

# **Beaches Habitat for Humanity, Inc.**

**(a non-profit organization)**

**Atlantic Beach, Florida**

**Consolidated Financial Statements**

**June 30, 2024 and 2023**

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Beaches Habitat for Humanity, Inc.  
Atlantic Beach, Florida

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Beaches Habitat for Humanity, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beaches Habitat for Humanity, Inc. as of June 30, 2024 and 2023, and the changes in 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 Consolidated Financial Statements section of our report. We are required to be independent of Beaches Habitat for Humanity, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free of material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 judgment made by a reasonable user based on the consolidated 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 consolidated 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 Beaches Habitat for Humanity, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beaches Habitat for Humanity, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2025, on our consideration of Beaches Habitat for Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaches Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

*Rabotson : Company*

June 12, 2025

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Consolidated Statements of Financial Position**  
**June 30, 2024 and 2023**

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| <b>ASSETS</b>   |                     |                     |
|---|---------------------|---------------------|
|   | <u>2024</u>         | <u>2023</u>         |
| Cash  | \$ 1,817,577        | \$ 2,227,039        |
| Escrow deposits   | 330,122             | 343,062             |
| Accounts receivable, net of allowance   | 481,673             | 152,615             |
| Prepaid deposits  | 22,183              | 18,082              |
| Mortgages receivable held   | 1,022,293           | 1,055,767           |
| Mortgage notes receivable - net of unearned discount                                | 3,043,810           | 3,115,394           |
| Construction inventory  | 2,102,881           | 1,984,009           |
| Property and equipment - net of accumulated depreciation of \$377,539 and \$346,966 | <u>650,378</u>      | <u>656,298</u>      |
| Total assets  | <u>\$ 9,470,917</u> | <u>\$ 9,552,266</u> |

**LIABILITIES AND NET ASSETS**

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Accounts payable                 | \$ 30,646           | \$ 49,473           |
| Accrued expenses                 | 37,905              | 38,947              |
| Escrow payable                   | 367,086             | 354,722             |
| Notes payable                    | <u>1,072,575</u>    | <u>1,192,973</u>    |
| Total liabilities                | <u>1,508,212</u>    | <u>1,636,115</u>    |
| Net assets:                      |                     |                     |
| Without donor restrictions       | 7,622,705           | 7,916,151           |
| With donor restrictions          | <u>340,000</u>      | <u>-</u>            |
| Total net assets                 | <u>7,962,705</u>    | <u>7,916,151</u>    |
| Total liabilities and net assets | <u>\$ 9,470,917</u> | <u>\$ 9,552,266</u> |

The accompanying notes are an integral part of this statement.

**Beaches Habitat for Humanity, Inc.****(a non-profit organization)****Consolidated Statements of Activities and Changes in Net Assets****For the year ended June 30, 2024**

|                                      | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b>        |
|--------------------------------------|---|--|---------------------|
| Support and revenue                  |   |  |                     |
| Contributions and memberships        | \$ 1,226,160                              | \$ 340,000                             | \$ 1,566,160        |
| Program service                      | 350,163                                   | -                                      | 350,163             |
| Noncash contributions                | 79,852                                    | -                                      | 79,852              |
| Interest income                      | 51,197                                    | -                                      | 51,197              |
| Mortgage discount, net amortization  | 47,939                                    | -                                      | 47,939              |
| Loan forgiveness                     | 6,374                                     | -                                      | 6,374               |
| Grants                               | 3,000                                     | -                                      | 3,000               |
| Other income                         | 22,932                                    | -                                      | 22,932              |
|                                      |   |  |                     |
| Total support and revenue            | 1,787,617                                 | 340,000                                | 2,127,617           |
|                                      |   |  |                     |
| Expenses                             |   |  |                     |
| Program services                     | 1,460,141                                 | -                                      | 1,460,141           |
| Management and general               | 505,981                                   | -                                      | 505,981             |
| Fundraising                          | 114,941                                   | -                                      | 114,941             |
|                                      |   |  |                     |
| Total expenses                       | 2,081,063                                 | -                                      | 2,081,063           |
|                                      |   |  |                     |
| <b>Change in Net Assets</b>          | (293,446)                                 | 340,000                                | 46,554              |
|                                      |   |  |                     |
| <b>Net Assets, beginning of year</b> | 7,916,151                                 | -                                      | 7,916,151           |
|                                      |   |  |                     |
| <b>Net Assets, end of year</b>       | <u>\$ 7,622,705</u>                       | <u>\$ 340,000</u>                      | <u>\$ 7,962,705</u> |

The accompanying notes are and integral part of this statement.

