



**Mid-Coast Habitat for Humanity**

**FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**Mid-Coast Habitat for Humanity**

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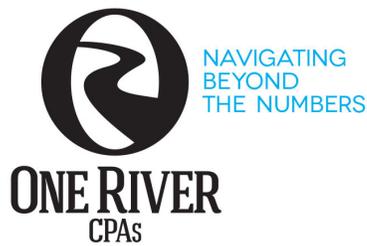
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## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors  
Mid-Coast Habitat for Humanity**

### **Opinion**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Coast Habitat for Humanity as of June 30, 2023 and 2022, 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. 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 Mid-Coast Habitat for Humanity and to meet our other responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-Coast 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.

### **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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Mid-Coast 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 Mid-Coast 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.

*One River CPAs*

October 20, 2023

**MID-COAST HABITAT FOR HUMANITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2023 and 2022**

**ASSETS**

	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 185,954	\$ 37,259
Accounts receivable	11,750	2,652
Current portion of mortgage notes receivable	46,404	38,353
Discount on current non-interest bearing mortgage loans	(26,580)	(22,584)
Current portion of unamortized interest on ZEM	33,063	20,851
Prepaid expenses	1,909	9,458
Total current assets	252,500	85,989
<b>Property and equipment:</b>		
Land	104,000	104,000
Equipment	73,909	73,909
Buildings and improvements	239,600	239,600
	417,509	417,509
Less accumulated depreciation	(156,086)	(133,540)
Total property and equipment	261,423	283,969
<b>Other assets:</b>		
Construction in progress, homebuilding program	1,757,412	892,631
Mortgage notes receivable, net of current portion	819,313	740,955
Discount on noncurrent non-interest bearing mortgage loans	(477,173)	(439,526)
Unamortized interest on ZEM, net of current portion	884,470	590,314
Land held for development	402,172	624,366
Investments held for long term use	156,415	142,095
Escrow funds	9,555	6,085
Assigned cash to secure partner family loans	45,174	45,011
Total other assets	3,597,338	2,601,931
<b><u>TOTAL ASSETS</u></b>	<b>\$ 4,111,261</b>	<b>2,971,889</b>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>		
Accounts payable	\$ 574,383	93,868
Sales tax payable	1,856	1,529
Accrued payroll and paid time off	25,314	26,569
Escrow	9,555	6,085
Deferred revenue	5,847	1,413
Line of Credit	25,000	-
Current portion of long term debt	5,914	207,250
Total current liabilities	647,869	336,714
<b>Long-term liabilities:</b>		
Long-term debt, net of current portion	589,487	93,977
Total long-term liabilities	589,487	93,977
Total liabilities	1,237,356	430,691
<b>Net Assets</b>		
Without donor restrictions	2,792,645	2,358,638
With donor restrictions	81,260	182,560
Total net assets	2,873,905	2,541,198
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 4,111,261</b>	<b>2,971,889</b>

See accompanying notes and auditors' report.

