

**Wichita Habitat for Humanity, Inc.**

**Independent Auditor's Report**

**and**

**Financial Report**

**December 31, 2022 and 2021**



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**Independent Auditor's Report**

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**Financial Report**

**December 31, 2022 and 2021**

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## Independent Auditor's Report

To the Board of Directors  
Wichita Habitat for Humanity, Inc.  
Wichita, Kansas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Wichita Habitat for Humanity, Inc. which comprise the statements of financial position as of December 31, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of Wichita Habitat for Humanity, Inc. as of December 31, 2022 and 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wichita Habitat for Humanity, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of 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 Wichita Habitat for Humanity, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Wichita 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 Wichita Habitat for Humanity, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of direct expense of Habitat's ReStore is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Regier Can E Mowal, CPA*

August 15, 2023  
Wichita, Kansas

**Wichita Habitat for Humanity, Inc.**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,778,256	\$ 2,363,577
Certificates of deposit	285,008	275,072
Accounts receivable, net	283,650	208,128
Inventory	172,455	90,889
Contributions receivable, net	84,710	36,152
Other assets	30,950	33,043
Construction assets		
Construction supplies	50,474	33,823
Construction in progress	299,996	127,934
Land held for development	198	198
Mortgages receivable, net	4,096,161	3,713,334
Property and equipment - net of accumulated depreciation of \$166,872 and \$205,907 at December 31, 2022 and 2021, respectively	171,376	157,688
Operating lease right-of-use assets	560,975	-
Total assets	\$ 9,814,209	\$ 7,039,838
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 185,796	\$ 154,798
Accrued salaries and vacation	83,407	71,379
Payroll and sales taxes payable	3,204	5,125
Deferred revenue	5,851	7,753
Note payable-bank	17,910	31,444
Operating lease liability	560,975	-
Total liabilities	857,143	270,499
<b>Net Assets</b>		
Without donor restrictions	8,866,698	6,700,332
With donor restrictions	90,368	69,007
Total net assets	8,957,066	6,769,339
Total liabilities and net assets	\$ 9,814,209	\$ 7,039,838

*The accompanying notes are an integral part of the financial statements.*

**Wichita Habitat for Humanity, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2022 and 2021**

	2022			2021		
	Without Donor Restrictions	With Donors Restrictions	Total	Without Donor Restrictions	With Donors Restrictions	Total
<b>Support and Revenue</b>						
Contributions	\$ 2,757,161	\$ 647,864	\$ 3,405,025	\$ 339,496	\$ 814,552	\$ 1,154,048
Grants	561,224	-	561,224	383,317	-	383,317
Special event	171,382	-	171,382	-	-	-
Paycheck protection program	-	-	-	268,580	-	268,580
In kind contributions-for operations	276,883	-	276,883	374,584	-	374,584
Total contributions	<u>3,766,650</u>	<u>647,864</u>	<u>4,414,514</u>	<u>1,365,977</u>	<u>814,552</u>	<u>2,180,529</u>
Sale of homes						
Net proceeds from sale of homes	1,219,787	-	1,219,787	1,906,725	-	1,906,725
Less discount on non-interest bearing mortgages receivable	(321,274)	-	(321,274)	(767,771)	-	(767,771)
Adjusted net proceeds from sale of homes	<u>898,513</u>	<u>-</u>	<u>898,513</u>	<u>1,138,954</u>	<u>-</u>	<u>1,138,954</u>
Habitat's ReStore activity						
Sale of merchandise						
Purchased	478,578	-	478,578	544,324	-	544,324
Donated	766,615	-	766,615	715,454	-	715,454
Cost of goods sold	(277,259)	-	(277,259)	(313,470)	-	(313,470)
Direct expense	(828,243)	-	(828,243)	(787,219)	-	(787,219)
Net profit from Habitat's ReStore	<u>139,691</u>	<u>-</u>	<u>139,691</u>	<u>159,089</u>	<u>-</u>	<u>159,089</u>
Other revenue						
Amortization of discount on non-interest bearing mortgages receivable	336,436	-	336,436	362,917	-	362,917
Gain on 2nd mortgage proceeds	10,000	-	10,000	10,000	-	10,000
Other interest income	30,075	-	30,075	6,521	-	6,521
Miscellaneous revenue	18,356	-	18,356	34,171	-	34,171
Gain on disposal of assets	10,452	-	10,452	1,548	-	1,548
Gain on sale of mortgage receivables	-	-	-	96,892	-	96,892
Total other revenue	<u>405,319</u>	<u>-</u>	<u>405,319</u>	<u>512,049</u>	<u>-</u>	<u>512,049</u>
Total revenue	<u>\$ 5,210,173</u>	<u>\$ 647,864</u>	<u>\$ 5,858,037</u>	<u>\$ 3,176,069</u>	<u>\$ 814,552</u>	<u>\$ 3,990,621</u>

