



ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

June 30, 2024 and 2023

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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, 2024 and 2023, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years 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, 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 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 Auditors' 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 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 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.

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 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 November 14, 2024 on our consideration of 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 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 Asheville Area Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

DMAPS PLLC

Certified Public Accountants
Asheville, North Carolina

November 14, 2024

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	ASSETS	
	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 90,355	\$ 3,482,989
Restricted cash	1,015,816	2,148,591
Prepaid expenses	64,250	53,008
Grants receivable	301,626	129,166
Employee Retention Credit receivable	-	270,044
Promises to give, net	381,826	122,372
Inventory	7,781,144	5,760,362
Construction in progress	1,348,119	723,719
Mortgages receivable, net	10,119,424	10,016,471
Operating lease right of use assets, net	845,048	191,790
Property and equipment, net	8,444,104	8,610,124
Investments	6,512,445	3,794,624
Other assets	177,078	133,994
	<u>37,081,235</u>	<u>35,437,254</u>
Total Assets	<u>\$ 37,081,235</u>	<u>\$ 35,437,254</u>
	LIABILITIES AND NET ASSETS	
Liabilities		
Accounts payable and accrued expenses	\$ 403,583	\$ 164,976
Payroll liabilities	308,341	274,839
Funds held for others:		
Homeowners' escrow payable	297,206	304,872
Refundable deposits	12,676	12,676
Operating lease liabilities	846,940	192,500
Notes payable	9,900,041	8,971,313
	<u>11,768,787</u>	<u>9,921,176</u>
Total Liabilities	<u>11,768,787</u>	<u>9,921,176</u>
Net Assets		
Without donor restrictions	21,995,659	21,152,248
With donor restrictions	3,316,789	4,363,830
	<u>25,312,448</u>	<u>25,516,078</u>
Total Net Assets	<u>25,312,448</u>	<u>25,516,078</u>
Total Liabilities and Net Assets	<u>\$ 37,081,235</u>	<u>\$ 35,437,254</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, 2024 and 2023

	2024	2023
Changes in Net Assets without Donor Restrictions:		
Public Support, Revenues and Gains:		
Contributions of cash and other financial assets	\$ 1,878,680	\$ 1,877,789
Contributions of nonfinancial assets	4,561,171	4,786,180
Sale of homes	3,251,030	3,306,695
Home repair sales	8,190	11,310
Government grants - Employee Retention Credit	-	658,837
Government grants - other	1,210,235	916,584
Gain on sale of asset	365	-
ReStore sales	4,452,463	4,350,558
Less cost of goods sold	(4,322,211)	(4,267,852)
Amortization of mortgage discounts	778,696	878,096
Investment income, net	274,839	91,540
Forgiven mortgage income	355,564	518,037
Other income	219,204	129,914
	<u>12,668,226</u>	<u>13,257,688</u>
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	1,550,508	1,083,554
Total net assets released from restrictions	<u>1,550,508</u>	<u>1,083,554</u>
Total public support, revenues, and gains without donor restrictions, and satisfaction of program restrictions	<u>14,218,734</u>	<u>14,341,242</u>
Expenditures:		
Program services	12,217,407	11,257,837
Supporting services:		
Management and general	494,149	559,233
Fundraising	663,767	632,727
Total Expenditures	<u>13,375,323</u>	<u>12,449,797</u>
Increase in net assets without donor restrictions	<u>843,411</u>	<u>1,891,445</u>
Changes in Net Assets with Donor Restrictions:		
Contributions	453,084	1,431,179
Satisfaction of program restrictions	(1,550,508)	(1,083,554)
Rents, net of related expenses	36	265
Investment income, net of related expenses	50,347	44,063
Increase (decrease) in net assets with donor restrictions	<u>(1,047,041)</u>	<u>391,953</u>
Increase (Decrease) in Net Assets	<u>\$ (203,630)</u>	<u>\$ 2,283,398</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, 2024 and 2023

