



Mid-Coast Habitat for Humanity

FINANCIAL STATEMENTS

June 30, 2024 and 2023

Mid-Coast Habitat for Humanity

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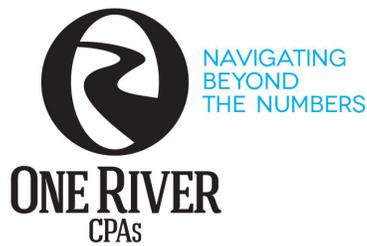
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INDEPENDENT AUDITORS' REPORT

**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, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Coast Habitat for Humanity 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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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

Bath, Maine
November 1, 2024

MID-COAST HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u> <u>(Restated)</u>
Current assets:		
Cash and cash equivalents	\$ 914,378	185,954
Accounts receivable	165	11,750
Current portion of mortgage notes receivable (net discount of \$26,577 and \$26,580, respectively)	19,816	19,824
Partner family loan receivable, current portion	6,600	-
Current portion of capitalized interest on discounted mortgages receivable	29,841	33,063
Current portion of construction in progress, homebuilding program	2,281,371	479,863
Current portion of land held for development	300,581	35,591
Prepaid expenses	885	1,909
Total current assets	3,553,637	767,954
Property and equipment:		
Land	104,000	104,000
Equipment	86,647	73,909
Buildings and improvements	253,571	239,600
	444,218	417,509
Less accumulated depreciation	(157,808)	(148,039)
Total property and equipment	286,410	269,470
Other assets:		
Construction in progress, homebuilding program, net of current portion	178,289	1,277,549
Mortgage notes receivable, net of current portion (net discount of \$452,231 and \$477,173, respectively)	323,197	342,140
Capitalized interest on discounted mortgages receivable, net of current portion	875,893	884,470
Land held for development, net of current portion	361,318	366,581
Investments held for long-term use	175,665	156,415
Escrow funds	3,085	9,555
Partner family loan, net	22,331	-
Assigned cash to secure partner family loans	-	45,174
Total other assets	1,939,778	3,081,884
<u>TOTAL ASSETS</u>	\$ 5,779,825	4,119,308
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 154,203	574,383
Sales tax payable	2,154	1,856
Accrued payroll and paid time off	17,049	25,314
Escrow	3,085	9,555
Deferred revenue	1,559,385	60,847
Line of credit	-	25,000
Current portion of long-term debt	7,091	5,914
Total current liabilities	1,742,967	702,869
Long-term liabilities:		
Long-term debt, net of current portion	582,578	589,487
Total long-term liabilities	582,578	589,487
Total liabilities	2,325,545	1,292,356
Net Assets		
Without donor restrictions	3,346,195	2,745,692
With donor restrictions	108,085	81,260
Total net assets	3,454,280	2,826,952
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 5,779,825	4,119,308

See accompanying notes and independent auditors' report.

MID-COAST HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>			<u>2023</u> (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Other Support						
Contributions of cash and other financial assets	\$ 461,210	61,000	522,210	294,397	49,500	343,897
Contributed services, land and materials, non-financial assets	241,821	-	241,821	27,280	-	27,280
Special events, net of expenses	7,088	-	7,088	11,528	-	11,528
Interest and dividends	17,069	-	17,069	3,167	-	3,167
Sales to homeowners	724,000	-	724,000	875,219	-	875,219
Mortgage and loan discount amortization	23,972	-	23,972	38,226	-	38,226
ReStore, contributions of non-financial assets	432,371	-	432,371	391,633	-	391,633
ReStore, direct costs	(51,285)	-	(51,285)	(45,077)	-	(45,077)
Miscellaneous income and fees	9,822	-	9,822	9,917	-	9,917
Net assets released from restriction	34,175	(34,175)	-	150,800	(150,800)	-
Total Revenues and Other Support	<u>1,900,243</u>	<u>26,825</u>	<u>1,927,068</u>	<u>1,757,090</u>	<u>(101,300)</u>	<u>1,655,790</u>
Functional Expenses						
Program expenses	961,367	-	961,367	1,103,299	-	1,103,299
General and administrative	178,753	-	178,753	163,110	-	163,110
Fundraising	153,723	-	153,723	93,913	-	93,913
Unallocated payments: Habitat International tithe and fees	21,500	-	21,500	21,500	-	21,500
Total Functional Expenses	<u>1,315,343</u>	<u>-</u>	<u>1,315,343</u>	<u>1,381,822</u>	<u>-</u>	<u>1,381,822</u>
Non-operating activities						
Realized and unrealized gains on investments	15,603	-	15,603	11,786	-	11,786
Total Non-operating activities	<u>15,603</u>	<u>-</u>	<u>15,603</u>	<u>11,786</u>	<u>-</u>	<u>11,786</u>
Change in net assets	600,503	26,825	627,328	387,054	(101,300)	285,754
Net Assets at Beginning of Year	<u>2,745,692</u>	<u>81,260</u>	<u>2,826,952</u>	<u>2,358,638</u>	<u>182,560</u>	<u>2,541,198</u>
Net Assets at End of Year	<u>\$ 3,346,195</u>	<u>108,085</u>	<u>3,454,280</u>	<u>2,745,692</u>	<u>81,260</u>	<u>2,826,952</u>