(Continued)

*The accompanying notes are an integral part of the financial statements.*



**Wichita Habitat for Humanity, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2022 and 2021**

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donors Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donors Restrictions</b>	<b>Total</b>
<b>Net Assets Released from Restrictions</b>						
Home construction	\$ 534,165	\$ (534,165)	\$ -	\$ 782,458	\$ (782,458)	\$ -
Home repair	44,073	(44,073)	-	-	-	-
Homeowner education	48,265	(48,265)	-	-	-	-
Other	-	-	-	5,190	(5,190)	-
Total net assets released from restrictions	<u>626,503</u>	<u>(626,503)</u>	<u>-</u>	<u>787,648</u>	<u>(787,648)</u>	<u>-</u>
<b>Expenses</b>						
Program services						
Cost of homes sold	1,988,282	-	1,988,282	2,621,408	-	2,621,408
Other program expenses	1,166,018	-	1,166,018	999,253	-	999,253
Total program expenses	<u>3,154,300</u>	<u>-</u>	<u>3,154,300</u>	<u>3,620,661</u>	<u>-</u>	<u>3,620,661</u>
Supporting services						
General and administration	231,288	-	231,288	289,424	-	289,424
Fund-raising	284,722	-	284,722	278,862	-	278,862
Total support expenses	<u>516,010</u>	<u>-</u>	<u>516,010</u>	<u>568,286</u>	<u>-</u>	<u>568,286</u>
Total expenses	<u>3,670,310</u>	<u>-</u>	<u>3,670,310</u>	<u>4,188,947</u>	<u>-</u>	<u>4,188,947</u>
<b>Change in Net Assets</b>	<u>2,166,366</u>	<u>21,361</u>	<u>2,187,727</u>	<u>(225,230)</u>	<u>26,904</u>	<u>(198,326)</u>
<b>Net Assets at Beginning of Year</b>	<u>6,700,332</u>	<u>69,007</u>	<u>6,769,339</u>	<u>6,925,562</u>	<u>42,103</u>	<u>6,967,665</u>
<b>Net Assets at End of Year</b>	<u>\$ 8,866,698</u>	<u>\$ 90,368</u>	<u>\$ 8,957,066</u>	<u>\$ 6,700,332</u>	<u>\$ 69,007</u>	<u>\$ 6,769,339</u>