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Net Assets, June 30, 2022	\$ 19,260,803	\$ 3,971,877	\$ 23,232,680
Increase in Net Assets	<u>1,891,445</u>	<u>391,953</u>	<u>2,283,398</u>
Net Assets, June 30, 2023	<u>21,152,248</u>	<u>4,363,830</u>	<u>25,516,078</u>
Increase (Decrease) in Net Assets	<u>843,411</u>	<u>(1,047,041)</u>	<u>(203,630)</u>
Net Assets, June 30, 2024	<u><u>\$ 21,995,659</u></u>	<u><u>\$ 3,316,789</u></u>	<u><u>\$ 25,312,448</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, 2024

	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
Expenses											
Salaries and wages	\$ 117,344	\$ 382,281	\$ 285,253	\$ 41,763	\$ 1,752,198	\$ 213,790	\$ 2,792,629	\$ 308,120	\$ 402,687	\$ 710,807	\$ 3,503,436
Payroll taxes	8,956	29,171	21,676	3,280	133,112	16,307	212,502	23,430	30,573	54,003	266,505
Employee benefits	23,129	61,526	47,877	625	380,688	38,297	552,142	48,881	62,365	111,246	663,388
Construction and repair of homes	3,431,583	502,777	424	45	7,899	939,137	4,881,865	375	249	624	4,882,489
Discounts on mortgages	-	-	-	-	-	1,050,103	1,050,103	-	-	-	1,050,103
Advertising and promotion	3,205	1,202	8,367	24	100,120	2,990	115,908	225	2,215	2,440	118,348
Supplies	5,166	10,797	952	237	49,685	3,504	70,341	8,498	1,587	10,085	80,426
Other expenses	21,155	25,278	35,400	10,905	253,508	29,378	375,624	7,912	10,979	18,891	394,515
IT technical services	14,778	14,697	11,453	3,325	31,533	27,395	103,181	29,893	19,267	49,160	152,341
Mortgage servicing	-	-	35,187	-	-	-	35,187	-	-	-	35,187
Special events	2,499	1,065	2,020	50	3,710	14,954	24,298	1,521	51,588	53,109	77,407
Travel and entertainment	15,908	761	2,391	14	9,678	4,211	32,963	466	3,719	4,185	37,148
Grants to other organizations	-	-	-	-	22,654	177,950	200,604	1,000	300	1,300	201,904
Maintenance and repairs	6,080	5,254	4,111	1,193	67,469	10,632	94,739	10,728	6,915	17,643	112,382
Insurance	25,534	35,735	1,393	665	94,893	20,729	178,949	(2,089)	2,553	464	179,413
Interest expense	-	-	(69)	25,000	71,019	101,153	197,103	-	-	-	197,103
Dues and subscriptions	3,240	3,459	1,657	178	8,595	4,256	21,385	1,629	1,576	3,205	24,590
Taxes and licenses	17	312	7,070	2	281,034	17,461	305,896	18	12	30	305,926
Postage and printing	1,353	801	1,188	161	10,265	1,534	15,302	1,446	33,593	35,039	50,341
Professional fees	23,594	22,311	71,734	27,717	67,847	8,599	221,802	11,423	8,091	19,514	241,316
Rent expense	8,125	6,782	1,492	433	208,535	15,902	241,269	3,894	2,510	6,404	247,673
Staff development, training and internships	9,107	10,819	2,443	77	10,059	15,013	47,518	9,772	3,463	13,235	60,753
Utilities	11,715	6,125	4,245	859	74,683	16,142	113,769	8,630	7,481	16,111	129,880
Vehicle expense	3,070	4,966	69	20	33,222	165	41,512	180	315	495	42,007
Depreciation expense	30,540	31,792	6,972	2,024	202,811	16,677	290,816	18,197	11,729	29,926	320,742
Total Expenses	\$ 3,766,098	\$ 1,157,911	\$ 553,305	\$ 118,597	\$ 3,875,217	\$ 2,746,279	\$ 12,217,407	\$ 494,149	\$ 663,767	\$ 1,157,916	\$ 13,375,323

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
Expenses											
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
Total Expenses	\$ 3,591,719	\$ 1,065,890	\$ 485,795	\$ 78,303	\$ 3,422,611	\$ 2,613,519	\$ 11,257,837	\$ 559,233	\$ 632,727	\$ 1,191,960	\$ 12,449,797

