Audit Report
For the Years Ended
June 30, 2023 and 2022

Brookings Area

Habitat for Humanity®

Kinner & Company Ltd
Certified Public Accountants
Taxes, QuickBooks & Investments

BROOKINGS AREA HABITAT FOR HUMANITY
TABLE OF CONTENTS
JUNE 30, 2023

Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brookings Area Habitat for Humanity

Qualified Opinion

We have audited the accompanying financial statements of Brookings Area Habitat for Humanity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the qualification described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Brookings Area Habitat for Humanity as of June 30, 2023 and 2022, 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 Qualified Opinion

As more fully described in Note 8 to the financial statements, the Organization is not consistently recording donated inventory. Accounting principles generally accepted in the United States of America require that donated inventory be recorded at its fair value at the date of receipt. The effects on the accompanying financial statements of the failure to evaluate the value of donated inventory have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brookings Area Habitat for Humanity 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 qualified audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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, 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 Brookings Area Habitat for Humanity'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 Brookings Area Habitat for Humanity'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.

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota
October 26, 2023

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS	2023	2022
Current Assets		
Cash and Cash Equivalents	$ 254,983	$ 178,317
Accounts Receivable - ABWK	7,937	1,658
Land Held for Resale	-	22,551
Prepaid Insurance	15,320	-
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	159,469	145,389
Total Current Assets	**437,708**	**347,915**
Fixed Assets		
Land	142,749	142,749
Equipment	97,061	97,061
Buildings	323,939	323,939
Accumulated Depreciation	(219,330)	(198,841)
Total Fixed Assets	**344,419**	**364,908**
Other Assets		
Non-Interest Bearing Mortgage Loans Receivable	2,689,042	2,510,702
Less: Unamortized Discount	(1,231,387)	(1,102,246)
Less: Current Portion	(159,469)	(145,389)
Endowment Fund	121,276	113,273
Houses under Construction	741,673	499,507
Land Held for Development	1,220,768	1,405,466
Total Other Assets	**3,381,903**	**3,281,313**
Total Assets	**$ 4,164,030**	**$ 3,994,136**
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accrued Liabilities	$ 15,660	$ 21,995
SD Habitats Due - LFF NRI Agency	40,154	7,174
Accrued Vacation Payable	29,741	26,685
Current Portion of Long-Term Debt	27,579	27,476
Total Current Liabilities	113,134	83,331
Long-Term Liabilities		
Notes Payable	355,421	393,254
Less: Unamortized Discount	(63,022)	(72,355)
Less: Current Portion	(27,579)	(27,476)
Total Long-Term Liabilities	264,820	293,423
Total Liabilities	377,954	376,754
Net Assets		
Without Donor Restrictions	3,624,646	3,504,110
With Donor Restrictions	161,430	113,273
Total Net Assets	3,786,076	3,617,383
Total Liabilities and Net Assets	**$ 4,164,030**	**$ 3,994,136**

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Support, Program, and Other Revenue	**Without Donor Restrictions**	**With Donor Restrictions**	**2023**	**Without Donor Restrictions**	**With Donor Restrictions**	**2022**
Support						
Contributions	$ 87,161	$ 39,901	$ 127,063	$ 137,986	$ 88,542	$ 226,528
Grants	85,000	336,540	421,540	-	276,953	276,953
Net Assets Released from Restrictions	336,288	(336,288)	-	1,369,556	(1,369,556)	-
Total Support	508,449	40,154	548,603	1,507,542	(1,004,061)	503,481
Program Revenue						
Transfers to Homeowners	260,024	-	260,024	238,199	-	238,199
Mortgage Loan Discount Amortization	67,506	-	67,506	63,375	-	63,375
Loan Payable Discount Received	-	-	-	63,226	-	63,226
Discount Amortization Accelerated on Mortgage Payoff	65,098	-	65,098	79,146	-	79,146
ReStore Sales	221,720	-	221,720	224,619	-	224,619
Total Program Revenue	614,348	-	614,348	668,565	-	668,565
Other Revenue						
Acquisition of Oahe Habitat	293,451	-	293,451	-	-	-
Payroll Tax Credits	48,480		48,480	-	-	-
Gain/Loss on Investment	-	8,003	8,003	-	(11,099)	(11,099)
Special Events - Fundraising	65,281	-	65,281	45,605	-	45,605
Rental Income	-	-	-	440	-	440
Miscellaneous	3,842	-	3,842	235	-	235
Interest Earnings	6,366	-	6,366	357	-	357
Total Other Revenue	417,420	8,003	425,423	46,637	(11,099)	35,538
Total Support, Program, and Other Revenue	1,540,217	48,157	1,588,374	2,222,744	(1,015,160)	1,207,584
Expenditures						
Program Services	1,166,562	-	1,166,562	1,122,212	-	1,122,212
Fundraising	30,693	-	30,693	31,593	-	31,593
General and Administration	222,425	-	222,425	106,933	-	106,933
Total Expenditures	1,419,680	-	1,419,680	1,260,738	-	1,260,738
Change in net assets	120,537	48,157	168,693	962,006	(1,015,160)	(53,154)
Net Assets - Beginning of Year	3,504,110	113,273	3,617,383	2,542,103	1,128,433	3,670,536
Net Assets - End of Year	$ 3,624,646	$ 161,430	$ 3,786,077	$ 3,504,110	$ 113,273	$ 3,617,383

