HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.

FINANCIAL STATEMENTS
Year Ended June 30, 2022
(With Comparative Totals For 2021)

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.

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BAUM, SMITH & CLEMENS, LLP
CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Montgomery and Delaware Counties, Inc.

Opinion

We have audited the accompanying financial statements of the Habitat for Humanity of Montgomery and Delaware Counties, Inc. (a non-profit organization), which are comprised of the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Habitat for Humanity of Montgomery and Delaware Counties, Inc. as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S generally accepted auditing standards. 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 the Habitat for Humanity of Montgomery and Delaware Counties, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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 the Habitat for Humanity of Montgomery and Delaware Counties, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditors' Responsibility

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Habitat for Humanity of Montgomery and Delaware Counties, 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 the Habitat for Humanity of Montgomery and Delaware Counties, 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.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Montgomery and Delaware Counties, Inc. 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baum, Smith & Clemens, LLP

Harleysville, PA
January 13, 2023

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current		
Cash and cash equivalents	$ 1,131,229	$ 1,791,274
Mortgages receivable, current, net	32,208	98,544
Contributions receivable	75,925	69,886
ERC receivable	433,742	137,539
Other receivables	4,145	16,322
ReStore inventory	126,379	136,376
Investments	726,329	814,448
Property held for sale	24,670	-
Construction in progress	1,218,959	735,878
Prepaid expenses	23,836	24,650
Total current assets	3,797,422	3,824,917
Property and equipment, net	1,353,925	1,228,041
Other		
Mortgages receivable, net of current portion, allowance and discount	874,676	1,069,614
Deposits - other	29,975	29,975
Right of use asset - operating lease	572,675	-
Total other assets	1,477,326	1,099,589
Total assets	**$ 6,628,673**	**$ 6,152,547**
LIABILITIES		
Current		
Current portion of long-term debt	$ 88,174	$ 84,552
Accounts payable	104,972	81,366
Accrued expenses	89,674	64,128
Accrued payroll and payroll taxes	45,953	33,178
Funds held in escrow	21,590	93,857
Lease liability - operating lease, current	209,492	-
Total current liabilities	559,855	357,081
Long-term		
Debt, net of current portion and debt issuance costs	805,351	891,853
Lease liability - operating lease, net of current portion	265,440	-
Total liabilities	1,630,646	1,248,934
NET ASSETS		
Without donor restrictions	4,836,727	4,269,221
With donor restrictions	161,300	634,392
Total net assets	4,998,027	4,903,613
Total liabilities and net assets	**$ 6,628,673**	**$ 6,152,547**

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	$ 1,487,831	$ 88,450	$ 1,576,281	$ 1,356,370
In-kind contributions	200,936	-	200,936	198,518
Sale of homes to Habitat homeowners	115,000	-	115,000	273,000
Fundraising activities, net	39,754	-	39,754	33,046
Program income	4,854	-	4,854	(75,754)
PPP grant income	-	-	-	241,868
Employee retention credit	434,994	-	434,994	137,539
Restore revenue	1,301,782	-	1,301,782	1,465,995
Amortization of mortgage discounts	129,909	-	129,909	102,223
Other income (expense)	(6,694)	-	(6,694)	311,535
Net assets, released from restriction	561,542	(561,542)	-	-
Total support and revenue	**4,269,908**	**(473,092)**	**3,796,816**	**4,044,340**
EXPENSES				
Program services	2,632,647	-	2,632,647	2,503,745
Management and general	491,104	-	491,104	394,068
Fundraising expenses	502,425	-	502,425	365,299
Total expenses	**3,626,176**	**-**	**3,626,176**	**3,263,112**
Change in net assets from operations	**643,732**	**(473,092)**	**170,640**	**781,228**
Nonoperating activity				
Investment income (loss), net	(76,226)	-	(76,226)	249,148
Change in net assets	**567,506**	**(473,092)**	**94,414**	**1,030,376**
Net assets, beginning of year, as restated	4,269,221	634,392	4,903,613	3,771,014
Net assets, end of year	$ 4,836,727	$ 161,300	$ 4,998,027	$ 4,801,390