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, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (203,630)	\$ 2,283,398
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(239,378)	(49,231)
Depreciation	320,742	274,456
Amortization of operating lease right of use assets	152,594	155,981
Non-cash interest expense	3,638	3,862
Net change in operating asset and liabilities:		
Prepaid expenses	(11,242)	(14,265)
Grants receivable	(172,460)	(94,166)
Employee Retention Credit receivable	270,044	(270,044)
Promises to give, net	(259,454)	(89,596)
Inventory	(2,020,782)	(1,816,389)
Construction in progress	(624,400)	463,671
Mortgages receivable, net	(102,953)	(344,695)
Other assets	(43,084)	(5,387)
Accounts payable and accrued expenses	238,607	(381,448)
Payroll liabilities	33,502	115,317
Homeowners' escrow payable	(7,666)	54,507
Operating lease liabilities	(151,412)	(155,271)
Net Cash Provided by (Used in) Operating Activities	<u>(2,817,334)</u>	<u>130,700</u>
Cash Flows from Investing Activities:		
Purchase of investments	(2,490,000)	(3,000,000)
Acquisition of property and equipment	(154,722)	(473,477)
Net change in investments held in endowments	11,557	(44,328)
Net Cash Used in Investing Activities	<u>(2,633,165)</u>	<u>(3,517,805)</u>
Cash Flows from Financing Activities:		
Proceeds from issuance of notes payable	1,575,000	675,930
Payments on notes payable	(649,910)	(1,187,993)
Net Cash Provided by (Used in) Financing Activities	<u>925,090</u>	<u>(512,063)</u>
Net Decrease in Cash and Cash Equivalents	(4,525,409)	(3,899,168)
Cash and Cash Equivalents, beginning of year	<u>5,631,580</u>	<u>9,530,748</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,106,171</u>	<u>\$ 5,631,580</u>
Cash as Presented on Statements of Financial Position:		
Cash and cash equivalents	\$ 90,355	\$ 3,482,989
Restricted cash	1,015,816	2,148,591
Cash and Cash Equivalents, and Restricted Cash	<u>\$ 1,106,171</u>	<u>\$ 5,631,580</u>
Supplemental disclosures:		
Right of use assets obtained in exchange for new operating lease liabilities	\$ 805,852	\$ -
Right of use assets and operating lease liabilities established upon adoption of ASC 842	\$ -	\$ 347,771
Interest expense paid	\$ 173,855	\$ 165,671

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

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.**NOTES TO FINANCIAL STATEMENTS****June 30, 2024 and 2023****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 five additional projects are planned for fiscal year 2025. The joint organization completed its first new home in December, 2023 and is working on constructing a second that is due for completion in January 2025.

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, 2024, 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, 2023, the Organization spent \$122,277 on the acquisition of land for future development and \$1,012,022 for land development.

The Organization’s activities also include 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. Under this program 56 homes were repaired during the year ended June 31, 2024, and eighty seven are planned for repair in fiscal year 2025,

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.

The Organization has a program to finance a mortgage through a third-party lending program with First Bank and HomeTrust Bank. Through this program, the banks write and hold the homeowner’s mortgage at a minimum annual rate of 2% rate while maintaining the homeowner’s maximum allowed loan payment under the Organization’s mortgage program. The Organization receives an up-front, discounted payment from the 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 this program, the Organization has continued to expand this program 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, 2024 and 2023

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 \$217,607 and \$2,720,029 as of June 30, 2024 and 2023, respectively. Operating cash balances are invested in interest bearing bank accounts. Longer-term reserves are placed in US Treasuries, money market funds and high-rated corporate bonds.

Restricted Cash

Restricted cash consists of amounts held in escrow to pay property taxes and insurance for homeowners in the amount of \$308,256 and \$314,088 for the years ended June 30, 2024 and 2023, respectively. Restricted cash also includes unspent grant funds with donor restriction in the amount of \$1,126,943 for the year ended June 30, 2023. 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 for the years ended June 30, 2024 and 2023.