**MID-COAST HABITAT FOR HUMANITY**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues and Other Support</b>						
Contributions of cash and other financial assets	\$ 349,397	49,500	398,897	101,738	170,000	271,738
Contributed service and materials, non-financial assets	27,280	-	27,280	22,488	-	22,488
Special Events, net of expenses	11,528	-	11,528	9,980	-	9,980
Interest and dividends	3,167	-	3,167	1,792	-	1,792
Sales to homeowners	875,219	-	875,219	666,805	-	666,805
Mortgage land discount amortization	38,226	-	38,226	21,608	-	21,608
ReStore, contributions of non-financial assets	391,633	-	391,633	290,867	-	290,867
ReStore, direct costs	(45,077)	-	(45,077)	(44,617)	-	(44,617)
Miscellaneous income and fees	9,917	-	9,917	4,288	-	4,288
Net assets released from restriction	150,800	(150,800)	-	45,814	(45,814)	-
<b>Total Revenues and Other Support</b>	<u>1,812,090</u>	<u>(101,300)</u>	<u>1,710,790</u>	<u>1,120,763</u>	<u>124,186</u>	<u>1,244,949</u>
<b>Functional Expenses</b>						
Program Expenses	1,103,299	-	1,103,299	906,924	-	906,924
General and Administrative	171,157	-	171,157	151,113	-	151,113
Fundraising	93,913	-	93,913	78,982	-	78,982
Unallocated payments: Habitat International tithe and fees	21,500	-	21,500	10,779	-	10,779
<b>Total Functional Expenses</b>	<u>1,389,869</u>	<u>-</u>	<u>1,389,869</u>	<u>1,147,798</u>	<u>-</u>	<u>1,147,798</u>
<b>Non-operating activities</b>						
Realized and unrealized gains/(loss) on investments	11,786	-	11,786	(21,415)	-	(21,415)
<b>Total Non-operating activities</b>	<u>11,786</u>	<u>-</u>	<u>11,786</u>	<u>(21,415)</u>	<u>-</u>	<u>(21,415)</u>
<b>Change in net assets</b>	434,007	(101,300)	332,707	(48,450)	124,186	75,736
<b>Net Assets at Beginning of Year</b>	<u>2,358,638</u>	<u>182,560</u>	<u>2,541,198</u>	<u>2,407,088</u>	<u>58,374</u>	<u>2,465,462</u>
<b>Net Assets at End of Year</b>	<u>\$ 2,792,645</u>	<u>81,260</u>	<u>2,873,905</u>	<u>2,358,638</u>	<u>182,560</u>	<u>2,541,198</u>

See accompanying notes and auditors' report.

**MID-COAST HABITAT FOR HUMANITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>Homebuilding &amp; Repair</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
<b>Operating Expenses</b>					
Wages & Benefits	\$ 113,797	60,742	70,466	131,208	245,005
Payroll taxes	6,719	10,294	4,948	15,242	21,961
Professional fees	668	46,371	439	46,810	47,478
Advertising	867	-	-	-	867
Office expense	870	6,640	6,472	13,112	13,982
Occupancy	175	6,074	-	6,074	6,249
Travel	6,431	6,105	-	6,105	12,536
Insurance	21,315	2,871	9,478	12,349	33,664
Interest	1,574	7,407	-	7,407	8,981
Volunteer expenses	17,184	-	63	63	17,247
Fees, taxes and licenses	1,196	1,017	1,787	2,804	4,000
Costs of homes sold	904,568	-	-	-	904,568
Depreciation	-	22,546	-	22,546	22,546
Mortgage forgiveness to partner families	26,589	-	-	-	26,589
All other	1,346	1,090	260	1,350	2,696
	<u>\$ 1,103,299</u>	<u>171,157</u>	<u>93,913</u>	<u>265,070</u>	<u>1,368,369</u>

See accompanying notes and auditors' report.

**MID-COAST HABITAT FOR HUMANITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2022

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
<b>Operating Expenses</b>					
Wages & Benefits	108,107	59,090	60,704	119,794	227,901
Payroll taxes	6,661	10,086	4,220	14,306	20,967
Professional fees	566	31,593	516	32,109	32,675
Advertising	3,219	-	32	32	3,251
Office expense	288	7,328	6,827	14,155	14,443
Occupancy	108	7,075	-	7,075	7,183
Travel	6,640	6,086	-	6,086	12,726
Insurance	13,732	1,880	6,007	7,887	21,619
Interest	100	4,341	-	4,341	4,441
Volunteer expenses	10,475	-	-	-	10,475
Fees, taxes and licenses	1,444	336	676	1,012	2,456
Costs of homes sold	734,356	-	-	-	734,356
Depreciation	-	20,155	-	20,155	20,155
Mortgage forgiveness to partner families	19,253	-	-	-	19,253
All other	1,975	3,143	-	3,143	5,118
	<u>906,924</u>	<u>151,113</u>	<u>78,982</u>	<u>230,095</u>	<u>1,137,019</u>

See accompanying notes and auditors' report.