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Total Fundraising	
	Homes	ReStore	Total Program Expense	Fundraising	General and Administration	and General and Administration	Total Expenses
Bank Charges	$ 1,613	$ 3,342	$ 4,954	$ -	$ 20	$ 20	$ 4,974
Training	5,718	1,769	7,488	-	764	764	8,252
Insurance	32,191	9,413	41,603	-	3,212	3,212	44,816
Advertising	3,548	13,004	16,551	-	4	4	16,556
Construction Supply	6,135	-	6,135	-	-	-	6,135
Home Costs	432,517	-	432,517	-	-	-	432,517
Purchase for Resale	-	4,504	4,504	-	-	-	4,504
Depreciation	14,752	4,098	18,850	-	1,639	1,639	20,489
Dues and Membership	6,886	1,594	8,480	-	572	572	9,052
Professional Fees	6,910	2,995	9,904	-	33,211	33,211	43,116
Office Supply	20,232	4,563	24,795	-	4,269	4,269	29,064
Postage	5,718	1,607	7,325	-	816	816	8,141
Repair and Maintenance	6,502	6,592	13,095	-	854	854	13,949
Telephone	2,367	1,716	4,083	-	699	699	4,782
Fuel	6,868	2,086	8,954	-	351	351	9,305
Utilities	4,262	12,725	16,987	-	928	928	17,915
Tithe	-	-	-	-	18,119	18,119	18,119
Wages and Taxes	370,581	140,586	511,167	-	95,052	95,052	606,219
Property Taxes	4,909	731	5,640	-	-	-	5,640
Miscellaneous	12,956	6,625	19,581	-	52,238	52,238	71,820
Interest	3,089	858	3,947	-	9,676	9,676	13,624
Fundraising Expenditures		-	-	30,693	-	30,693	30,693
Total	$ 947,753	$ 218,809	$ 1,166,562	$ 30,693	$ 222,425	$ 253,118	$ 1,419,680

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services					Total Fundraising	
	Homes	ReStore	Total Program Expense	Fundraising	General and Administration	and General and Administration	Total Expenses
Bank Charges	$ 1,798	$ 3,903	$ 5,702	$ -	$ 11	$ 11	$ 5,713
Training	7,442	1,851	9,294	-	613	613	9,907
Insurance	35,134	10,461	45,595	-	3,428	3,428	49,023
Advertising	1,472	30,056	31,528	-	119	119	31,647
Construction Supply	4,918	-	4,918	-	-	-	4,918
Home Costs	434,205	-	434,205	-		-	434,205
Purchase for Resale	-	1,621	1,621	-	-	-	1,621
Depreciation	16,400	4,556	20,956	-	1,822	1,822	22,778
Dues and Membership	6,074	1,591	7,665	-	579	579	8,244
Professional Fees	9,992	2,805	12,797	-	860	860	13,657
Office Supply	15,355	4,518	19,873	-	2,839	2,839	22,711
Postage	6,342	1,518	7,860	-	895	895	8,755
Repair and Maintenance	31,322	40,699	72,021	-	339	339	72,359
Telephone	2,933	1,623	4,557	-	619	619	5,176
Fuel	1,926	1,256	3,181	-	72	72	3,254
Utilities	3,550	11,597	15,146	-	816	816	15,962
Tithe	-		-	-	3,088	3,088	3,088
Wages and Taxes	292,851	120,753	413,604	-	83,157	83,157	496,761
Property Taxes	1,574	-	1,574	-			1,574
Miscellaneous	5,304	196	5,501	-	4,666	4,666	10,167
Interest	2,954	1,660	4,614	-	3,012	3,012	7,625
Fundraising Expenditures		-	-	31,593	-	31,593	31,593
Total	$ 881,547	$ 240,665	$ 1,122,212	$ 31,593	$ 106,933	$ 138,526	$ 1,260,738