*The accompanying notes are an integral part of the financial statements.*

**Wichita Habitat for Humanity, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2022 and 2021**

	2022				2021			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		General & Administrative	Fund- Raising			General & Administrative	Fund- Raising	
Construction costs	\$1,711,399	\$ -	\$ -	\$ 1,711,399	\$ 2,246,824	\$ -	\$ -	\$ 2,246,824
In kind-materials/ supplies	276,883	-	-	276,883	374,584	-	-	374,584
Cost of homes sold	1,988,282	-	-	1,988,282	2,621,408	-	-	2,621,408
Salaries	742,611	147,381	190,823	1,080,815	705,739	187,546	207,228	1,100,513
Employee benefits	52,633	10,766	18,414	81,813	36,738	17,749	18,927	73,414
Payroll taxes	57,182	11,617	14,203	83,002	45,502	13,553	14,945	74,000
Professional fees	992	16,000	-	16,992	3,308	30,031	-	33,339
Supplies	39,412	7,591	14,819	61,822	31,311	5,332	11,281	47,924
Telephone	9,968	1,034	1,262	12,264	8,438	1,212	1,433	11,083
Postage and shipping	1,283	316	454	2,053	979	397	2,578	3,954
Occupancy	18,252	5,517	5,706	29,475	18,846	4,472	7,032	30,350
Tools and equipment	21,018	18	-	21,036	13,978	-	745	14,723
Printing	768	102	14	884	157	91	151	399
Travel	13,226	1,093	1,013	15,332	7,543	76	17	7,636
Repairs	30,887	-	-	30,887	18,992	13	-	19,005
Advertising	12,170	-	11,820	23,990	10,733	-	4,450	15,183
Training	3,559	648	1,543	5,750	3,203	99	687	3,989
Food	10,500	1,007	319	11,826	2,697	43	405	3,145
Tithe	63,943	-	-	63,943	16,430	-	-	16,430
Dues and subscriptions	1,119	15,100	875	17,094	645	15,073	1,449	17,167
Fees	654	5,341	-	5,995	600	5,168	-	5,768
Other	709	462	692	1,863	733	1,307	834	2,874
Interest expense	116	-	-	116	-	-	-	-
Volunteer recognition	929	-	1,220	2,149	37	-	-	37
Insurance	53,414	7,295	5,615	66,324	49,280	7,262	6,700	63,242
Vacant lot expense	1,199	-	-	1,199	1,949	-	-	1,949
Escrow losses/bad debts	-	-	1,500	1,500	-	-	-	-
Depreciation	22,553	-	-	22,553	21,415	-	-	21,415
Special event direct cost	6,921	-	14,430	21,351	-	-	-	-
Other expenses	1,166,018	231,288	284,722	1,682,028	999,253	289,424	278,862	1,567,539
<b>Total expenses</b>	<b>\$3,154,300</b>	<b>\$ 231,288</b>	<b>\$ 284,722</b>	<b>\$ 3,670,310</b>	<b>\$ 3,620,661</b>	<b>\$ 289,424</b>	<b>\$ 278,862</b>	<b>\$ 4,188,947</b>

*The accompanying notes are an integral part of the financial statements.*

**Wichita Habitat for Humanity, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,187,727	\$ (198,326)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of assets	(10,452)	(1,548)
Gain on sale of mortgage receivables	-	(96,892)
Depreciation	28,962	24,351
Right of use assets - amortization	121,112	-
Accretion of operating lease liability	16,308	-
Amortization of capital lease	-	5,059
Change in operating assets and liabilities:		
Certificates of deposit	(9,936)	(1,679)
Accounts receivable	(75,522)	(100,386)
Inventory	(81,566)	29,717
Contributions receivable	(48,558)	10,643
Other assets	2,093	146
Construction assets:		
Construction supplies	(16,651)	16,202
Construction in progress	(172,062)	75,901
Land held for development	-	10,408
Mortgages receivable	(382,827)	(452,001)
Accounts payable	30,998	77,095
Accrued salaries & vacation	12,028	14,904
Payroll and sales taxes payable	(1,921)	757
Deferred revenue	(1,902)	7,753
Operating lease liability	(137,420)	-
Net cash provided/(used) by operating activities	1,460,411	(577,896)
<b>Cash Flows from Investing Activities</b>		
Proceeds from mortgage receivable sale	-	673,058
Proceeds from sale of equipment	37,263	3,000
Purchase of property & equipment	(69,461)	-
Net cash (used)/provided by investing activities	(32,198)	676,058
<b>Cash Flows from Financing Activities</b>		
Repayment of notes payable-bank	(13,534)	(12,865)
Repayment on capital lease obligations	-	(5,059)
Net cash used by financing activities	(13,534)	(17,924)
<b>Net Increase in Cash and Cash Equivalents</b>	1,414,679	80,238
<b>Cash and Cash Equivalents-Beginning of Year</b>	2,363,577	2,283,339
<b>Cash and Cash Equivalents-End of Year</b>	\$ 3,778,256	\$ 2,363,577
<b>Supplemental Information:</b>		
Proceeds from sales of real estate financed through non-interest bearing mortgages receivable, net of discount	\$ 641,891	\$ 795,937
Interest paid	\$ 116	\$ -