See accompanying notes and independent auditors' report.

MID-COAST HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024

	<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>	
Operating Expenses					
Wages and benefits	\$ 116,235	46,455	125,779	172,234	288,469
Payroll taxes	7,137	10,659	9,473	20,132	27,269
Professional fees	1,234	62,065	554	62,619	63,853
Advertising	1,911	136	300	436	2,347
Office expense	575	9,426	7,563	16,989	17,564
Occupancy	-	5,692	-	5,692	5,692
Travel	5,626	9,430	576	10,006	15,632
Insurance	27,099	3,498	6,262	9,760	36,859
Interest	-	8,474	-	8,474	8,474
Volunteer expenses	7,876	-	108	108	7,984
Fees, taxes and licenses	4,988	3,079	2,964	6,043	11,031
Costs of homes sold and repaired	755,065	-	-	-	755,065
Depreciation	-	17,160	-	17,160	17,160
Mortgage forgiveness to partner families	32,411	-	-	-	32,411
All other	1,210	2,679	144	2,823	4,033
	<u>\$ 961,367</u>	<u>178,753</u>	<u>153,723</u>	<u>332,476</u>	<u>1,293,843</u>

See accompanying notes and independent auditors' report.

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

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Operating Expenses					
Wages and 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	4,780	6,472	11,252	12,122
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	2,877	1,787	4,664	5,860
Costs of homes sold and repaired	905,854	-	-	-	905,854
Depreciation	-	14,499	-	14,499	14,499
Mortgage forgiveness to partner families	26,589	-	-	-	26,589
All other	60	1,090	260	1,350	1,410
	<u>\$ 1,103,299</u>	<u>163,110</u>	<u>93,913</u>	<u>257,023</u>	<u>1,360,322</u>

See accompanying notes and independent auditors' report.

MID-COAST HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
<u>Cash Flows From Operating Activities:</u>		
Increase in net assets	\$ 627,328	285,754
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,160	14,499
Donation of stock	(54,401)	(74,804)
Non-cash (gains) on investments	(15,603)	(11,786)
(Increase) decrease in operating assets:		
Accounts receivable	11,585	(9,098)
Notes receivable	18,951	(44,766)
Capitalized interest on discounted mortgages	11,799	(306,368)
Land held for development	(259,727)	222,194
Prepaid expenses	1,024	7,549
Construction in progress	(702,248)	(864,781)
Partner family loan	(28,931)	-
Increase (decrease) in operating liabilities		
Accounts payable	(420,180)	480,515
Sales tax payable	298	327
Accrued payroll and paid time off	(8,265)	(1,255)
Escrow liability	(6,470)	3,470
Deferred revenue	1,498,538	59,434
Total adjustments	<u>63,530</u>	<u>(524,870)</u>
Net cash provided by (used in) operating activities	<u>690,858</u>	<u>(239,116)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	(34,100)	-
Investment sales	65,815	75,223
Investment purchases	<u>(15,061)</u>	<u>(2,953)</u>
Net cash provided by investing activities	<u>16,654</u>	<u>72,270</u>
<u>Cash Flows From Financing Activities:</u>		
Net (repayments) draws on line of credit	(25,000)	25,000
Proceeds from long-term debt	-	300,000
Principal payments on long-term debt	<u>(5,732)</u>	<u>(5,826)</u>
Net cash (used in) provided by financing activities	<u>(30,732)</u>	<u>319,174</u>
Net increase in cash	676,780	152,328
Cash, cash equivalents, and restricted cash, beginning of year	<u>240,683</u>	<u>88,355</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 917,463</u>	<u>240,683</u>
<u>Cash, Cash Equivalents, and Restricted Cash:</u>		
Cash and cash equivalents	914,378	185,954
Escrow funds	3,085	9,555
Assigned cash to secure partner family loans	-	45,174
Total cash, cash equivalents, and restricted cash	<u>917,463</u>	<u>240,683</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for Interest	\$ 8,474	8,981

See accompanying notes and independent auditors' report.