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, 2024 and 2023

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.

Mortgages Receivable

All mortgage notes are receivable in monthly installments. Notes are amortized over various lives between 20 and 30 years, and the notes are secured by the residential property sold to the homeowners. 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. As a result, the Organization records and accounts for mortgage loans receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present values, interest rates are determined based on the Internal Revenue Service Index of Applicable Federal Rate Rulings for Low-Income Housing Tax Credits, and range from 7.23% to 8.53% for all loans outstanding. This rate considers the assessed current creditworthiness, historical losses, and existing economic conditions of the low income mortgage loan holders. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognizes interest income over the life of the loans. An expense is recorded upon the sale of houses for the difference between the face value of the mortgage loans receivable and the present value of the loans. The Organization has not established any additional allowance for credit losses as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible, and management believes any reclaimed house can be resold at or above the amount of unpaid, discounted loan principal plus costs to sell the home. Mortgages receivable are considered past due if a payment has not been received by the 15th of the month. A penalty or late fee of 4% of the monthly principal is assessed and the note holder is notified of the penalty by a past-due letter.

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.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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

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 projects completed at client's homes. 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. 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.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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

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

	2024	2023	Usage
ReStore inventory	\$ 4,322,211	\$ 4,267,852	ReStore
Land inventory	---	255,000	New home construction
Other services and materials	238,960	263,328	New home construction and supporting services
Total	<u>\$ 4,561,171</u>	<u>\$ 4,786,180</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 67,126 hours at a value of \$2,123,886 for the year ended June 30, 2024 and 58,414 hours at a value of \$1,857,554, for the year ended June 30, 2023, 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 \$280,985 and \$267,698 in sales tax collected and remitted for the years ended June 30, 2024 and 2023, 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 \$118,348 and \$80,765 for the years ended June 30, 2024 and 2023, respectively. The amount paid by the Organization is included in advertising and promotion and ReStore income, net of related expenses.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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

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 2023 and 2022. Currently, the statute of limitations remains open subsequent to and including tax year 2020; 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 \$20,826,509 and \$20,660,920 as of June 30, 2024 and 2023, respectively.

New Accounting Standard

In June 2016, the FASB issued guidance (FASB ASC 326) *Financial Instruments--Credit Losses* which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were grants receivable and mortgages receivable. The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered a material change to the financial statements and primarily resulted in enhanced disclosures only.

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 were completed Spring 2023. As houses were completed, these funds were 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 were secured by a lien on subject property, provide direct affordability assistance to the homebuyer. During the year ended June 30, 2024, the Organization sold 5 houses. During the year ended June 30, 2023, the Organization sold 16 houses and had \$723,719 invested in the remaining 10 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 \$0- and \$100,000 for the years ended June 30, 2024 and 2023, respectively.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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

Certain amounts in the prior year financial statements have been reclassified to conform with current year presentations. The reclassifications have no effect on the previously reported net assets or changes in net assets.

2. Subsequent Events

On September 27, 2024 Hurricane Helene, preceded by a tropical depression, came through Asheville. Torrential rain fall overnight and into the morning caused the nearby Swannanoa River to rise to 26 feet; 5 feet above the 1916 record flood level. As a result, flood waters entered the ReStore and the Administrative buildings leaving significant damage to the buildings, and a near total loss of donated and purchased inventory, vehicles, and equipment. The Organization is working with insurers and restoration experts to assess and repair the damage and to recover funds to the extent possible. The Organization is working to get their programs back online as quickly as possible. They are devoting extra resources into the Home Repair program to meet disaster repair needs in the community, including collaboration with other local agencies. New home construction is re-starting with core volunteers onsite and other volunteer resources coming back as they become available. Management has identified temporary workspace with another non-profit, as well as short-term space for the finance team with most employees working offsite. Additional warehouse space is being investigated to assist our building teams, as well as other non-profits, as a place to gather and distribute building supplies in the community. In addition to the generous support of donors, other grants, loans, and in-kind donations will be part of the strategy to recover and rebuild the Organization and its programs.

The full impact of the major disaster continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the major disaster will have on the Organizations' financial condition, liquidity, and future results of operations.

