingent receivables, no provision for this contingency has been made in these financial statements, because the potential receipts from these second mortgages cannot be reasonably estimated.

**Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization carries commercial insurance coverage for all risks of loss. Claims have not exceeded coverage in any of the previous three years.

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**21. COMMITMENTS AND CONTINGENCIES** *[cont'd]***Contingent Liabilities**

The Organization owns a piece of property for which there is a possible contingent liability due to the condition of the property. No provision for this contingency has been made in these financial statements, because there is no fixed and determinable amount that can be reasonably estimated.

**22. RELATED PARTY TRANSACTIONS**

One Board Member made a significant donation to the Organization in both of the years ended June 30, 2023 and 2022. Overall board contributions made up 4% and 1% of total contributions for the years ended June 30, 2023 and 2022, respectively.

A Board Member is an attorney with a local law firm which paid \$57,699 and \$26,698 in legal fees during the years ended June 30, 2023 and 2022, respectively.

The Organization made initial investments of \$3 million in investment accounts at two financial institutions of which members of the Organizations Finance Committee were officers in local branches of the same institutions. The balance of these accounts as of June 30, 2023 and 2022 were \$ 3,049,231 and \$-0-, respectively.

Six paid employees qualified for the Organization's home ownership program, were approved by the selection committee, and satisfied all requirements of the program. These employees had outstanding mortgage balances with the Organization in the amount of \$620,873 and \$599,584 as of the years ended June 30, 2023 and 2022, respectively. The total principal payments received in the years ended June 30, 2023 and 2022 for these six mortgages were \$23,711 and \$19,676, respectively.

The following are details of related party mortgages receivable by the Organization:

The first employee's mortgage was entered into in June 2013 for a 30-year term in the amount of \$111,051 with monthly principal payments of \$308.

The second employee's mortgage was entered into in March 2016 for a 30-year term in the amount of \$141,236 with monthly principal payments of \$392.

The third employee's mortgage was entered into in October 2017 for a 30-year term in the amount of \$142,833 with monthly principal payments of \$397.

The fourth employee's mortgage was entered into in August 2018 for a 30-year term in the amount of \$156,942 with monthly principal payments of \$436.

The fifth employee's mortgage was entered into in March 2022 for a 30-year term in the amount of \$152,878 with monthly principal payments of \$425.

The sixth employee's mortgage was entered into in April 2023 for a 30-year term in the amount of \$45,000 with monthly principal payments of \$125.

## **COMPLIANCE SECTION**





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Asheville Area Habitat for Humanity, Inc.  
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Asheville Area Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Asheville Area Habitat for Humanity, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Asheville Area Habitat for Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Asheville Area Habitat for Humanity, Inc.'s internal control.

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

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

***Report on Compliance and Other Matters***

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

*Purpose of this Report*

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

*DMAPS PLLC*

Certified Public Accountants  
Asheville, North Carolina

October 10, 2023



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Asheville Area Habitat for Humanity, Inc.  
Asheville, North Carolina

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Asheville Area Habitat for Humanity, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Asheville Area Habitat for Humanity, Inc.'s major federal programs for the year ended June 30, 2023. Asheville Area Habitat for Humanity, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Asheville Area Habitat for Humanity, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

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

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

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Asheville Area Habitat for Humanity, Inc.'s federal programs.

#### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Asheville Area Habitat for Humanity, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Asheville Area Habitat for Humanity, Inc.'s compliance with the requirements of each major federal program as a whole.

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

**DMAPS PLLC**

Certified Public Accountants  
Asheville, North Carolina

October 10, 2023

## ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

**Section I Summary of Auditors' Results****Financial Statements**

Type of auditors' report issued: Unmodified

**Internal control over financial reporting**Material weakness(es) identified?  Yes  NoSignificant deficiencies identified that are not considered to be material weaknesses?  Yes  NoNoncompliance material to financial statements noted?  Yes  No**Federal Awards****Internal control over major federal programs**Material weakness(es) identified?  Yes  NoSignificant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Types of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  Yes  NoPrograms tested as major were:  
Coronavirus State and Local Fiscal  
Recovery Funds Assistance Listing # 21.027

The threshold for distinguishing Type A and Type B programs was \$750,000.

Auditee qualified as a low-risk auditee?  Yes  No

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *[cont'd]*

June 30, 2023

**Section II Financial Statement Findings**

None noted.

**Section III Federal Award Findings**

None noted.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

CORRECTIVE ACTION PLAN

June 30, 2023

**Section II Financial Statement Findings**

None noted.

**Section III Federal Award Findings**

None noted.

**ASHEVILLE AREA HABITAT FOR HUMANITY, INC.**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**June 30, 2023**

None noted.



ASHEVILLE AREA HABITAT FOR HUMANITY, INC.  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Federal/State Award Number	Pass-through Entity Identifying Number	Federal and State (Direct & Pass-through) Expenditures
<b>Federal Awards:</b>				
<u>United States Department of Treasury</u>				
Passed - through Buncombe County:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		SLT-1326	\$ 988,936
Passed -through the City of Asheville:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		SLFRP0430	<u>400,000</u>
Total United States Department of Treasury				<u>1,388,936</u>
<u>United States Department of Housing and Urban Development</u>				
Passed - through the City of Asheville:				
Community Development Block Grant	14.218		B-20-MC-37-0001	23,360
Community Development Block Grant	14.218		B-21-MC-37-0001	<u>128,000</u>
Total United States Department of Housing and Urban Development				<u>151,360</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 1,540,296</u></u>

**Notes to the Schedule of Expenditures of Federal Awards**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Asheville Area Habitat for Humanity, Inc. under the programs of the federal government for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Asheville Area Habitat for Humanity, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Asheville Area Habitat for Humanity, Inc.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Asheville Area Habitat for Humanity, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.