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

Note 1 – Organization and Summary of Significant Accounting Policies

Mid-Coast Habitat for Humanity (Mid-Coast Habitat/the Organization) 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 20-30-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, 2024 and 2023

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 statements 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 wages and benefits, travel, professional services, supplies and activities, occupancy, depreciation, insurance, and other. Wages and benefits, travel, professional services, and other are allocated based on time and effort. Supplies and 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, 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, affordable mortgage proceeds from partner banks (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 8.

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. In April 2024 the partner family began bankruptcy proceedings, and the bank withdrew \$28,931 of the money to pay the balance of the personal loan. The partner family has agreed to make monthly payments to repay the debt (see Partner Family Loan note). The remaining balance is no longer assigned by the bank. The partner family has remained current on their mortgage throughout. The balance of the account was \$0 and \$45,174 at June 30, 2024 and 2023, respectively.

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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. Management has not provided a provision for loan losses as of June 30, 2024 and 2023 because the fair market value of the homes exceeds the related mortgage balances.

In addition to the mortgage receivable included on the statements of financial position, the Organization holds non-interest bearing second and third mortgages. These mortgages originate at the same time as the first mortgage and reflect the difference between the sales price and the fair market value of the home and the closing costs paid for the homeowner. These mortgages are legal documents executed for protection against homeowners who may sell their house for profit before the mortgage is repaid and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage. For the years ended June 30, 2024 and 2023, the Organization recognized \$0, respectively. The mortgage payoff is considered less than probable or remote and therefore no receivable has been recorded in the statements of financial position.

The idea of paying it forward is a key component of Mid-Coast Habitat's work. In order to ensure that Mid-Coast Habitat's housing program is sustainable, the Organization requires a Share Appreciation Agreement with each sale. The 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:

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

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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

Mortgages Receivable (Continued)

The mortgage payoff is considered less than probable or remote and therefore no receivable has been recorded in the statements of financial position for the shared appreciation.

Discounted Mortgages Receivable

The Organization may decide to leverage a mortgage 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 Organization receives a discounted cash amount in exchange for the mortgage. Under these circumstances, the Organization is liable to repurchase or replace a mortgage transferred to the bank in the event that the homeowner does not make the required payments.

The difference between the cash received and the gross mortgage receivable is recorded as capitalized interest on discounted mortgages receivable on the statements of financial position. The receivable is amortized over the term of the discounted mortgage at the partner bank using the straight-line method. The liability in the event that the homeowner does not make the required payments is a contingent liability and is not shown on the statements until a known default has occurred. The Organization would take ownership of the home through the default and the fair market value of the homes exceeds the related mortgage balances.

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.

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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

Property and Equipment (Continued)

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 is 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.

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

Category	Method	Life
Building	Straight Line	39 Years
Building Improvements	Straight Line	20 Years
Equipment and 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. Current portions include amounts expected to be completed and sold within one year of the statements of financial position.

Donated Inventories

Donated assets have uncertain values as fair market values are not readily determinable at time of receipt. The Organization records donations of items to the ReStore when they are determined to have value based on their sale. 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's sales of donated items totaled \$432,371 and \$391,633 for the years ended June 30, 2024 and 2023, respectively.

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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

Partner Family Loan

In April 2024, the partner family began bankruptcy proceedings and the bank exercised its right to withdraw monies from Mid-Coast Habitat's assigned account to pay the balance of the homeowner's personal loan (see Cash, Cash Equivalents and Restricted Cash). The partner family has verbally agreed to make monthly payments of \$500 for 5 years to repay the debt at no interest. The first payment will be made in July 2024. The Organization is named as beneficiary for a portion of the partner family's life insurance policy to provide additional security over this debt. The balance of the note was \$28,931 at June 30, 2024.