**Beaches Habitat for Humanity, Inc.****(a non-profit organization)****Consolidated Statements of Activities and Changes in Net Assets****For the year ended June 30, 2023**

|                                      | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b>               |
|--------------------------------------|---|--|----------------------------|
| Support and revenue                  |   |  |                            |
| Contributions and sponsorships       | \$ 1,127,180                              | \$ -                                   | \$ 1,127,180               |
| Program service                      | 1,109,951                                 | -                                      | 1,109,951                  |
| Noncash contributions                | 80,650                                    | -                                      | 80,650                     |
| Interest income                      | 32,998                                    | -                                      | 32,998                     |
| Loan forgiveness                     | 4,495                                     | -                                      | 4,495                      |
| Grants                               | 39,000                                    | -                                      | 39,000                     |
| Other income                         | 6,986                                     | -                                      | 6,986                      |
|                                      | <u>2,401,260</u>                          | <u>-</u>                               | <u>2,401,260</u>           |
| Expenses                             |   |  |                            |
| Program services                     | 2,161,031                                 | -                                      | 2,161,031                  |
| Management and general               | 501,613                                   | -                                      | 501,613                    |
| Fundraising                          | 111,560                                   | -                                      | 111,560                    |
|                                      | <u>2,774,204</u>                          | <u>-</u>                               | <u>2,774,204</u>           |
| <b>Change in Net Assets</b>          | <b>(372,944)</b>                          | <b>-</b>                               | <b>(372,944)</b>           |
| <b>Net Assets, beginning of year</b> | <b>8,289,095</b>                          | <b>-</b>                               | <b>8,289,095</b>           |
| <b>Net Assets, end of year</b>       | <b><u>\$ 7,916,151</u></b>                | <b><u>\$ -</u></b>                     | <b><u>\$ 7,916,151</u></b> |

The accompanying notes are an integral part of this statement.

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2024**

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|                           | Program<br>Services | Supporting<br>Services<br>Management<br>and General | Fund<br>Raising   | 2024<br>Total       |
|---------------------------|---------------------|---|-------------------|---------------------|
| Salaries                  | \$ 437,434          | \$ 364,673  | \$ 66,163         | \$ 868,270          |
| Employee benefits         | 28,676              | 23,906  | 4,337             | 56,919              |
| Payroll taxes             | 23,961              | 19,975  | 3,624             | 47,560              |
|                           | <u>490,071</u>      | <u>408,554</u>                                      | <u>74,124</u>     | <u>972,749</u>      |
| Construction and supplies | 669,851             | -   | -                 | 669,851             |
| Professional fees         | 121,889             | 40,630  | -                 | 162,519             |
| Office and premises       | 66,580              | 22,193  | -                 | 88,773              |
| Insurance                 | 27,489              | 13,540  | -                 | 41,029              |
| Special events            | -                   | -   | 40,817            | 40,817              |
| Depreciation              | 15,287              | 15,286  | -                 | 30,573              |
| Educational program       | 19,921              | -   | -                 | 19,921              |
| Travel                    | 18,026              | -   | -                 | 18,026              |
| Mortgage relief program   | 14,300              | -   | -                 | 14,300              |
| Printing and postage      | 7,690               | 3,788   | -                 | 11,478              |
| Tithe                     | 5,000               | -   | -                 | 5,000               |
| Interest expense          | 294                 | 145   | -                 | 439                 |
| Other                     | 3,743               | 1,845   | -                 | 5,588               |
|                           | <u>\$ 1,460,141</u> | <u>\$ 505,981</u>                                   | <u>\$ 114,941</u> | <u>\$ 2,081,063</u> |

The accompanying notes are an integral part of this statement.