**MID-COAST HABITAT FOR HUMANITY**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Increase in net assets	\$ 332,707	<u>75,736</u>
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	22,546	20,155
Donation of stock	(74,804)	-
Non-cash (gains) loss on investments	(11,786)	21,756
(Increase) decrease in operating assets:		
Accounts receivable	(9,098)	17,759
Mortgages receivable	(86,409)	(111,477)
Discount on non-interest bearing mortgage loans	41,643	66,677
Unamortized interest on ZEM	(306,368)	(178,462)
Land held for development	222,194	35,591
Prepaid expenses	7,549	(3,126)
Construction in progress	(864,781)	(35,513)
Increase (decrease) in operating liabilities		
Accounts payable	480,515	(5,995)
Sales tax payable	327	212
Accrued payroll	(1,255)	9,499
Escrow liability	3,470	(103)
Deferred revenue	4,434	263
Total adjustments	<u>(571,823)</u>	<u>(162,764)</u>
Net cash provided by (used in) operating activities	<u>(239,116)</u>	<u>(87,028)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Cash payments for the purchase of property	-	(40,215)
Investment sales	75,223	-
Investment purchases	<u>(2,953)</u>	<u>(2,093)</u>
Net cash provided by (used in) investing activities	<u>72,270</u>	<u>(42,308)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Net draws on line of credit	25,000	-
Proceeds from long-term debt	300,000	-
Principal payments on long-term debt	<u>(5,826)</u>	<u>(153,330)</u>
Net cash provided by (used in) financing activities	<u>319,174</u>	<u>(153,330)</u>
Net increase (decrease) in cash	152,328	(282,666)
Cash, cash equivalents, and restricted cash, beginning of year	<u>88,355</u>	<u>371,021</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u>240,683</u>	<u>88,355</u>
<b>Cash, cash equivalents, and restricted cash:</b>		
Cash and cash equivalents	185,954	37,259
Escrow funds	9,555	6,085
Assigned cash to secure partner family loans	<u>45,174</u>	<u>45,011</u>
Total cash, cash equivalents, and restricted cash	<u>240,683</u>	<u>88,355</u>
<b><u>Supplemental Disclosures of Cash Flow Information:</u></b>		
Cash paid during the year for Interest	\$ 8,981	6,072

See accompanying notes and auditors' report.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies**

Mid-Coast Habitat for Humanity (Mid-Coast Habitat) is a Maine non-profit corporation organized in 1990 with headquarters in Rockport, Maine. It is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a global nondenominational nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience for people everywhere. Mid-Coast Habitat is directly responsible for its own operations. It receives assistance from Habitat International in a variety of ways including assistance with information technology, training, and publications. The Organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3) under a group exemption letter granted to Habitat International.

Creating affordable homeownership is the primary program. Mid-Coast Habitat for Humanity serves Knox County, Maine, partnering with low-income families to make safe, decent, and affordable housing a matter of community conscience and action. The Organization builds market-quality homes, utilizing volunteer labor and in-kind labor and some materials, selling each home to a qualifying low-income family for little or no cash down under a 25-30-year non-interest bearing mortgage. Homebuyers are selected based on need, ability to repay a mortgage, and willingness to partner by fulfilling sweat equity requirements. The Organization also tithes a portion of its general donations to Habitat for Humanity International for use in building homes outside the United States.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles. Under these standards, the Organization is required to report information pertaining to its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These net assets may be used at the discretion of Mid-Coast Habitat for Humanity’s management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

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. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Functional Allocation of Expenses

The costs of providing program and support services have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. These expenses include salaries & benefits, travel, professional services, supplies & activities, occupancy, depreciation, insurance, and other. Salaries & benefits, travel, professional services, and other are allocated based on time and effort. Supplies & activities are allocated based on cost and use. Occupancy, depreciation, and insurance are allocated based on square footage.