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:

- 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, 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, 2024 and 2023, 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:

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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

Fair Value Measurements, Continued

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.

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 a lower-than-market interest bearing affordable mortgage with a partner bank (see Note 4). The in-house notes appear on the statements of financial position with a corresponding discount (see Note 1). Each house is sold at fair market value, often requiring a subsidy from Mid-Coast Habitat, so that the partner family pays what is affordable. The subsidy is silent on the financial statements. The Affordable Sales Price appears on the statements of activities as a “Sales to homeowners.” The corresponding discount appears on the statements of functional expenses as “Cost of homes sold and 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 and loan discount amortization”. As payments are made to the lending institutions, the capitalized interest amortization (see Note 1) appears on the statements of functional expenses as “Mortgage forgiveness to partner families”.

At June 30, 2024, Mid-Coast Habitat had 10 in-house loans outstanding with a gross value of \$821,821 and a discounted value of \$343,013, and 16 affordable mortgages with a gross value of \$905,734 and a capitalized interest in them of \$874,133. 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 and a capitalized interest in them of \$896,544. 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.

The Organization was under contract at year end on a single-family home, initially set to close prior to June 30, 2024. The sale was delayed and is now expected to be settle in fiscal year 2025. The buyers are approved to close with an in-house mortgage arrangement through Mid-Coast Habitat.

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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

Contributed Services, Land 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 \$10,945 and \$7,443 for the years ended June 30, 2024 and 2023, 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 \$20,876 and \$19,837 for the years ended June 30, 2024 and 2023, 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.

In addition to the services and materials, Mid-Coast Habitat received donated property in Rockport, Maine that Mid-Coast Habitat plans to use in the future for additional homes. The land was valued at fair market value and totaled \$210,000 and \$0 for years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023, were \$2,809 and \$2,027, respectively. Advertising expenses included in net ReStore revenue totaled \$462 and \$1,160 at June 30, 2024 and 2023, respectively.

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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

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, 2024 and 2023, 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 from Income Tax (Form 990) are subject to examination for three years after filing.

Reclassification

Certain assets on the statements of financial position and expenses on the statement of functional expenses for the year ended June 30, 2023 have been reclassified to conform to the current year statements of financial position and statement of functional expenses presentation.

Prior Period Adjustments

A prior period adjustment was recognized to adjust related depreciation expense and accumulated depreciation for an asset that was over depreciated in error. Depreciation expense and accumulated depreciation were both decreased by \$8,047 at June 30, 2023. An additional prior period adjustment was recognized to adjust Knox County Coalition related revenue and deferred revenue based on the terms of the purchase agreement. Revenue decreased and deferred revenue increased by \$55,000 at June 30, 2023. As a result, opening net assets decreased \$46,953 as of June 30, 2023.

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, 2024 and 2023 the Organization contributed \$20,000 and \$20,000; respectively.

During the year ended June 30, 2024 and 2023, 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.

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 (Homeworthy) and Maine State

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

Note 3 – Transactions with Knox County Homeless Coalition and Maine State Housing Authority (continued)

Housing Authority (MaineHousing) to develop a low-income housing community in Rockland, Maine. “Building Community Together” will include six “small equity builders” and two “affordable rental duplexes (four families)” built by Mid-Coast Habitat and managed and owned by Homeworthy; as well as three single family homes to be sold to partner families. 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%. Management feels it will be able to satisfy the "forgiveness" provision of the loan and has not escrowed any funds accordingly.

Payments received from Homeworthy for Building Community Together are included in “Deferred Revenue” on the statements of financial position. For the years ended June 30, 2024 and 2023, the Organization received \$1,495,149 and \$55,000, respectively. These revenues will be recognized at closing once title passes to Homeworthy.

Note 4 – Affordable Mortgages

MHFH is always considerate of where the family lie within the area median income spectrum of 30-80%. The Organization ensures that no more than 30% of their income is spent on housing costs. Mid-Coast Habitat subsidizes the difference between the 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% must be returned to the Organization. For mortgages issued starting 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 Agreements with Camden National Bank and Bar Harbor Bank & Trust that allows the Organization to leverage their mortgage receivables to the bank for a discounted cash amount. Habitat for Humanity International Affiliated Organization Policy 29 authorizes an affiliate to recommend third-party lenders if the financing is responsible and affordable to the homeowner.