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operations		
Change in net assets	$ 168,693	$ (53,154)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,489	22,778
Change in assets and liabilities:		
(Increase) decrease in houses under construction	(242,166)	(45,644)
(Increase) decrease in land held for development	207,250	(683,860)
(Increase) decrease in other receivables	(6,279)	2,721
(Increase) decrease in prepaids	(15,320)	-
Increase (decrease) in accrued liabilities	29,700	7,313
Total adjustments	(6,326)	(696,692)
Net Cash Provided by Operations	162,368	(749,846)
Cash Flows From Investing Activities		
New mortgages issued, net of discounts	(369,908)	(354,578)
Proceeds from mortgage payments-net of discounts	320,710	332,200
Cash Used by Investing Activities	(49,198)	(22,378)
Cash Flows From Financing Activities		
Payments on notes payable	(28,500)	33,189
Proceeds from Endowment	(8,003)	13,693
Cash Used by Financing Activities	(36,503)	46,882
Net (decrease) increase in cash	76,667	(725,341)
Cash at beginning of year	178,317	903,658
Cash at end of year	$ 254,984	$ 178,317

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 4,291	$ 4,302
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES		
Interest expense on non-interest bearing loans	9,333	3,323

See the notes to the financial statements

BROOKINGS AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies

A. Nature of Organization

The Brookings Area Habitat for Humanity was organized to work with God, people everywhere, from all walks of life, to develop communities with God's people in need by building and renovating houses so that there are decent houses in decent communities in which God's people can live and grow into all that God intended.

Habitat for Humanity owns and operates the Habitat for Humanity ReStore (ReStore), which accepts donations of new and used construction and home renovation products. While some donations are used in the construction of Habitat homes, the majority of the donations are sold to the public. ReStore profits support the administrative and operating expenses of Habitat. Restore revenues were approximately 14% and 19% of total revenues, respectively, for the years ended June 30, 2023 and 2022.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

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

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Nonoperating activities include all noncash activities related to discounting mortgages receivable, debt and contributions for capital purposes.

C. Cash and Cash Equivalents

The Organization recognizes as cash, currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit which do not have penalties or terms with them which effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

The Organization recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

D. Accounts Receivable

Accounts Receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible accounts receivable to operations when determined to be uncollectible. The balance of accounts receivable has been determined to be collectible. Therefore, no allowance has been recorded.

E. Land Held for Resale

Land costs are included in property development costs and are stated at the lower of cost or the fair value. Also, included in land costs are any costs incurred in development. When homes are sold, the corresponding costs are then added to the construction cost of the home.

F. Mortgage Loans Receivable

Mortgages receivable are secured by deeds of trust on the real estate sold. Payments are due monthly. When a loan becomes 60 days past due, the homeowner is required to attend classes on budgeting and is required to fulfill a payment plan to become current on the mortgage. Federal regulations require foreclosure procedures to begin on day 121 past due.

Unearned revenue on second mortgage loans represents the discounted value of noninterest bearing second mortgage loans obtained on Organization loans. The homeowner is required to sign a second mortgage for the difference between the greater of the estimated fair market value of the home or its cost, and the first mortgage balance as of the transfer date. The scheduled payment on the second mortgage loan is forgiven by the Organization each time a payment is received on the first mortgage, beginning five years after the initial transfer to the homeowner. The Organization does not foresee collection of the second mortgage loans except in the event of sale or refinancing of the home by the owner.