Use of Estimates

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

Revenue Sources and Recognition

Mid-Coast Habitat for Humanity receives funds in the form of contributions from the community, fundraising events, grants, ReStore sales, ZEM sales (see Note 4) and receipts of mortgage payments from partner families.

Sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer. Activities for sales are detailed in their respective notes. The Organization does not experience a significant amount of returns.

Cash, Cash Equivalents, and Restricted Cash

Mid-Coast Habitat for Humanity's cash and cash equivalents consist of cash on deposits with banks. Restricted cash includes amounts received with restrictions imposed by donors (but not yet spent) for the purposes described in note 9.

*Assigned cash to secure client loans* – In March 2022, the Organization was made aware of a partner family in financial trouble. A personal unsecured debt at an unreasonably high rate made it difficult for them to make housing payments for their Philbrick Habitat home. In an effort to help the client maintain housing, the Organization entered into an assignment of deposit account agreement with a local bank. The agreement assigns a deposit account with an initial balance of \$45,000 as collateral to the bank on behalf of the client to secure a loan to refinance their personal unsecured debt at a more reasonable rate. The agreement remains in effect through March 23, 2027. The Organization has been named as a beneficiary for a portion of the partner family's life insurance policy to provide additional security over this debt. The balance of the account was \$45,174 and \$45,011 at June 30, 2023 and 2022, respectively.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Prepaid Expenses

Payments to vendors that will benefit periods beyond the current fiscal year are recorded as prepaid expenses. For the Organization, these prepaid expenses are most commonly made up of insurance premiums paid in advance of the period of benefit.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing notes received from homebuyers in connection with the sales of homes constructed or renovated by Mid-Coast Habitat. The notes are secured by real estate and payable in monthly installments. Mortgages are to be paid back over an established and mutually agreed period of time varying from 25 to 30 years. These mortgages have been discounted at the prevailing market rates for low-income housing at the time of origination as calculated by Habitat for Humanity International. The discount rates on mortgages range from 7.23% to 8.34%. Interest income (amortization of discount) is recorded using the effective interest method over the lives of the mortgages. Deeds to the homes are held by the Organization.

If the organization decides to participate in an Affordable Mortgage Loan Program with a partner bank, the Organization and the lending institution each hold a mortgage that totals the sales price of the home. The mortgage held by the bank is derived of a principal amount plus a lower-than market interest rate to equal the payment that would be required on a 0% Habitat mortgage. The Organization holds a mortgage for the remainder of the sales price that is forgiven as payments are made to the bank. See Note 4 Affordable Mortgages.

In addition to the non-interest bearing mortgage received from the sale of each home, Mid-Coast Habitat can receive a contingent second mortgage. The second mortgage represents the excess of the market value over the original loan amount of each home sold. The second mortgage only becomes due in the event the property is sold or otherwise transferred, refinanced or otherwise encumbered by the borrower, or if the borrower is in default under the conditions of the mortgage prior to the expiration of its term. For the years ended June 30, 2023 and 2022, the Organization recognized \$0, respectively in contingent second mortgage income. The second mortgage payoff is considered less than probable or remote and therefore no receivable has been recorded in the financial statements.

Mid-Coast Habitat now requires a Share Appreciation Agreement with each sale. All Homeowners with the previous contingent second mortgage will be grandfathered and remain under their original agreement. The Shared Appreciation Agreement states that the Homeowner and Mid-Coast Habitat will share in the difference between the Fair Market Value at the date of purchase and the Fair Market Value at the time of sale, refinance, foreclosure, or other traditional or non-traditional sale of the Property. Mid-Coast Habitat's share is based on the following schedule:

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Mortgages Receivable (Continued)

0-5 years (0-60 months)	100% of the Appreciation
6-10 years (61-120 months)	90% of Appreciation
11-15 years (121-180 months)	80% of the Appreciation
16-100 years (181-1200 months)	50% of the Appreciation

Credit Risk – Mortgage Loans Receivable and Uninsured Cash

The Organization's concentration of credit risk with respect to mortgage loans receivable depends on its partner families' ability to repay, which varies with economic conditions in this geographic area. The affiliate maintains a rigorous credit procedure as part of its family selection process. Each buyer is provided pre-purchase and post-purchase homeowner education and counseling.