The Organization has evaluated events that have occurred after June 30, 2024 and prior to November 14, 2024 (the date of issuance) for potential recognition or disclosure in the financial statements.

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:

	2024	2023
Cash and cash equivalents	\$ 90,355	\$ 3,482,989
Grants receivable	301,626	129,166
Promises to give receivable within one year, net	381,826	122,372
Mortgages receivable within one year	1,035,214	1,014,916
Investments	6,512,445	3,794,624
Other assets	177,078	432,505
	8,498,544	8,976,572
Less: donor-restricted endowment to be retained in perpetuity	(700,855)	(683,452)
Less: other assets not available to be used within one year	(90,850)	(78,379)
	<u>7,706,839</u>	<u>8,214,741</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,706,839</u>	<u>\$ 8,214,741</u>

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

3. LIQUIDITY AND AVAILABILITY [cont'd]

Excess cash balances are invested in money market funds. The Organization maintains a line of credit (Note 13) with a bank 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. The line is for \$250,000 which has been in place since June 2020, has never been utilized, and is unsecured.

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:

	2024			
	Total	Level 1	Level 2	Level 3
Exchange traded funds:				
Fixed income equities	\$ 4,759,776	\$ 4,759,776	\$ ---	\$ ---
Cash and cash equivalents	1,018,834	1,018,834	---	---
Endowment fund	733,835	---	---	733,835
	<u>\$ 6,512,445</u>	<u>\$ 5,778,610</u>	<u>\$ ---</u>	<u>\$ 733,835</u>
	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>

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

	2024	2023
Balance, beginning of year	\$ 745,392	\$ 701,065
Contributions	36	265
Interest and dividends, net	9,322	5,690
Unrealized gains	39,217	14,800
Realized gains	7,961	28,929
Less: administrative fees	(6,153)	(5,357)
Less: distributions	(61,940)	---
	<u>\$ 733,835</u>	<u>\$ 745,392</u>

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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:

	2024	2023
Receivable in less than one year	\$ 390,515	\$ 129,025
Receivable in one to five years	---	---
Total unconditional promises to give	390,515	129,025
Less allowance for uncollectible promises receivable	(8,689)	(6,653)
Unconditional promises to give, net	\$ 381,826	\$ 122,372

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 based on current, historical, and external factors.

6. MORTGAGES RECEIVABLE, NET

The total amount of net mortgages receivable was \$20,826,509 including discounted principal payments of \$10,707,237 as of June 30, 2024 and \$20,660,920 as of June 30, 2023, including discounted principal payments of \$10,644,449. The net present value of mortgages receivable was \$10,119,424 and \$10,016,471 as of June 30, 2024 and 2023, respectively. Income from amortization of mortgage discounts was \$778,696 and \$878,096 for the years ended June 30, 2024 and 2023, respectively. Expense for the discount on new mortgages issued was \$1,050,103 and \$1,559,786 for the years ended June 30, 2024 and 2023, respectively.

The current portion of mortgages receivable was \$1,035,294 and \$1,014,916 as of June 30, 2024 and 2023, respectively.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

7. INVESTMENTS

Fair value of the Crosby Endowment Fund 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:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Endowment fund	\$ 533,354	\$ 733,835	\$ 584,128	\$ 745,392
Fixed income equities	1,018,834	1,018,976	2,786,566	2,827,226
Cash equivalents	4,759,776	4,759,634	222,006	222,006
	<u>\$ 6,311,964</u>	<u>\$ 6,512,445</u>	<u>\$ 3,592,700</u>	<u>\$ 3,794,624</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:

	2024	2023
Interest and dividend income	\$ 301,813	\$ 78,641
Realized gains	44,788	28,929
Unrealized gains/(loss)	13,324	40,552
Less: investment fees	(34,739)	(12,519)
	<u>\$ 325,186</u>	<u>\$ 135,603</u>