*The accompanying notes are an integral part of the financial statements.*

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies**

***Nature of operations***

Wichita Habitat for Humanity, Inc. (the “Organization”) is a nonprofit corporation based in Wichita, Kansas organized for the purpose of constructing modest single family housing for low-income families. The Organization is an affiliate of Habitat for Humanity International, a Georgia nonprofit corporation. The Organization receives its funding primarily from individual and corporate donations. In addition to cash and in-kind contributions of materials and supplies, the Organization relies on volunteers for significant aspects of the housing construction. Additional construction costs are incurred for items which are not donated. Such costs may include real estate, direct materials, subcontractor costs and indirect costs related to construction such as supplies, insurance and building permits.

Homes are sold to eligible families who have been selected by the Organization. In addition to satisfying eligibility criteria, potential homeowners are required to invest 400 hours if dual head of household or 250 hours if single of donated service for the home’s construction. However, for both types of homeowners 100 hours can be donated. The homes are sold to the selected families at the average estimated cost paid to construct the home. Additionally, sales are financed by the Organization with zero percent interest mortgages to the families.

***Habitat’s ReStore***

Habitat’s ReStore is a store in which building materials, home appliances and supplies are sold to the public. Portions of the merchandise are donated to the Organization, or are surplus materials from construction activities. Other amounts of merchandise that are sold are purchased through traditional methods.

***Use of estimates***

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

***Cash and cash equivalents***

Cash and cash equivalents include all monies from checking and certificates of deposit which have original maturities of 90 days or less.

***Certificates of deposit***

Certificates of deposit are carried at cost, which is estimated to approximate fair value. All certificates of deposit which have not been included as a cash equivalent have original maturities greater than 90 days, but less than one year.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies (Continued)**

***Inventory***

Inventory is stated at the lower of cost or net realizable value, computed on the first-in, first-out method. The original carrying value for items purchased for operations, or sale at Habitat's ReStore, is the actual cost to acquire the item. The carrying value of donated items for use in operations is the fair value of the item at the date of the contribution. Donated items for sale at Habitat's ReStore are not recognized until sold.

***Construction in progress and land held for development***

Construction in progress includes direct costs associated with the construction of a home. Direct costs include materials, supplies, sub-contractor costs and other construction related expenses. Land held for development represents the carrying value of lots owned by the Organization which may be the site of future home construction. The carrying value of construction in progress and land held for development is cost, or if donated, the fair value at the time of the donation. Upon the sale of the home to a homeowner, the construction in progress and land held for development are recognized as cost of homes sold.

***Mortgages receivable***

Mortgages receivable consist of non-interest bearing notes, which have been collateralized by single family residential property located in the Wichita, Kansas area. The mortgages receivable have been discounted to an estimated present value using discount rates ranging from 5% to 8.14%, over the remaining life of the mortgage. Discount rates are established at the origination of the mortgage and remain fixed over the term of the mortgage.

In 2021, the Organization entered into an agreement whereby it sold packages of mortgage loans to local financial institutions. A gain was recognized based upon the difference of the proceeds received and the net discounted carrying value of the mortgage loans sold.

***Property assets***

Property and equipment are carried at cost or estimated fair value at date of donation. The Organization typically capitalizes items costing or valued at \$3,000 or more. Depreciation has been computed using the straight-line method over the following estimated useful lives:

Furniture and office equipment	3 to 15 years
Transportation equipment	3 to 5 years
Leasehold improvements	15 years
Warehouse	27.5 years

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies (Continued)**

***Classification of Net Assets***

For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with core activities of the Organization.
- With Donor Restrictions - Net assets are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. The Organization has no donor-imposed restrictions which are perpetual in nature.