**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2023**

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|                            | Program<br>Services | Supporting<br>Services<br>Management<br>and General | Fund<br>Raising   | 2023<br>Total       |
|----------------------------|---------------------|---|-------------------|---------------------|
| Salaries                   | \$ 432,876          | \$ 360,873  | \$ 65,472         | \$ 859,221          |
| Employee benefits          | 29,374              | 24,487  | 4,443             | 58,304              |
| Payroll taxes              | 32,705              | 27,265  | 4,947             | 64,917              |
|                            | <u>494,955</u>      | <u>412,625</u>                                      | <u>74,862</u>     | <u>982,442</u>      |
| Construction and supplies  | 1,177,835           | -   | -                 | 1,177,835           |
| Mortgage discounts expense | 189,146             | -   | -                 | 189,146             |
| Professional fees          | 123,605             | 41,202  | -                 | 164,807             |
| Office and premises        | 74,944              | 24,982  | -                 | 99,926              |
| Educational program        | 51,357              | -   | -                 | 51,357              |
| Special events             | -                   | -   | 36,698            | 36,698              |
| Depreciation               | 13,589              | 13,589  | -                 | 27,178              |
| Insurance                  | 9,858               | 4,856   | -                 | 14,714              |
| Tithe                      | 10,000              | -   | -                 | 10,000              |
| Travel                     | 6,889               | -   | -                 | 6,889               |
| Printing and postage       | 3,649               | 1,798   | -                 | 5,447               |
| Interest expense           | 134                 | 66  | -                 | 200                 |
| Other                      | 5,070               | 2,495   | -                 | 7,565               |
|                            | <u>\$ 2,161,031</u> | <u>\$ 501,613</u>                                   | <u>\$ 111,560</u> | <u>\$ 2,774,204</u> |

The accompanying notes are an integral part of this statement.

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2024 and 2023**

|   | <u>2024</u>                | <u>2023</u>                |
|---|----------------------------|----------------------------|
| Cash flows from operating activities  |                            |                            |
| Increase (decrease) in unrestricted net assets  | \$ 46,554                  | \$ (372,944)               |
| Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities: |                            |                            |
| Depreciation  | 30,573                     | 27,178                     |
| Discounts amortization mortgages, net   | (47,939)                   | 189,146                    |
| Changes in assets and liabilities   |                            |                            |
| Escrow deposits   | 12,940                     | 20,322                     |
| Accounts receivable   | (329,058)                  | (48,428)                   |
| Prepaid deposits  | (4,101)                    | 9,238                      |
| Construction inventory  | (118,872)                  | (154,832)                  |
| Accounts payable  | (18,827)                   | 9,706                      |
| Accrued expenses  | (1,042)                    | (76,695)                   |
| Escrow payable  | 12,364                     | (22,624)                   |
| Other liabilities   | -                          | (1,460)                    |
| Net cash used in operating activities   | <u>(417,408)</u>           | <u>(421,393)</u>           |
| Cash flows from investing activities  |                            |                            |
| Purchases of equipment  | (24,653)                   | (21,944)                   |
| Change in mortgage receivables held   | 33,474                     | 71,042                     |
| Changes in mortgage notes receivable - net of discounts   | 119,523                    | (287,046)                  |
| Net cash provided by (used in) investing activities   | <u>128,344</u>             | <u>(237,948)</u>           |
| Cash flows from financing activities  |                            |                            |
| Repayment of long-term debt   | (120,398)                  | (84,449)                   |
| Net cash used by financing activities   | <u>(120,398)</u>           | <u>(84,449)</u>            |
| Net decrease in cash  | (409,462)                  | (743,790)                  |
| Cash at beginning of year   | <u>2,227,039</u>           | <u>2,970,829</u>           |
| Cash at end of year   | <u><u>\$ 1,817,577</u></u> | <u><u>\$ 2,227,039</u></u> |
| Supplemental disclosure of cash flow information  |                            |                            |
| Cash paid for interest  | <u>\$ 439</u>              | <u>\$ 200</u>              |
| Cash paid for income taxes  | <u>\$ N/A</u>              | <u>\$ N/A</u>              |

The accompanying notes are an integral part of this statement.

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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**1. Organization and Purpose**

Beaches Habitat for Humanity, Inc. (the Organization) was established November 28, 1990 as an independent affiliate of Habitat for Humanity International. The Organization seeks to put God's love into action, bringing people together to build homes, communities and hope. Primary programs include building new homes, renovating and repairing existing homes for families in need in eastern Duval County Florida, particularly in the beaches communities of Atlantic Beach, Neptune Beach, and Jacksonville Beach. Homes are sold to working low-income families who qualified for the homeownership programs and meet required volunteer hours. Homeowners purchase their homes with an interest free mortgage held by the Organization.