8. INVENTORY

The Organization operates two used furniture, household goods, 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 \$306,246 and \$270,700 as of June 30, 2024 and 2023, respectively. Inventory also included developed and undeveloped lots held for future homes. The cost of acquiring and developing the lots was \$7,474,898 and \$5,489,662 which does not exceed net realizable value, as of June 30, 2024 and 2023, 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 thirty one (31) homes under construction at a cost of \$1,348,119 as of June 30, 2024 and ten homes under construction and four homes bought for resale at a cost of \$723,719 as of June 30, 2023.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

10. PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Land	\$ 4,059,733	\$ 4,059,733
Buildings	6,932,398	6,886,535
Store equipment	114,230	170,718
Office equipment	583,313	583,313
Deconstruction equipment	---	1,480
Jobsite equipment	165,253	156,753
Vehicles	573,199	499,898
	<u>12,428,126</u>	<u>12,358,430</u>
Less: accumulated depreciation	<u>(3,984,022)</u>	<u>(3,748,307)</u>
Property and equipment, net	<u>\$ 8,444,104</u>	<u>\$ 8,610,123</u>

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

	<u>2024</u>	<u>2023</u>
ReStore operations	\$ 208,811	\$ 172,881
Other depreciation	111,931	101,575
Total depreciation expense	<u>\$ 320,742</u>	<u>\$ 274,456</u>

11. OTHER ASSETS

Other assets consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Refundable deposits and escrows	\$ 75,284	\$ 56,487
Cash surrender value of life insurance	80,100	65,829
Other receivables	21,694	11,678
Total other assets	<u>\$ 177,078</u>	<u>\$ 133,994</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 \$297,206 and \$304,872 as of June 30, 2024 and 2023, respectively.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

13. NOTES PAYABLE

Notes payable are summarized as follows as of June 30:

	2024	2023
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 \$6,018,531 as of June 30, 2024.	\$ 4,176,207	\$ 4,356,803
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.	274,306	314,473
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.	480,163	554,676
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.	406,840	425,839
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.	238,668	250,668
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 6/30/2024, secured by homeowners' property.	2,835,660	2,354,960
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.	360,579	376,096

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

13. NOTES PAYABLE [cont'd]

	<u>2024</u>	<u>2023</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.	\$ 146,300	\$ 152,600
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.	4,722	5,522
Unsecured note payable to Habitat Mortgage Solutions due September 13 th 2024 with an annual interest rate of 3.75%. Interest is payable monthly and the loan has two optional one year renewals. The Organization exercised the first such option during the year ended June 30, 2024.	1,000,000	---
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 was secured by the Organization's New Heights Phase I property and improvements. This note required principal pay downs as finished lots and homes were sold. The note was paid in full during the year ended June 30, 2024.	---	83,841
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.	---	115,930
	9,923,445	8,416,917
Less: debt issuance costs – net of amortization	<u>(23,404)</u>	<u>(19,765)</u>
Total notes payable	<u>\$ 8,971,313</u>	<u>\$ 8,397,152</u>

Prime interest rate was 8.50% and 8.25% as of June 30, 2024 and 2023, respectively.

In the notes payable above with an interest rate of 0%, the Organization is considered an agent between the mortgage holder and the lender as such imputing interest is not considered necessary. In the event of default, historically, the loans have been transferred to new qualified mortgage holders.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

13. NOTES PAYABLE *[cont'd]*

Maturities of notes payable are as follows:

Year ending June 30:		
2025	\$	504,209
2026		510,405
2027		1,516,806
2028		523,417
2029		530,303
Thereafter		<u>6,338,305</u>
Total	\$	<u>9,923,445</u>

The notes payable to First Bank, contain various covenants. For the years ended June 30, 2024 and 2023, no violations of debt covenants were noted.

The note payable to Habitat Mortgage Solutions also contains various covenants, one covenant requires the Organization to build seventeen (17) new homes annually. The Organization was not in compliance with this requirement for the year ended June 30, 2024. Breach of any debt covenants can be an event of default and provide the lender right for any actions or remedies it deems reasonable under the terms of the agreement, including demand for payment. A waiver for the event of default was granted by Habitat Mortgage Solutions for the year ended June 30 2024.

14. LINE OF CREDIT

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, 2024, there was no outstanding balance on the line.