***Revenue and Revenue Recognition***

Contributions, including any unconditional promises to give, are recognized as revenues in the period received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as satisfaction of donor restrictions.

Revenue from certain grants and contracts from foundations and governmental entities contain stipulations within the agreements that contain right of return of funds and barriers that make these contributions conditional. These funds are recognized as revenue as eligible costs are incurred and barriers have been met. As of December 31, 2022 and 2021, such conditional grant income approximating \$219,434 and \$600,327, respectively, had been awarded but has not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. Both conditions require repairing housing units in which the homeowner meets certain area median income levels.

Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as net assets with donor restrictions at the time of receipt. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets 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 long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies (Continued)**

***Revenue and revenue recognition (Continued)***

The Organization receives various donated in-kind support including construction materials to use for the construction of homes and operations. Construction materials are recorded at their estimated fair value in the period received. The Organization did not monetize (sell) any of the contributions received from construction materials. The Organization also receives donated household items in their ReStore. Due to the uncertainty of the value of donations made to ReStore, such donations are not recognized as revenue until the donated items are sold. The Organization monetizes (sells) the donated items as soon as they can in their ReStore.

Volunteers have donated significant amounts of their time to the Organization's program services. The value of those donated services are not recorded in the accompanying financial statements, unless the donated services create or enhance non-financial assets and required specialized skills, if the services are provided by individual possessing those skills and if the services would typically need to be purchased if not provided by donation. During the years ended December 31, 2022 and 2021 there were approximately 21,683 and 20,021 hours of volunteer time donated towards the Organization's construction activities that have not been reflected in the accompanying financial statements.

Other revenue items, including home sales and ReStore sales, are considered exchange transactions with revenue recognized as the respective event or exchange occurs within the year. Revenue on the sale of the homes is recognized at the estimated net present value of the proceeds to be received.

***Income taxes***

The Organization is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Organization is qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**1. Summary of Significant Accounting Policies (Continued)**

***Advertising***

Advertising costs are expensed as incurred. Advertising charged to expense on the Statement of Functional Expenses was \$23,990 and \$15,183 for the years ended December 31, 2022 and 2021, respectively. Additional advertising included in direct expense of Habitat's ReStore was \$71,944 and \$70,964 for the years ended December 31, 2022 and 2021, respectively.

***Functional allocation of expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, general and administrative, and fund raising activities that were benefited. Program expenses not only include the construction of homes, but also the servicing of non-interest bearing mortgage loans and home buyer education. As noted above, the Organization's program efforts include substantial volunteer effort which is not recognized in the financial statements, therefore, program expenses do not reflect these donated services.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fund raising activities in conjunction with its other activities.

***Change in Accounting Principles***

Effective January 1, 2022, the Organization adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard, which was applied retrospectively, did not have a material impact on the financial statements, with the exception of increased disclosure (see Note 11).

Effective January 1, 2022, the Organization adopted ASU No. 2016-02, *Leases (Topic 842)* and has elected to apply the changes retrospectively at the beginning of the period of adoption. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are required to be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Previously, leases were classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. The Organization has elected to adopt the package of practical expedients in relation to its contracts and leases existing at the transition date and has also elected the short-term lease exemption.



**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**2. Contributions receivable**

Contributions receivable were \$84,710 and \$36,152 as of December 31, 2022 and 2021, respectively. The contributions receivable have been discounted to an estimated present value using a 7.49% and 7.23% rate, respectively, over the remaining life of the receivable.

Contributions receivable are summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Less than 1 year	\$ 82,849	\$ 31,000
1 to 5 years	<u>2,000</u>	<u>7,000</u>
	84,849	38,000
Less discount	<u>(139)</u>	<u>(1,848)</u>
Net contributions receivable	<u>\$ 84,710</u>	<u>\$ 36,152</u>

**3. Mortgages receivable**

Mortgages receivable consist of non-interest bearing notes, which have been collateralized by single family residential property located in the Wichita, Kansas area. The mortgages receivable have been discounted to an estimated present value using discount rates ranging from 5% to 8.14% over the remaining life of the mortgage. During the year 2018, the Organization transitioned to having their mortgages receivable serviced by a local bank. The notes require monthly payments, including amounts for insurance and taxes. Amounts received for insurance and taxes are held in escrow by the local bank until the due date for the payment. As a result of the loan to value ratio for mortgaged collateral, a provision for loan losses is not considered necessary at December 31, 2022 and 2021. The ultimate collectability of the mortgage receivables and the value of mortgaged collateral are susceptible to changes in the local economy.