G. Fixed Assets

All acquisitions and improvements of fixed assets in excess of $5,000 are capitalized while all expenditures for repairs and maintenance and repairs that do not materially prolong the useful lives of assets are expensed. Items sold, retired, or otherwise disposed of are removed from the assets and accumulated depreciation accounts and any gains or losses are reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

H. Non-Interest-Bearing Mortgage Loans Receivable

Habitat records and accounts for non-interest-bearing loans using the discounted cash flow method based on Habitat's current incremental borrowing rates for similar types of borrowing arrangements. These rates vary from 5.0% to 8.1% based upon the prevailing market rate at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. The discounted carrying amount of these loans approximates their fair value. The mortgages are secured by the real estate and due in monthly installments over the life of the mortgages, which range from 20 to 30 years. Two notes are issued to every homeowner, one being the amount the board has set (the first note), the other being the difference between the amount of the first note and the appraised value of the home. After a period of time designated in the mortgage, the second note, which is not recorded by Habitat, is forgiven, annually, at a prorated amount designated in the mortgage such that before or at the maturity date of the first note, the second note would be forgiven in full. Habitat's policy is to work closely with homeowners to avoid defaulted mortgages.

Habitat has not recorded an allowance for uncollectible mortgages because it can reclaim houses through foreclosure. Though some of these mortgages may be foreclosed, Habitat believes the losses on foreclosure, if any, are immaterial in relation to these financial statements.

I. Endowment Fund

Realized and unrealized gains and losses on marketable securities are determined by using specific identification. Investment income and net increase (decrease) on investments of donor - restricted endowments are reported as follows:

- As increases in net assets with donor restrictions if the terms of the gift or relevant state law require that they be added back to the principal of the contributions with donor restrictions held in perpetuity.
- As decreases in net assets with donor restrictions when there are losses that reduce the fair value of the assets of endowment funds below the required level and as increases in net assets with donor restrictions when there are gains that restore the fair value of the assets of endowment funds to the required level.
- As increases (decreases) in net assets with donor restrictions, in all other cases.

J. Houses under Construction

Houses under construction include costs associated with the construction and land used in construction of homes. Transfer to homeowner is recognized when the home is complete, and risk of ownership has transferred to the new homeowner.

K. Land Held for Development

Land held for development consists primarily of residential building lots on which the low-income houses are built. Cost of land is allocated to houses sold based on the average cost of total lots per tract purchased. Each tract of land is generally expected to be used within two years.

L. Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Gifts of cash and other assets are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or restricted as to time.

Certain grants and contracts from foundations and governmental entities are included in deferred revenue due to stipulations within the agreements that contain right of return of funds and barriers (as defined by ASU 2018-08) that make these contributions conditional. These funds are recognized as eligible costs are incurred.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

M. Grants

Grants and bequests, primarily from state and local housing authorities or private foundations, may require the fulfillment of certain conditions as set forth in the grant or bequest notification/instrument. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although such a circumstance is a possibility, management deems the contingency remote because the Organization has historically complied with donor provisions. By accepting the gifts and their terms, the Organization has demonstrated its intent and its policy to accommodate the provisions of the gifts and to coordinate them with the objectives of the Organization.

N. Restore Sales

The Organization operates the Habitat for Humanity ReStore (“ReStore”) in Brookings, South Dakota, a retail operation, where home furnishings, appliances, and other miscellaneous items are donated and then sold to the community at a greatly reduced price. Additionally, the Organization occasionally purchases inventory items for sale at ReStore. ReStore sales are recognized as revenue at the time the merchandise is transferred to the customer. Sales returns have not been significant.

O. Contributed Services

Numerous volunteers donate their time to the Organization’s program services and fundraising activities during the year. These services are not reflected in the financial statements since these services do not require specialized skills.

P. Transfers to Homeowners

Transfer to homeowners is recorded at the first note mortgage amount. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages, as provided by Habitat International. Utilizing the effective interest method, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Q. Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2023 and 2022 were $16,556 and $31,647, respectively.

R. Income Taxes

The Organization is a not-for-profit organization, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code. In addition, the Organization has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been reflected in the financial statements.

S. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include those assumed in computing discounts on mortgages receivable and depreciation expense (based on the estimated useful lives of the underlying assets). It is at least reasonably possible that the significant estimate will change within the next year.

T. Program Services

The Organization provides four program services. The Homes program is the construction of affordable housing that is sold to eligible families in the Brookings County, SD area. The Restore program is a retail sales facility for donated building materials. The A Brush With Kindness (ABWK) is for the repair and painting of the exterior of home owner occupied homes that qualify with low income, elderly, or disabled, this is available in the Brookings and Lake Counties, SD areas. Deconstruction program utilizes volunteers to harvest used construction products by deconstructing buildings/structures either whole or partial; building goods, furnaces, appliances, etc. which are then sold at the Restore.