15. RESTRICTED NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Building of homes and restricted by time	\$ 515,934	\$ 493,119
Endowment fund - property	2,100,000	2,100,000
Endowment fund - investments	700,855	683,452
American Rescue Plan Act	---	<u>1,087,259</u>
Total net assets with donor restrictions	<u>\$ 3,316,789</u>	<u>\$ 4,363,830</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, 2024 and 2023

15. RESTRICTED NET ASSETS WITH DONOR RESTRICTIONS *[cont'd]*

The endowment fund had income net of expenses, in the amount of \$50,383 and \$44,328 for the years ended June 30, 2024 and 2023, 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. Both awards were expended as of June 30, 2024

16. NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Building of homes and restricted by time	\$ 1,550,508	\$ 1,083,554
Total net assets released from restrictions	<u>\$ 1,550,508</u>	<u>\$ 1,083,554</u>

17. OPERATING LEASES

The Organization leases retail space, a truck copiers, 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:

	<u>2024</u>	<u>2023</u>
Lease Expense		
Operating lease expense	\$ 169,819	\$ 163,548
Other Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 168,635	\$ 162,724
Right of use operating lease assets obtained in exchange for new operating lease liabilities	\$ 805,852	\$ ---
Right of use operating lease assets established upon adoption of ASU 842	\$ ---	\$ 347,771
Weighted-average remaining lease term in years for operating leases	5.15 years	1.22 years
Weighted-average discount rate for operating leases	4.25%	2.83%

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

17. OPERATING LEASES *[cont'd]*

Maturities of operating leases are as follows:

Maturity Analysis	
2025	\$ 182,215
2026	183,030
2027	181,274
2028	180,065
2029	172,204
Thereafter	<u>43,264</u>
Total undiscounted cash flows	942,052
Less: present value discount	<u>(95,112)</u>
Total operating lease liabilities	<u>\$ 846,940</u>

Rent expense, which includes short term leases, was \$247,674 and \$ 231,829 for the years ended June 30, 2024 and 2023, respectively.

18. EMPLOYEE RETENTION CREDIT

The Organization was 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 ERC receivable balance was received during the year ended June 30, 2024.

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, 2024 were \$367,151, which consisted of \$137,726 from the Organization and \$229,425 from employees. 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. The amount paid by the Organization is included in employee benefits.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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 \$3,528,265 and \$3,859,830 as of June 30, 2024 and 2023, respectively. There are some mortgages where the second mortgage is forgiven only after 30 years. The value of these mortgages is \$2,301,801 and \$1,544,045 as of June 30, 2024 and 2023, respectively. There are some mortgages where the second mortgage is never forgiven and is due only upon the sale of the home and satisfaction of other liens. The value of these mortgages is \$1,040,967 and \$440,453 as of June 30, 2024 and 2023, 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.

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 the year ended June 30, 2023. Overall board contributions made up approximately 4% of total contributions for the years ended June 30, 2024 and 2023.

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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, 2024 and 2023 were \$4,213,051 and \$3,049,231, 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 \$595,258 and \$620,873 as of the years ended June 30, 2024 and 2023, respectively. The total principal payments received in the years ended June 30, 2024 and 2023 for these six mortgages were \$25,615 and \$23,711, 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.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

22. RELATED PARTY TRANSACTIONS *[cont'd]*

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, 2024, 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 November 14, 2024.

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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

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*.

Asheville Area Habitat for Humanity, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Asheville Area Habitat for Humanity, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Asheville Area Habitat for Humanity, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

DMQPS PLLC

Certified Public Accountants
Asheville, North Carolina

November 14, 2024



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

To the 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 identified as a subject to audit 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, 2024. 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, 2024.

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 Auditors' 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

November 14, 2024

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs

Material weakness(es) identified? Yes No

Significant 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 No

Programs tested as major were:
 Covid 19 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, 2024

Section II Financial Statement Findings

2024-001

SIGNIFICANT DEFICIENCY

Financial Statement Corrections of Errors

Criteria: Asheville Area Habitat for Humanity, Inc. uses the generally accepted accounting principles (GAAP) basis of accounting in order to comply with various grant compliance requirements.