Mortgages receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Mortgages receivable	\$ 6,468,263	\$ 6,105,021
Less discount	<u>(2,372,102)</u>	<u>(2,391,687)</u>
Net mortgages receivable	<u>\$ 4,096,161</u>	<u>\$ 3,713,334</u>

In 2021, the Organization entered into an agreement whereby it sold a package of mortgage loans to a local financial institution. The mortgage loans were sold at 85% of the undiscounted carrying value and the Organization received \$673,058 in proceeds during the year ended December 31, 2021. The Organization has guaranteed the performance of these loans to the financial institutions. Should a homeowner default on their payment, the Organization has the option of repurchasing the loan, or replacing the non-performing loan with one that is performing, subject to the financial institutions acceptance of the replacement loan.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**4. Property and equipment**

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 97,479	\$ 103,402
Transportation equipment	60,437	78,664
Leasehold improvements	30,348	31,545
Warehouse	149,984	149,984
	<u>338,248</u>	<u>363,595</u>
Less accumulated depreciation	(166,872)	(205,907)
	<u>\$ 171,376</u>	<u>\$ 157,688</u>

Depreciation charged to expense on the Statement of Functional Expenses was \$22,553 and \$21,415 for the years ended December 31, 2022 and 2021, respectively. Additional depreciation included in direct expense of Habitat's ReStore was \$6,409 and \$2,936 for the years ended December 31, 2022 and 2021, respectively.

**5. Note payable - bank**

The note payable to a bank consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Note payable to a bank payable in monthly installments of \$1,235 beginning April 13, 2014 and maturing March 13, 2024, bearing an interest rate of 5%, adjusting annually based upon a U.S. Treasury index, plus 3.5%, secured by warehouse	<u>\$ 17,910</u>	<u>\$ 31,444</u>

Future principal payments on the note payable to a bank as of December 31, 2022 are as follows:

2023	\$ 14,276
2024	3,634
	<u>\$ 17,910</u>

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**6. Net assets without donor restrictions**

Net assets without donor restrictions are for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 8,416,698	\$ 6,450,332
Board designated - operating reserve	250,000	250,000
Board designated - tithe	200,000	-
	<u>\$ 8,866,698</u>	<u>\$ 6,700,332</u>

**7. Net assets with donor restrictions**

Net assets with donor restrictions are for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Home construction	\$ 1,913	\$ 1,913
Home repair	28,521	67,094
Homeowner education	59,934	-
	<u>\$ 90,368</u>	<u>\$ 69,007</u>

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**8. Financial assets and liquidity resources**

The following schedule reflects the Organization's financial assets available for general expenditure as of December 31, 2022 and 2021, reduced by amounts that are not available for general use due to donor-imposed and/or board designated restrictions within one year of the statement of financial position date:

	<b>2022</b>	<b>2021</b>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 3,778,256	\$ 2,363,577
Certificates of deposit	285,008	275,072
Accounts receivable	283,650	208,128
Contributions receivable	84,710	36,152
	4,431,624	2,882,929
<b>Less those unavailable for general expenditures within one year, due to:</b>		
Restricted by donor with purpose restrictions:		
Home construction	1,913	1,913
Home repair	28,521	67,094
Homeowner education	59,934	-
	90,368	69,007
Board designated:		
Operating reserve	250,000	250,000
Tithe	200,000	-
	450,000	250,000
	540,368	319,007
<b>Total financial assets available to meet cash need for general purpose expenditures within one year</b>	<b>\$ 3,891,256</b>	<b>\$ 2,563,922</b>

The Organization's objective is to maintain financial assets to meet operating expenses as due. The Organization maintains excess cash in liquid money market accounts and certificates of deposit.