U. Subsequent Events

Subsequent events were evaluated through October 26, 2023, which is the date the financial statements were available to be issued.

Note 2 – Non-Interest-Bearing Mortgage Loans Receivable

An Organization-developed home is considered sold when a formal closing transaction has been finalized. Homes are priced at fair market value based on an appraisal of the property. Contract periods span 20 to 30 years, and monthly payment are no greater than 30% of the family's income at the time of sale. At June 30, 2023 and 2022 the Organization had 42 and 40 mortgages outstanding, respectively.

When the first mortgage on each home is less than the market value, the Organization also provides a second mortgage for the difference between the first mortgage and the market value. The second mortgage, which is forgiven at the end of the first mortgage term, is assumed to have no economic value and, according, is not recognized in the Organization's financial statements unless such mortgage becomes collectible in accordance with the terms of the mortgage agreement.

The Organization's portfolio of mortgages receivable outstanding consists of no-interest first mortgages provided on homes that the Organization developed and sold to homebuyers. At June 30, the composition of mortgages receivable held is as follows:

	2023	2022
Mortgages Receivable Held	$ 2,689,042	$ 2,510,702
Less: Unamortized Discount	(1,231,387)	(1,102,246)
Total	$ 1,457,655	$ 1,408,456

The mortgages receivable has been discounted in order to reflect their economic value. The interest rates used to determine the discount range from 5.0% to 8.1% based on prevailing market rates in the year the mortgage originated. These original discounts and related amortization are reflected as nonoperating activity in the statement of activities.

Maturities of non-interest-bearing mortgage loans receivable as of June 30, 2023 are as follows:

Years Ending June 30	
2024	159,469
2025	159,469
2026	158,994
2027	158,485
2028 and thereafter	2,052,625
	$ 2,689,042
Less Unamortized Discount	(1,231,387)
	$ 1,457,655

Of the balance of $2,689,042, $97,825 is a mortgage payable to South Dakota housing authority that Brookings Area Habitat for Humanity acts as the loan servicing organization. The payments on these mortgages are received by the Organization; therefore, the loans are included in the Mortgages Receivable and the corresponding amounts due to the South Dakota Housing Development Authority and Habitat International are shown in Note 4, Notes Payable.

Note 3 – Related Party Transactions

The Organization annually remits a portion of its contributions to Habitat International. Habitat International uses the funds to construct homes in economically depressed areas around the world. During the years ended June 30, 2023 and 2022 the Organization contributed $18,119 and $3,088 respectively, to Habitat International, reported as Tithe on the statement of functional expenses.

Note 4 – Notes Payable

Notes payable on June 30, 2023 and 2022 consists of the following:

	2023	2021
Habitat for Humanity International For the remodeling to the Restore. Monthly payments due of $833 with an interest rate of zero (discount is based on imputed interest rate of 4.50%). Secured by real estate. Matures November 2027.	$ 29,959	$ 49,959
South Dakota Housing Development Authority Quarterly payments due of $1,998 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures May 2033.	7,990	9,987
South Dakota Housing Development Authority Monthly payments due of $280 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures August 2026.	10,117	13,473
South Dakota Housing Development Authority Monthly payments due of $203 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures March 2032.	21,087	23,521
US. Small Business Administration, EIDL loan Monthly payments due of $641 with an interest rate of 2.75%. First payment will begin on May 2021. Matures in May 2060.	142,372	146,414
South Dakota Housing Development Authority Annual payments due of $3,388 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures September 2046.	81,312	84,700

South Dakota Housing Development Authority Monthly payments due of $218 with an interest rate of zero (discount is based on imputed interest rate of 3.50%). Secured by a mortgage receivable. Matures January 2047.	62,584	65,200
	$ 355,421	$ 393,254

Maturities of notes payable consist of the following:

Years Ending June 30	
2024	$ 27,579
2025	27,685
2026	27,793
2027	14,596
2028	12,552
Thereafter	245,216
Total	$ 355,421

Note 5 – Accumulated Paid Time Off

Employees are eligible to take paid PTO days in accordance with the PTO eligibility schedule below. PTO days accrue each month, and employees are credited with the full amount of time earned for the year on the anniversary of their hire date.