Condition: Contribution and grant revenue in the amount of \$396,915 was not recorded as receivable.

Effect: Asheville Area Habitat for Humanity, Inc. has the risk of financial statements being materially misstated.

Cause: The Organization has historically used the cash basis of accounting for internal reporting purposes and due to time restrictions, did not review subsequent receipts for proper revenue cutoff and did not work across departments to ensure all revenue was captured in the correct year.

Recommendation: As a part of the audit for the current year adjusting journal entries needed to be recorded for contribution and grant revenue in accordance with GAAP. We recommend that the Organization develop internal controls to ensure accurate recording of grants, contributions, and pledges and any other transactions on the accrual basis to be in accordance with GAAP.

Views of responsible officials and planned corrective actions: Management of Asheville Area Habitat for Humanity concurs with the recommendation, and since the date of the exit conference, Management of Asheville Area Habitat for Humanity have developed the following procedures to address the deficiency which will be reviewed with the Organization's Finance Committee:

Internal controls to ensure accurate recording of grant revenue in accordance with GAAP:

1. Review fiscal year 2024 audit findings and noted deficiency with Fund Development Department
2. Codify procedure for recording cross-period (June/July) public funding draw revenue (below)
3. Review July/August cash receipts with Fund Development Department each week after June 30
4. Develop reporting system with Fund Development for new memorandum of understandings (MOUs). At period-end, review budgeted/committed donations (MOU's) and match to cash reports
5. Review legal and other notices of pending donations and payments. Finance Department must be notified in writing of legal bequests.

Procedure for posting post June – Public Funding Draw Receivables:

Accounting Specialist reviews Home Repair jobs progress tracking report to identify projects completed in past Fiscal Year End and to review projects that cross the year-end into the next Fiscal year.

If a project is completed in the prior fiscal year and the a draw filed in new fiscal year, total prior fiscal year costs are posted to asset account "Grants Receivable" at the end of prior fiscal year with an offset to "City/State" Revenue income account. When draw requested amount is received, Cash is debited and "Grants Receivable" is credited.

Section III Federal Award Findings

None noted.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

CORRECTIVE ACTION PLAN

June 30, 2024

Section II Financial Statement Findings

Finding: 2024-001

Name of contact person: Robert Dalman, Finance Director

Corrective Action: Management of Asheville Area Habitat for Humanity have developed the following procedures to address the deficiency which will be reviewed with the Organization’s Finance Committee:

Internal controls to ensure accurate recording of grant revenue in accordance with GAAP:

1. Review fiscal year 2024 audit findings and noted deficiency with Fund Development Department
2. Codify procedure for recording cross-period (June/July) public funding draw revenue (below)
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4. Develop reporting system with Fund Development for new memorandum of understandings (MOUs). At period-end, review budgeted/committed donations (MOU’s) and match to cash reports
5. Review legal and other notices of pending donations and payments. Finance Department must be notified in writing of legal bequests.

Procedure for posting post June – Public Funding Draw Receivables:

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If a project is completed in the prior fiscal year and the a draw filed in new fiscal year, total prior fiscal year costs are posted to asset account “Grants Receivable” at the end of prior fiscal year with an offset to “City/State” Revenue income account. When draw requested amount is received, Cash is debited and “Grants Receivable” is credited.

Proposed Completion Date: Immediately.

Section III Federal Award Findings

None noted.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2024

None noted.

ASHEVILLE AREA HABITAT FOR HUMANITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

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
Federal Awards:				
<u>United States Department of Treasury</u>				
Passed - through Buncombe County:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		SLT-1326	\$ 1,087,080
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		SLFRP0314	131,514
Passed -through the City of Asheville:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		SLFRP0430	<u>200,000</u>
Total United States Department of Treasury				<u>1,418,594</u>
<u>United States Department of Housing and Urban Development</u>				
Passed - through the City of Asheville:				
Community Development Block Grant	14.218		B-22-MC-37-001	<u>128,000</u>
Total United States Department of Housing and Urban Development				<u>128,000</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,546,594</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, 2024. 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.