Recognizing the importance of education in breaking the cycle of poverty, the Organization offers a number of educational support and enrichment programs to assist students and families in achieving their highest academic potential. In addition, the Organization provides access to college scholarship programs.

BHFH Funding Company I, LLC (LLC) is a 100% owned limited liability company that was a party to a past mortgage sale agreement between the Organization and a commercial bank.

**2. Summary of Significant Accounting Principles**

Principles of Consolidation

The consolidated financial statements of the Organization include the accounts of its fully owned LLC. Any intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Revenues from the sale of houses are recognized at the transfer to the homeowner. Construction costs are capitalized and carried as an asset until the property is completed and sold.

Basis of Presentation

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. The Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit- Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Revenue and Cost Recognition

*Revenue from Exchange Transactions:* The Organization recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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Homes sales – The Organization recognizes revenues from construction of homebuilding contracts at the closing of the sales using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities. Capitalized costs are charged to earnings upon closing. Costs incurred in connection with completed homes and general and administrative costs are charged to expense as incurred. Payment typically is due over time in installments, based on terms specified in the contracts. All mortgages and contracts for deed are due based on the note's terms. Construction costs include all direct material and labor cost, subcontract cost and those indirect costs related to construction of the home, such as indirect labor, supplies, tools, and repairs. Selling, general and administrative costs are charged to expenses as incurred.

Contributions

Contributions received, including unconditional promises to give, are recorded as with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are with restriction by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with restriction are reclassified to without restriction and are reported in the Statements of Activities as assets released from restriction.

The Organization adopted Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). The amendments in this update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the consolidated financial statements using different terms for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms. The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets such as land, buildings, and equipment, use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

Long-lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less the cost to sell. Long-lived assets were measured for impairment and no adjustments were deemed necessary during the years ended June 30, 2024 and 2023.

Donated Materials, Long-lived Assets, Facilities & Services

Donated materials are recorded as contributions at their estimated fair value at the date of donation. Long-lived assets or the use facilities are recorded as contributions in the period received at fair value. Contribution of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills and are provided by individuals possessing those skills. A substantial number of volunteers have donated a significant amount of their time to the Organization and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are valued at net realizable value through an allowance for doubtful accounts. The allowance for doubtful accounts approximates \$38,000 at June 30, 2024 and 2023, respectively.

Mortgages Receivable Held

As indicated in Note 15, the fully owned LLC was used as a funding instrument in a 2017 mortgage sale to a commercial bank. For purposes of continued servicing of the mortgages, the LLC was established to hold the receivables. The Organization receives service collections, remits the proceeds to the LLC, who remits to the commercial bank.

The receivables are non-interest bearing and are considered to be fully collectible.

Mortgage Notes Receivable

The Organization has a policy of selling affordable housing with interest free mortgages. Therefore, mortgages receivable do not have a stated interest rate. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. The Organization does not maintain an allowance for uncollectible mortgages receivable because the Organization has the ability to foreclose on properties and resell them to collect any past due amounts. All mortgages and contracts for deed are due based on the note's terms. Management believes all mortgages and contracts for deed receivable are realizable through either collection or foreclosure proceeds, of not collected.

Inventories

Inventories consist of construction supplies and homes. The construction supplies are valued at the lower of cost or market. Cost is determined on the first-in, first out method. Donated items are recorded at estimated fair value at the date of donation. Home inventory consists of houses and lots constructed or purchased by the Organization for the rehabilitation and resale. The houses and lots are valued at the lower of specific acquisition and carrying costs or estimated net value. Any additional costs to rehabilitate the homes are added to the carrying cost of the home.

Repurchased Homes

Repurchased homes acquired through or in lieu of loan foreclosure are initially recorded at the lesser of outstanding loan balance less the outstanding discount on the loan or the fair value. Any write-down on the asset to fair value at the date of acquisition is charged to loss on the statement of activities. Cost of significant property improvements are added to the cost of the home, whereas costs relating to holding the property are expensed.

**Beaches Habitat for Humanity, Inc.**  
**(a non-profit organization)**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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Property and Equipment

Acquisition of property and equipment are capitalized at cost, or if donated, at fair value at the date of donation. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities. Depreciation is computed using straight-line and accelerated methods over the useful lives of the assets.