The Organization maintains cash balances in a bank. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the bank that were over the FDIC limit. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on its cash balances.

Property and Equipment

Property and equipment of the Organization includes land, buildings, building improvements, equipment, and all other tangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. All improvements to property and equipment which add to the value or materially extend the life of the asset are capitalized. All property and equipment of the Organization is recorded at historical cost. The historical cost of these assets includes not only the cost of the asset, but also may include capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use.

The Organization maintains a capitalization threshold of \$1,000 for all property and equipment. Donated property and equipment are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the assets into their intended location and use.

Land and land improvements are not depreciated. All other individual property and equipment of the Organization are depreciated over their estimated useful lives using the straight-line method. Under this method, the recorded cost of property and equipment, less any estimated residual value, is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Property and Equipment (Continued)

The following is a summary of methods and useful lives by category:

<b>Category</b>	<b>Method</b>	<b>Life</b>
Building	Straight Line	39 Years
Building Improvements	Straight Line	20 Years
Equipment & Vehicles	Straight Line	5-15 Years

Construction in Progress and Land Held for Development

Construction in progress is stated at cost and includes all direct material, labor, and equipment costs and those indirect costs related to home construction such as indirect labor, supplies and tools. Land costs are stated at the lower of cost or fair value at the date of contribution or purchase. They are recorded on the Statements of Financial Position as they are incurred. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the Statements of Activities as program costs.

Donated Inventories

The Organization does not record donations of items to the ReStore. The donated items are deemed to be of value only when and if sold. Donated assets have uncertain values as fair market values are not readily determinable. ReStore sales are recognized as revenue at the time merchandise is transferred to the customer without a corresponding cost to cost of goods sold. The Restore received in-kind contributions of \$391,633 and \$290,867 for the years ended June 30, 2023 and 2022, respectively.

Fair Value Measurements

In determining fair value, Mid-Coast Habitat uses various methods including market, income, and cost approaches. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Fair Market Value (Continued)

- Level 1 -Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 -Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 -Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to fair value reporting. For the years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Accrued Payroll and Paid Time Off

Payroll earned in one period, but paid in a subsequent period, is recorded in the period earned as accrued payroll. Payroll taxes payable and employee deductions payable differs from accrued expenses in that they represent payroll taxes and other deductions accrued and withheld as of the end of the fiscal year, but are not yet paid to the respective agencies. Paid time off is accrued for amounts earned that are available and expected to be used in the following fiscal year.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Sales to Homeowners and Revenue Recognition

Mid-Coast Habitat sells homes to program participants in exchange for an interest-free mortgage note either held by the Organization or by a partner bank as an affordable mortgage (see Note 4). The in-house notes appear on the Statements of Financial Position with a corresponding discount (see Note 1). As each house is sold, the sales price is calculated based on the partner family's ability to pay using Habitat International guideline. The sale price appears on the Statement of Activities as "Sales to Homeowners". The corresponding discount appears on the Statements of Functional Expenses as "Cost of homes sold or repaired". As imputed interest income is earned over the life of the loan, it appears on the Statements of Activities as the revenue line item "Mortgage Discount Amortization." As payments are made to the lending institution on an affordable mortgage, the reduction earned over the life of the loan appears on the Statement of Functional Expenses as "Mortgage forgiveness to partner families". At June 30, 2023, Mid-Coast Habitat had 10 in-house loans outstanding with a gross value of \$865,717 and a discounted value of \$361,964, and 15 affordable mortgages with a gross value of \$917,533. At June 30, 2022, Mid-Coast Habitat had 9 loans outstanding with a gross value of \$779,308 and a discounted value of \$317,198 and 12 affordable mortgages with a gross value of \$611,165. Management has established no provision for loan losses because the Organization is the secured creditor and it can reclaim the homes through foreclosure procedures. In addition, Mid-Coast Habitat has right of first refusal to purchase homes from the partner families.