**9. Other related party**

Ten percent of Habitat's ReStore's net income is contributed to Habitat for Humanity International to support housing construction in third world countries. During the year ended December 31, 2022, after receiving a large, one-time donation, the Organization's board decided to tithe. Contributions to Habitat for Humanity International and other affiliated organizations were as follows for the years ended December 31:

	<b>2022</b>	<b>2021</b>
Statement of functional expense - Tithe	\$ 63,943	\$ 16,430

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**9. Other related party (Continued)**

Wichita Habitat for Humanity had accounts payable of \$25,865 and \$0 to Habitat for Humanity International as of December 31, 2022 and 2021, respectively.

**10. Leases**

Prior to ASU No. 2016-02, Leases (Topic 842)

Wichita Habitat for Humanity, Inc. leases its office space under an operating lease agreement. The operating lease agreement originally required monthly payments of \$2,285 and was to expire on June 30, 2021. The lease has been renegotiated several times in recent years due to the COVID pandemic. Effective January 4, 2021, the rent decreased to \$2,175 through December 31, 2021. However, in July 2021, additional space was also added which increased monthly rent payments to \$2,410 through December 2023.

Wichita Habitat for Humanity, Inc. also leased retail space for Habitat's ReStore under the terms of an operating lease. The lease has an initial term of five years, expiring on May 31, 2023. The lease requires monthly payments of \$8,395 for the first three years and increases to \$9,042 for the fourth and fifth years of the initial term. The Organization exercised one of the lease extension options during 2021 and locked in the monthly payment of \$9,042 through March 2028. The lease has an option to extend the lease for one additional period of five years. Lease expense related to retail space for the year ended December 31, 2021 was \$105,271.

Future minimum lease payments required under these leases at December 31, 2021 are as follows:

	Administrative Office	Habitat's ReStore	Total
2023	\$ 28,920	\$ 108,500	\$ 137,420
2024	-	108,500	108,500
2025	-	108,500	108,500
2026	-	108,500	108,500
2027	-	108,500	108,500
Thereafter	-	27,125	27,125
	<u>\$ 28,920</u>	<u>\$ 569,625</u>	<u>\$ 598,545</u>

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**10. Leases (Continued)**

*After Implementation of ASU No. 2016-02, Leases (Topic 842)*

The Organization leases certain office facilities under a long-term non-cancelable operating lease agreement. The lease expires in December 2023. The Organization also leases retail space for the Habitat's ReStore under a long-term non-cancelable operating lease. The lease expires March 2028. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization has elected to apply the new standard retrospectively at the beginning of the period of adoption, January 1, 2022, rather than to all comparative periods presented.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization 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. The Organization has applied the risk-free rate option to the building classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less 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. As of December 31, 2022, the Organization had no short term leases.

The Organization has elected the package of practical expedients related to contracts and leases at the date of adoption which allows the Organization not to reassess whether any expired or existing contracts are or contain leases, lease classification for expired or existing leases, and initial direct costs for any existing leases.

Total lease costs for the year ended December 31, 2022 are as follows:

Operating lease cost	\$ 137,420
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The following table summarized the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 137,420
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 682,087

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**10. Leases (Continued)**

*After Implementation of ASU No. 2016-02, Leases (Topic 842) (Continued)*

The following summarized the weighted-average remaining lease term and weighted-average discount rate:

	<b>2022</b>
Weighted-average remaining lease term in years:	
Operating leases	5.03
Weighted-average discount rate:	
Operating leases	2.65%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

	<b>Operating</b>
December 31,	
2023	\$ 137,420
2024	108,500
2025	108,500
2026	108,500
2027	108,500
Thereafter	27,125
Total undiscounted cash flows	598,545
Less present value discount	(37,570)
Present value of lease liabilities	<b>\$ 560,975</b>

**11. In kind contributions**

The following is a summary of the Organization's non-financial support, as shown on the statement of activities, for the years ended December 31:

	<b>2022</b>	<b>2021</b>
Construction materials	\$ 276,883	\$ 374,584

Construction materials generally include electrical, plumbing and HVAC materials, appliances, concrete, doors and windows and moisture wrap. Materials are used in the construction of new homes and are recognized at fair value based on current prices of similar items.