During fiscal years ended June 30, 2024 and 2023, Camden National Bank and Bar Harbor Bank & Trust generated affordable mortgages for partner families. Under an Affordable Mortgage Program, each partner family purchases a home from the Organization using funds received from a mortgage at a participating financial institution plus a corresponding mortgage held by the Organization. The affordable mortgage bears

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

Note 4 – Affordable Mortgages (continued)

interest, but at a lower-than-market rate. This mortgage also satisfies the 30% housing cost requirement.

The face amount of the affordable mortgage with the bank and the mortgage with the Organization is equal to the homeowner's affordability. If the Organization decides to leverage the mortgage in this way, the difference between the cash the Organization receives, and the sales price is forgiven over the life of the loan as payments are made to the bank.

The loans are shown as "Capitalized Interest on Discounted Mortgages" on the statements of financial position and the corresponding "Mortgage forgiveness to partner families on the statements of functional expenses. For the years ended June 30, 2024 and 2023 the Organization forgave \$32,411 and \$26,589, 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:

	2024		
	Cost	Fair Value	Gains (Loss)
Cash Equivalents	\$ 8,396	8,396	-
Common Equities	63,881	106,955	43,074
Mutual Funds	8,770	8,213	(557)
Fixed Income	56,019	52,101	(3,918)
	\$ 137,066	175,665	38,599

	2023		
	Cost	Fair Value	Gains (Loss)
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

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

Note 6 – Lines of Credit

Mid-Coast Habitat for Humanity, Inc. had a \$100,000 line of credit agreement with a donor that had 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 \$0 and \$25,000 as of June 30, 2024 and 2023.

The Organization has a \$150,000 line of credit agreement with Camden National Bank through February, 2025. 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 10%. There was no outstanding balance on the Camden National Bank line of credit as of June 30, 2024 and 2023.

Note 7 – Long-Term Debt

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

	<u>2024</u>	<u>2023</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 9.00%. The note is secured by property in Rockport, Maine. The maturity date is November 2033.	\$ 89,669	95,401
 <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	500,000
Total	589,669	595,401
Less current portion	(7,091)	(5,914)
Long-term debt, net of current portion	\$ 582,578	589,487

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

Note 7 – Long-Term Debt (continued)

The following are the projected loan maturities of long-term for years ending June 30:

2025	\$	7,091
2026		507,680
2027		8,317
2028		9,008
2029		9,755
Thereafter		47,818
Total	\$	589,669

Note 8 – Net Assets with Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose:		
Weatherization Program	\$ 17,668	22,885
Knox County Homeless Coalition Collaboration	30,000	30,000
Philbrick Common Area Grant	-	5,000
Whole House Donation	-	23,375
New Construction Hire	50,000	-
Tool Grant	417	-
Total Restrictions for Specific Purpose	98,085	81,260
Subject to Restriction for Period of Time:		
Broad Reach Fund - 5 Years for General Purpose	10,000	-
Total Restriction for Period of Time	10,000	-
Total Net Assets with Donor Restrictions	\$ 108,085	81,260

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

	<u>2024</u>	<u>2023</u>
Weatherization Program	\$ 5,217	12,000
St. George Collaboration	-	56,051
Philbrick Common Area Grant	5,000	-
Whole House Donation	23,375	82,749
Tool Grant	583	-
Total Net Assets Released	\$ 34,175	150,800

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Gross Proceeds	\$ 432,371	391,633
ReStore Operating Costs	51,285	45,077
Net Proceeds	\$ 381,086	346,556

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 years ended June 30, 2024 and 2023 totaled \$7,266 and \$6,707 respectively. The expense appears within the line item “Wages and benefits” on the statements of functional expenses.

Note 11 – Capitalized Interest

Interest costs charged to operations consist of the following:

	<u>2024</u>	<u>2023</u>
Interest cost incurred	\$ 8,474	8,981
Interest charged to operations expense	\$ 8,474	8,981

Mid-Coast Habitat for Humanity
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023

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 (\$35,133 at June 30, 2024) 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, 2024.

Mid-Coast Habitat for Humanity's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 914,378
Accounts receivable	165
Current portion of mortgage notes receivable	46,393
Current portion of partner family loan receivable	6,600
Construction in progress available for sale	700,000
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	<u>(108,085)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,559,451</u>

Note 13 – Subsequent Events

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