Contributed Services and Materials

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. These contributions are recorded at their fair values in the period received based on market rates. These services are utilized in the Organization's home construction program. Contributed services totaled \$7,443 and \$16,457 for the years ended June 30, 2023 and 2022, respectively.

In addition to receiving contributions of service, Mid-Coast Habitat received in-kind contributions, primarily construction materials, from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as expense in its Statements of Activities or as construction in progress in the Statements of Financial Position and similarly increase contributed services and materials by a like amount. These materials are utilized in the Organization's home construction program. Contributed materials totaled \$19,837 and \$6,031 for the years ended June 30, 2023 and 2022, respectively.

A substantial number of volunteers have donated significant amounts of their time to Mid-Coast Habitat's program services, such as painting, landscaping and other construction tasks that do not require skilled labor.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

Contributed Assets

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Advertising

The Organization used advertising to promote its services and events to the general public, as well as to advertise for employment opportunities. Advertising costs are expensed as incurred. Advertising costs for the year ended June 30, 2023 and 2022, were \$2,027 and \$6,818, respectively. Advertising expenses included in net ReStore revenue totaled \$1,160 and \$3,567 at June 30, 2023 and 2022, respectively.

Income Tax Status

Mid-Coast Habitat for Humanity is exempt from income taxes under Code Section 501 (c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as described in Section 509 (a). Management has evaluated the Organization's tax positions and concluded that as of June 30, 2023 and 2022, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liabilities. There are no federal or state tax audits of the organization in progress. Mid-Coast Habitat's federal Returns of Organization Exempt form Income Tax (Form 990) are subject to examination for three years after filing.

**Note 2 – Transactions with Habitat International**

The Organization annually remits a portion of its unrestricted contributions (excluding in-kind contributions) and net fundraising income to Habitat for Humanity International, Inc. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2023 and 2022 the Organization contributed \$20,000 and \$9,279; respectively.

During the year ended June 30, 2023 and 2022, the Organization complied with the Habitat for Humanity International's U.S. Stewardship and Organizational Sustainability Initiative that was adopted in November of 2013. The Organization paid a fee amount of \$1,500 for each year.

Both of the above amounts are included in unallocated payments on the Statements of Activities.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 3 – Transactions with Knox County Homeless Coalition and Maine State Housing Authority**

During fiscal year ended June 30, 2020, the Organization purchased land as part of an agreement with Knox County Homeless Coalition and Maine State Housing Authority (MaineHousing) to develop a low-income housing community in Rockland, Maine. “Building Community Together” will include 6 “small equity builders” and 2 “affordable rental duplexes (4 families)” built by Mid-Coast Habitat and managed and owned by Knox County Homeless Coalition; as well as 3 lots for future homes to be built by the Organization. Purchase of the land was made in June 2020 and is included in Land Held for Development. In June 2022 MaineHousing released additional monies to be used to develop the land. These costs are included in Construction in Progress. When MaineHousing issued the additional funds, they extended the repayment terms for the original funds to meet the terms of the development funds as a 3-year deferred, forgivable loan. Both are forgivable upon completion of project, and repayable upon failure to develop project by July 15, 2025 or to meet development deadlines at an interest rate of 10%.

**Note 4 – Affordable Mortgages**

Mid-Coast Habitat subsidizes the difference between the sale price (market value) and affordability to each homeowner. If the homeowner decides to leave the program and the Organization decides not to exercise its first right of refusal, the homeowner may sell the home on the open market. In years 1 through 5, 100% of the proceeds, less the first mortgage must be returned to the Organization. In years 6 through 15, 90% and after year 15, 80%. Beginning in 2021, the agreement has been replaced with a Shared Appreciation Agreement. (See Note 1)

The Organization entered into a formal Affordable Mortgage Loan and Servicing Agreement with Camden National Bank to provide up to six mortgages for the Philbrick Commons development, which is a 12-unit affordable homeownership residential subdivision located in Rockland, Maine. During the current fiscal year, that number was extended to seven mortgages so that the Organization's partner families could participate in Federal Home Loan Bank's Affordable Housing Program. The remaining four homes in Philbrick Commons will be serviced by both Camden National Bank and Bar Harbor Bank & Trust.