All in-kind contributions during the years ended December 31, 2022 and 2021 were unrestricted.

**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**12. Pension plan**

During 2009, Wichita Habitat for Humanity, Inc. implemented a 403(b) thrift plan for its employees. The employees become eligible to make contributions to the plan beginning on the first day of employment when working more than 20 hours per week. Employees are eligible for employer contributions when they have attained 21 years of age, have been employed for more than six months and when working more than 20 hours per week. The participants can defer up to \$19,500 of their compensation for 2022 and 2021. The Organization matches 50% of contributions made up to 7% of their compensation. Total expense for the plan was \$24,852 and \$24,794 for the years ended December 31, 2022 and 2021, respectively.

**13. Cash balance in excess of FDIC limit**

At various times during the fiscal year, the Organization's cash in bank balances exceeded the federally insured limits. At December 31, 2022, the Organization's uninsured cash balances totaled approximately \$3,124,201. Management does not believe it is exposed to significant credit risk.

Subsequent to December 31, 2022, the Organization established an insured cash sweep account in which to transfer funds exceeding federally insured limits. Future uninsured balances are not expected to be significant.

**14. Commitments**

The Organization has commitments to sell homes currently under construction at estimated cost and to finance the sale with non-interest bearing mortgage receivables to potential homeowners, based upon the satisfaction of certain requirements by the potential homeowner. Substantially all properties included in construction in progress are identified for such sale.

**15. Paycheck protection program**

On April 20, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$246,700 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of eighteen months, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protections Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization applied for forgiveness of the PPP Loan with respect to the covered expenses and was approved for full forgiveness in October 2020. Accordingly, the Organization considered the PPP funds a conditional contribution in accordance to FASB ASC 958-605. Revenue is recognized as conditions are met by incurring the covered costs.



**Wichita Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

**15. Paycheck protection program (Continued)**

The Organization obtained a second PPP loan of \$268,580. Similar to the original PPP Loan above, the second PPP Loan is subject to forgiveness under the Paycheck Protection Program.

The Organization applied for forgiveness of the PPP Loan with respect to the covered expenses and was approved for full forgiveness in October 2021. Accordingly, the Organization considered the PPP funds a conditional contribution in accordance to FASB ASC 958-605. Revenue is recognized as conditions are met by incurring the covered costs.

**16. Subsequent events**

*Management review*

Subsequent events were evaluated through August 15, 2023, which is the date the financial statements were available to be issued.

## **Supplemental Information**

**Wichita Habitat for Humanity, Inc.**  
**Supplemental Information-Direct Expense of Habitat's ReStore**  
**For the Year Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Salaries	\$ 370,937	\$ 360,140
Employee benefits	36,077	25,887
Payroll taxes	31,147	30,729
Professional fees	1,977	2,119
Supplies	15,537	17,550
Telephone	5,027	4,960
Postage and shipping	12	-
Occupancy	227,603	206,966
Travel	14	-
Printing	69	-
Repairs	309	413
Advertising	71,944	70,964
Auto	15,837	20,034
Dues and subscriptions	199	-
Fees	25,854	21,857
Other	2,122	2,203
Insurance	17,169	20,461
Depreciation	6,409	2,936
	<u>          </u>	<u>          </u>
Total direct expenses of Habitat's ReStore	<u>\$ 828,243</u>	<u>\$ 787,219</u>

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<b>EL DORADO</b>	117 W. CENTRAL AVE	EL DORADO, KS 67042-0847	316-321-1150
<b>TUCSON</b>	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
<b>TULSA</b>	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
<b>WAGONER</b>	509 S. MCQUARRIE AVE	WAGONER, OK 74467-6223	918-485-5531
<b>WICHITA</b>	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335