New hires who begin employment during the year will accrue their days each month. Regardless of the day of the month you are being employment you will receive full credit for the month. Partial days will be rounded up to the next half day.

Changes in accrual rates will begin the first day of the month following the employee's anniversary date, based on length of service.

Paid Time Off Eligibility Schedule:

After 60 days to one year	10 days per year (80 Hours)
1 – 5 Years	15 days per year (120 hours)
5 – 10 Years	20 days per year (160 hours)
10+ years	25 days per year (200 hours)

Annual PTO must be taken with eighteen (18) calendar months following the date of eligibility anniversary of first day worked. At no time can an employee accumulate time that exceeds their annual eligibility.

As of June 30, 2023, and 2022, liabilities of $29,741 and $26,685 existed for accumulated unpaid leave balances calculated at the employees' June 30, 2023 and 2022 pay rates.

Note 6 – Concentration of Risk

The Organization holds cash balances at four financial institutions: three in Brookings, South Dakota and the other in Sioux Falls, South Dakota. Accounts held at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to $250,000. The organization has not experienced any loss in such accounts. As of June 30, 2023, and 2022 the cash balance that exceeded FDIC limits were $0 and $0.

The Organization relies on contributions from local organizations, grants, businesses, and individuals for a major portion of their revenue. If these contributions were to decrease, it would severely limit the activities of the Organization.

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of mortgages receivable due from homeowners. Although the Organization does not currently foresee a credit risk associated with the amounts due, repayment of the amounts is dependent upon the financial stability of the obligors and upon the overall local real estate market in Brookings, South Dakota.

Note 7 – Risk Management

The Organization is exposed to various risks of loss related to torts; theft of damage to and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the organization managed its risks as follows:

Liability Insurance – The Organization purchases liability insurance for risks related to torts, theft and damage to vehicles and property.

Workmen's Compensation – The Organization purchases liability insurance for workmen's compensation from a commercial carrier.

Unemployment Benefits – The Organization provides coverage for unemployment benefits who have filed a claim by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 8 – Generally Accepted Accounting Principles Departure

The Organization does not record inventory for purchases or donations of items for the ReStore. The Organization is following Habitat for Humanity International policies and procedures.

However, amounts of inventory material to the financial statements may exist as of June 30, 2023 and 2022.

Note 9 – Methods used for Allocation of Expenses among Program and Supporting Services

Program services, management and general, and fundraising expenses have been recorded in the statements of activities and on the statements of functional expenses based on both a direct costing method for those expenses directly attributable to a particular program or on an allocation based on the salary percentage for each program to total salaries for joint costs attributable to all functions. The Organization's management allocated general and administrative expenses based upon management's best estimates.

Note 10 – Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have variations during the year attributable to the timing of houses being built and funding received. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of lender-imposed restrictions or internal designations. Amounts not available include assets set aside for long-term investing in operating reserves that could be drawn upon if the governing board approves that action.

	2023	2022
Cash and Cash Equivalents	$ 254,983	$ 178,317
Accounts Receivable - ABWK	7,937	1,658
Current Portion – Loan Receivables	159,469	145,389
Total financial assets	422,388	325,364
Financial assets available to meet cash needs for general expenditures within one year	$ 422,388	$ 325,364

Note 11 – Net Asset Classifications

Net assets without donor restrictions were as follows for the year ended June 30:

	2023	2022
Undesignated funds	$ 3,618,292	$ 3,504,110

Net assets with donor restrictions were as follows for the year ended June 30:

	2023	2022
Balance beginning of the year	$ 113,273	$ 1,128,433
Specific purpose	376,441	365,495
Perpetual trust endowment	8,003	(11,099)
Release from restriction	(336,287)	(1,369,556)
Balance end of the year	$ 161,430	$ 113,273

Note 12 – Acquisition of Oahe Habitat

During the year ended June 30, 2023, the Organization expanded its mission area to include the central South Dakota counties of Stanley, Sully and Hughes, which were previously covered by Oahe Habitat for Humanity, Inc. On March 31, 2023, the Oahe Habitat for Humanity dissolved and 100% of its assets were transferred to the Brookings Area Habitat for Humanity, Inc, with no consideration given in return.

Recognized amounts of identifiable assets received:

	2023
Cash	$ 202,546
Gross Mortgages	175,650
Discounts to non-interest-bearing notes	(84,745)
Total	$ 293,451