Notes Payable

Notes payable are recorded at their outstanding principal amounts.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Other income from operations not directly related to the Organization's non-profit purposes is taxable at the regular corporate tax rates. The Organization is no longer subject to U.S. Federal income tax examinations by the tax authorities for years before June 30, 2021.

Leases

The Organization adopted the provisions of FASB ASC Topic 842 (ASU 2016-02), leases. ASC 842 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases, except for those with a lease term of twelve months or less or are below the Company's capitalization threshold. Leases are classified as either finance leases or operating leases. The standard was adopted under a transition method, as of the date of adoption and elected to apply several of the available practical expedients, including:

- Carryover of historical lease determination and lease classifications conclusions,
- Carryover of historical initial direct cost balance for existing leases,
- Accounting for lease and non-lease components in contracts in which the Organization is a lessee as a single lease component.

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less or below the Company's capitalization threshold, for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The Company has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

Valuation

To best reflect economic realities and comply with certain grant requirements, the selling price of new homes is at approximate appraisal value. The mortgage receivable due from the homeowner is adjusted to reflect the value of significant volunteer credits in the form of internal down payment assistance, thus meeting the requirements of the national organization.

Functional Classification of Expenses

The Organization allocated its expenses on a functional basis among its various programs including fundraising activities and support services. Expenses and support services that can be identified with

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a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Revenue and Cost Recognition

The Organization recognizes revenue from all homebuilding activities at the closing of the sale using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities. Capitalized costs are charged to earnings upon closing. Costs incurred in connection with completed homes and general and administrative costs are charged to expense as incurred.

Date of Managements' Review

Subsequent events were evaluated through June 12, 2025, the date the financial statements were available for release.

**3. Liquidity and Availability of Funds**

The Organization's financial assets available for general expenditure that are without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

|  | <u>2024</u>         | <u>2023</u>         |
|--|---------------------|---------------------|
| Cash   | \$ 1,817,577        | \$ 2,227,039        |
| Accounts receivable - other  | <u>53,462</u>       | <u>56,253</u>       |
| Total financial assets at year end   | <u>\$ 1,871,039</u> | <u>\$ 2,283,292</u> |
| Restricted assets  | \$ 340,000          | \$ -                |
| Net assets available   | <u>1,531,039</u>    | <u>-</u>            |
| Total financial assets available to meet<br>general expenditures within the next 12 months | <u>\$ 1,871,039</u> | <u>\$ 2,283,292</u> |

**4. Escrow Deposits**

The Organization holds escrow deposits on behalf of persons with outstanding mortgages receivable. The escrows are for purposes of repairs and maintenance. The escrow deposits are held in a commercial bank account. The outstanding escrow balances were \$330,122 and \$343,062 at June 30, 2024 and 2023, respectively.

**5. Mortgage Notes Receivable**

The Organization provides 100% financing on homes purchased over a 20 to 35-year period at no interest. Generally accepted accounting principles require that contractual rights to receive money in the future be recorded at the present value of the consideration given in exchange.

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The value of the house given in exchange for the mortgage note is deemed to be the present value of all future mortgage principal payments using an imputed interest rate. The difference between the face amount of the note and its present value is accounted for as a discount, recorded on the State of Financial Position reducing mortgage notes receivable, and amortized over the life of the note by the interest method. Present value is calculated using rates determined for the year the mortgage was executed. Rates used for the year ending June 30, 2024 and 2023, were 7.23% and 7.85%, respectively.

The Organization has an agreement with a commercial bank, whereby the bank acts as loan processor after closing takes place.

|                           | <u>2024</u>         | <u>2023</u>         |
|---------------------------|---------------------|---------------------|
| Mortgage notes receivable | \$ 6,088,600        | \$ 6,208,123        |
| Less: Unearned discount   | <u>(3,044,790)</u>  | <u>(3,092,729)</u>  |
|                           | <u>\$ 3,043,810</u> | <u>\$ 3,115,394</u> |

All notes are collateralized by a first mortgage lien on the real property sold. In the event of a default by the mortgagor, the property may be repossessed to satisfy any outstanding obligations. In addition, all mortgages are non-assumable without prior written approval of the Organization. Since all houses are collateralized by a first mortgage lien and the high demand for affordable housing in the area, the Organization has made no allowance for uncollectible mortgages.