During fiscal year ended June 30, 2023 and 2022, Camden National Bank generated an affordable mortgage known as Zero Equivalent Mortgage (ZEM) for partner families under a program outlined and endorsed by Habitat for Humanity International. Under the Affordable Mortgage Program, each partner family purchases a home from Mid-Coast Habitat using funds received from a ZEM mortgage at a participating financial institution plus a corresponding mortgage held by the Organization. The ZEM mortgage bears interest, but at lower-than-market rate.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 4 – Affordable Mortgages (continued)**

The face amount of the ZEM mortgage with the bank and the mortgage with the Organization is equal to the Homeowner's affordability. It is set so that the monthly payments that the family will make on the bank mortgage (including principal plus interest) are equal to the monthly payments that the family would have paid to Mid-coast Habitat if the Organization had provided a zero percent first mortgage to the family under its standard mortgage program. The mortgage held by the Mid-coast Habitat is held until the bank portion of the mortgage is paid off and forgiven over the life of the loan. The loans are shown as "Unamortized interest on ZEM" on the Statement of Financial Position and the corresponding "Mortgage forgiveness to partner families" on the Statements of Functional Expenses. For the years ended June 30, 2023 and 2022 the Organization forgave \$26,589 and \$19,253 respectively.

**Note 5 – Investments**

Investments are managed by The Allen Agency using The Commonwealth Financial Network. Investments are reported at their fair market value as required by the accounting standards codification and are considered Level 1.

Holdings at June 30 consisted of:

	<b>June 30, 2023</b>		
	Cost	Fair Value	Appreciation
Cash Equivalents	\$ 9,747	9,747	-
Common Equities	66,071	96,997	30,926
Mutual Funds	8,286	7,507	(779)
Fixed Income	46,553	42,164	(4,389)
	\$130,657	156,415	25,758

	<b>June 30, 2022</b>		
	Cost	Fair Value	Appreciation
Cash Equivalents	\$ 9,263	9,263	-
Common Equities	64,425	82,700	18,275
Mutual Funds	7,876	6,919	(957)
Fixed Income	50,739	43,213	(7,526)
	\$132,303	142,095	9,792

**Mid-Coast Habitat for Humanity, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 6 – Lines of Credit**

Mid-Coast Habitat for Humanity, Inc. has a \$100,000 line of credit agreement with a donor that has no stated demand date to assist with on-going development. The donor charges the variable rate that he pays on the debt and then chose to donate 50% of the interest, currently (3%). The balance of the line of credit was \$25,000 and \$0 as of June 30, 2023 and 2022.

The Organization has a \$150,000 line of credit agreement with Camden National Bank through February, 2024. The line is a demand note with a variable rate of interest based on the index rate (Wall Street Journal Prime Rate + 1.5%), currently 9.75%. There was no outstanding balance on the Camden National Bank line of credit as of June 30, 2023 and 2022.

**Note 7 – Long-Term Debt**

The Organization’s long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
<i>Camden National Bank</i>		
A term loan with monthly payments of \$1,169, with variable interest at .50% above the high prime rates quoted in the Wall Street Journal (currently 8.75%). The note is secured by property in Rockport, Maine. The maturity date is November 2033.	\$ 95,401	101,227
 <i>Maine State Housing Authority</i>		
A \$500,000 loan forgivable upon completion of a housing project and bearing no interest through July 15, 2025. The note is secured by land in Rockland, Maine. The note is repayable upon failure to complete the project in accordance with its terms.	500,000	200,000
Total	\$ 595,401	301,227
Less current portion	(5,914)	(207,250)
Long-term debt, net of current portion	\$ 589,487	93,977