As of June 30, 2024 and 2023, the Organization had 32 and 57 delinquent loans, with approximate delinquent balances of \$215,104 and \$164,000, respectively. The total principal balance for the delinquent mortgages as of June 30, 2024 and 2023 is approximately \$2,500,000 and \$2,800,000, respectively.

## **6. Construction Inventory**

All construction costs, including materials and subcontract labor paid by the Organization as well as the value of those items donated to the Organization, are considered work in progress until a mortgage is signed on the house.

At June 30, 2024 and 2023, there were 2 and 0 completed but unsold homes as well as 1 and 3 homes in process, respectively. There were 0 repurchased homes at June 30, 2024 and 2023, respectively. The detail of the construction inventory is as follows:

|                            | <u>2024</u>         | <u>2023</u>         |
|----------------------------|---------------------|---------------------|
| Land & land infrastructure | \$ 1,721,924        | \$ 1,785,110        |
| Construction in process    | <u>380,957</u>      | <u>198,899</u>      |
|                            | <u>\$ 2,102,881</u> | <u>\$ 1,984,009</u> |



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**7. Property and Equipment**

Property and equipment consisted of:

|                               | <u>2024</u>              | <u>2023</u>              |
|-------------------------------|--------------------------|--------------------------|
| Land                          | \$ 155,198               | \$ 155,198               |
| Building & improvements       | 696,168                  | 679,310                  |
| Equipment                     | 176,551                  | 168,756                  |
|                               | <u>1,027,917</u>         | <u>1,003,264</u>         |
| Less accumulated depreciation | <u>(377,539)</u>         | <u>(346,966)</u>         |
|                               | <u><u>\$ 650,378</u></u> | <u><u>\$ 656,298</u></u> |

**8. Deposits and Payments on Houses Awaiting Closing**

As stated in Note 1, families must meet certain requirements before they can sign a mortgage on a house. If the house is completed before these requirements are met, then the family is allowed to rent the house while working to meet the requirements. Families receive a rent credit at the time the house is closed, at which time it is applied to reduce the mortgage. In addition, down payments of \$500 are collected on all houses and are applied to reduce the mortgage at closing.

At June 30, 2024 and 2023, the Organization had no down payment credits. There were no rent-applied credits.

**9. Line of Credit**

Subsequent to June 30, 2024, The Organization obtained a commercial bank line of credit in the amount of \$2,000,000, with interest at the floating prime but not less than 4.5%.

The line of credit is collateralized with select receivables and inventory.

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**10. Notes Payable**

The Organization had the following notes payable at June 30, 2024 and 2023:

|  | <u>2024</u>       | <u>2023</u>         |
|--|-------------------|---------------------|
| Commercial bank note, in conjunction with the City of Jacksonville (COJ), unsecured, due April 2025, interest at 3.99%. The COVID assistance loan requires maintaining 50% of pre-COVID workforce. Installment payments of \$1,934 per month, maturing January 2025, 10% of principle per year is forgiven. \$6,374 and \$4,495 was forgiven in years ending June 30, 2024 and 2023, respectively. | \$ 13,376         | \$ 41,327           |
| LLC secured note payable to a commercial bank, without interest. The note payments are the remittance of periodic collections of a 2017 structured sale of mortgages to the commercial bank. The mortgages are scheduled to pay out in April 2045. The LLC pledged the right, title, and interest to the mortgage loans to secure the note.  | 1,045,122         | 1,126,193           |
| Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$520, beginning July 2019 and maturing July 2024. Paid off in June 2024.  | -                 | 5,760               |
| Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$468 beginning July 2022 and maturing July 2026.  | 14,077            | 19,693              |
|  | 1,072,575         | 1,192,973           |
| Less current portion   | (96,299)          | (112,168)           |
| Long-term portion  | <u>\$ 976,276</u> | <u>\$ 1,080,805</u> |

Principal payments on notes payable for each of the next five years are as follows:

|            |                     |
|------------|---------------------|
| 2025       | \$ 96,299           |
| 2026       | 82,923              |
| 2027       | 80,151              |
| 2028       | 77,307              |
| 2029       | 77,307              |
| Thereafter | 658,588             |
|            | <u>\$ 1,072,575</u> |

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**11. Concentrations of Credit Risk**

Since the Organization's home sales are concentrated within one geographic location (Beaches Community of the Duval County, Florida area) to individuals who would otherwise not qualify for home mortgage financing, there is a significant concentration of credit risk associated with the Organization's mortgage notes receivable. In an effort to minimize this risk, it is the Organization's policy to require credit reports, employment verifications and police checks on all potential homeowners. Additional protection is provided by the recorded first mortgage lien on the real property during the period the mortgage is outstanding and the non-assumable nature of the mortgage without prior written approval of the Organization.

To mitigate the risk of overstating the ability of the Organization to fully collect the mortgages, the mortgage receivables have been discounted using the prevailing market rate for low-income housing at the inception of the note. Additionally, all mortgage receivables are collateralized by the real estate associated with the mortgage.

The Organization had commercial bank accounts at two commercial banks of \$1,398,750 at June 30, 2024, which are \$898,750 above the insured FDIC limit of \$250,000.

**12. Affiliation**

The Organization is an affiliate of Habitat for Humanity International, Inc.

**13. Separate Cash Accounts**

Certain grants require separate accounting. The Organization maintains the appropriate accounting.

**14. Consolidating Entities Activity**

The following represent the balances of BHFH Funding Company I, LLC (LLC) which have been consolidated into the financial statements of the Organization.

|                                 | <u>2024</u>                | <u>2023</u>                |
|---------------------------------|----------------------------|----------------------------|
| Assets                          |                            |                            |
| Due from the Organization       | \$ 22,829                  | \$ 70,426                  |
| Mortgage receivables held       | <u>1,022,293</u>           | <u>1,055,767</u>           |
| Total assets                    | <u><u>\$ 1,045,122</u></u> | <u><u>\$ 1,126,193</u></u> |
| Liabilities                     |                            |                            |
| Note payable to commercial bank | <u><u>\$ 1,045,122</u></u> | <u><u>\$ 1,126,193</u></u> |

For the year ended June 30, 2024 and 2023, the \$22,829 and \$70,426 due from the Organization were eliminated in consolidation.

The LLC has no income and expense transactions.

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The LLC was established as a funding instrument of the Organization's 2017 sale of mortgages to a commercial bank. The LLC holds the receivables. The Organization continues to receive and service the mortgage receivables, collections, remits the proceeds to the LLC, who remits to the commercial bank.

**15. In-kind Donations**

The Organization may receive equipment, land, construction supplies, educational rental space, loan processing, and professional services without payment or compensation. Contribution of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by an individual possessing those skills, and would typically needed to be purchased when not provided by donation, are recorded. The value of such services is ascertainable and meets the requirements of FASB ASC 958-605-25-16, it is reflected in the accompanying consolidated financial statements as revenue and expenses. Materials and other noncash donations are recorded at cost or estimated fair value determined at the date of donation.

A substantial number of volunteers have made significant contributions of their time to the Organization, which do not meet the above criteria. The value of this contributed time is not reflected in these consolidated financial statements since there is no objective measurement or valuation of these services.

Total in-kind donations included in the accompanying consolidated financial statements in accordance with ASC 958-605-25-16, were as follows:

|                          | <u>2024</u>      | <u>2023</u>      |
|--------------------------|------------------|------------------|
| Loan processing          | \$ 53,004        | \$ 53,004        |
| Educational rental space | 15,000           | 15,000           |
| Construction supplies    | 11,848           | 12,646           |
|                          | <u>\$ 79,852</u> | <u>\$ 80,650</u> |

**16. Donor Restrictions**

At June 30, 2024, the Organization had pledged receivables of \$340,000 restricted in use to the Coastal Haven development.



KEVIN M. FRITZ  
JON E. CORNAIRE  
MICHAEL R. RITCH  
GREGORY S. LACINA

ROBERT E. RALSTON  
(1921 - 1996)  
BERT J. PITTMAN, JR.  
(1944 - 2019)  
R. BRUCE SHEALY  
(RETIRED)

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

To the Board of Directors  
Beaches Habitat for Humanity, Inc.  
Atlantic Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Beaches Habitat for Humanity, Inc. (a non-profit organization), which comprise the consolidated financial position as of June 30, 2024, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 12, 2025.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Beaches Habitat for Humanity, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of Beaches Habitat for Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Beaches Habitat for Humanity, Inc.'s internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Ralston : Company*

June 12, 2025