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

The following are the projected loan maturities of long-term debt by year:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 5,914
2025	6,453
2026	507,040
2027	7,682
2028	8,382
Thereafter	59,930
Total	<u>\$ 595,401</u>

**Note 8 – Net Assets With Donor Restrictions**

Net Assets with donor restrictions were available for the following purposes at June 30:

Subject to expenditure for specified purpose:

	<u>2023</u>	<u>2022</u>
Weatherization Program	\$ 22,885	2,885
Knox County Homeless Coalition Collaboration	30,000	30,000
St. George Collaboration	-	38,551
Philbrick Common Area Grant	5,000	5,000
Whole House Donation	23,375	106,124
Total Net Assets with Donor Restrictions	<u>\$ 81,260</u>	<u>182,560</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Weatherization Program	\$ 12,000	-
St. George Collaboration	56,051	1,938
Whole House Donation	82,749	43,876
Total Net Assets Release	<u>\$ 150,800</u>	<u>45,814</u>

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**Note 8 – Net Assets With Donor Restrictions (continued)**

The Organization’s net assets with Donor Restrictions exceeded cash available to meet those restrictions at June 30, 2022 by \$145,301. The Organization’s decrease in cash was due to temporary timing needs. In the event of a need for additional cash, the Organization may liquidate its investments. Management anticipates that the donors will not require the contribution to be returned to the donors, as there are no requirements to maintain these funds in separate accounts. As such, no provision was made for any liabilities that might arise from this deficit at June 30, 2022. There was no longer a deficit at June 30, 2023.

**Note 9 – ReStore**

Mid-Coast Habitat operates a retail thrift store that specializes in selling surplus new and used building and home improvement materials, appliances, and furniture to the public. The ReStore receives donated usable materials from retail businesses, contractors, individuals and other organizations.

All net proceeds from the operation of the ReStore flow into the Mid-Coast Habitat organization and help to enhance the home development activities by covering administrative costs for the Organization. Payroll costs related to the ReStore are reported as fundraising costs in the Statements of Activities.

Gross revenues and expenses (excluding store manager’s salary) for the year ended June 30, 2023 and 2022 are as follows:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Gross Proceeds	\$ 391,633	290,867
ReStore Operating Costs	45,077	44,617
Net Proceeds	<u>\$ 346,556</u>	<u>246,250</u>

**Note 10 – Retirement Plan**

Beginning October 1, 2018, Mid-Coast Habitat provides a Savings Incentive Match Plan for Employees (SIMPLE) IRA Plan. The plan is available to employees in the year following the first year they reach \$5,000 in wages. The Organization matches employee contributions to the plan up to 3% of each participant’s qualified wages for the fiscal year. SIMPLE expense for the year ended June 30, 2023 and 2022 totaled \$6,707 and \$5,671 respectively. The expense appears within the line item “Wages & Benefits” on the Statements of Functional Expenses.

**Mid-Coast Habitat for Humanity**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 11 – Capitalized Interest**

Interest costs charged to operations consist of the following:

	<u>2023</u>	<u>2022</u>
Interest cost incurred	\$ 8,981	6,072
Decrease as a result of capitalizing interest as a cost of construction	-	(1,631)
	\$ 8,981	4,441

**Note 12 – Liquidity**

Mid-Coast Habitat for Humanity has a goal to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization maintains a managed investment account covered by a defined Investment Policy Statement; 20% of this account balance (\$31,283 at June 30, 2023) is available by approval of the Board President and Executive Director to meet any shortfall. Management has chosen to include only the construction in progress with known partner families at June 30, 2023.

Mid-Coast Habitat for Humanity’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 185,954
Accounts receivable	11,750
Current portion of mortgage notes receivable	46,404
Construction in progress available for sale	378,255
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	(81,260)
	\$ 541,103
Financial assets available to meet cash needs for general expenditures within one year	\$ 541,103

**Note 13 – Subsequent Events**

Management has evaluated all subsequent events through the report date, the date the financial statements were available to be issued.