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	Program Services			Support Services			
	Home Sale and Repairs	ReStore	Total	Management & General	Fundraising	2022 Total	2021 Total
Personnel							
Salaries	270,526	$ 477,231	$ 747,757	$ 106,958	$ 294,629	$ 1,149,344	1,018,343
Payroll Taxes	31,267	47,103	78,370	9,478	28,238	116,086	98,892
Employee benefits	49,707	69,546	119,253	21,414	23,416	164,083	147,143
Total personnel	**351,500**	**593,880**	**945,380**	**137,850**	**346,283**	**1,429,513**	**1,264,378**
Operating expenses							
Advertising	18,538	6,487	25,025	98	19,170	44,293	29,654
Auto and truck	5,193	45,204	50,397	135	-	50,532	39,275
Bad debt	212,414	-	212,414	-	-	212,414	-
Contributions	24,000	-	24,000	-	-	24,000	-
Construction costs of homes	266,432	-	266,432	-	-	266,432	546,170
Depreciation	7,972	41,388	49,360	12,859	1,513	63,732	65,408
Dues, fees, and subscriptions	731	30,338	31,069	53,581	5,554	90,204	62,441
Fundraising	975	-	975	2,500	78,714	82,189	82,648
Facility	11,496	513,205	524,701	9,642	6,779	541,122	599,096
Homeowner services	227,307	15,107	242,414	7,543	18,703	268,660	128,656
Information technology	24,954	25,201	50,155	13,557	19,807	83,519	74,188
Insurance	17,818	17,717	35,535	4,775	264	40,574	54,501
Interest expense	8,274	19,845	28,119	12,158	1,655	41,932	50,721
Miscellaneous expense	66	7,075	7,141	818	-	7,959	
Mortgage discount	71,124	-	71,124	-	-	71,124	69,273
Office	1,008	4,006	5,014	5,409	2,804	13,227	18,037
Professional fees	5,317	-	5,317	220,170	-	225,487	115,644
Supplies and materials	45,817	-	45,817	-	-	45,817	24,227
Travel and seminars	4,184	759	4,943	7,758	616	13,317	2,364
Vista	7,315	-	7,315	2,251	563	10,129	36,431
Total operating expenses	**960,935**	**726,332**	**1,687,267**	**353,254**	**156,142**	**2,196,663**	**1,998,734**
Total expenses	**$ 1,312,435**	**$ 1,320,212**	**$ 2,632,647**	**$ 491,104**	**$ 502,425**	**$ 3,626,176**	
2021 Total	**$ 1,072,820**	**$ 1,430,925**	**$ 2,503,745**	**$ 394,068**	**$ 365,299**		**$ 3,263,112**

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF MONGOMERTY
AND DELAWARE COUNTIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	**$ 94,414**	**$ 1,132,599**
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	63,732	65,408
Amortization - loan fees	1,356	602
Mortgages issued	(120,182)	(115,726)
Mortgage discounts	71,124	69,273
Amortization of mortgage discounts	(129,909)	(102,223)
Bad debt expense	212,414	-
Inventory - donated assets, ReStore	9,997	48,870
Stock contribution	(55,129)	(10,127)
In-kind construction services	15,078	-
Realized/unrealized change on investments	87,816	(240,857)
(Gain) loss on involuntary conversion	3,029	(308,001)
(Gain) loss on asset disposal	3,665	(3,534)
Amortization of right of use assets - operating lease	(223,517)	-
Changes in assets and liabilities:		
Collection of mortgage receivable, net	227,827	243,467
Contributions receivables	(6,039)	(69,886)
ERC receivable	(296,203)	(137,539)
Other receivables	12,177	44,476
Prepaid expenses	814	(17,976)
Property held for sale	(24,670)	-
Construction in progress	(483,081)	50,031
Escrow deposit	-	150,000
Deposits - other	-	4,985
Accounts payable	23,606	30,915
Accrued expenses	25,546	9,348
Accrued payroll and payroll taxes	12,775	4,581
Deferred revenue	-	(2,490)
Funds held in escrow	(72,267)	(1,376)
Reduction in lease liability - operating lease	238,315	-
Net cash (used) provided by operating activities	**(307,312)**	**844,820**
Cash flows from investing activities		
Purchases of property and equipment	(364,683)	(187,210)
Proceeds from insurance	40,000	382,260
Proceeds from sale of assets	-	5,598
Reinvestment of investment income, net of fees	(11,476)	(8,199)
Transfer to operating, net	66,908	3,755
Net cash provided (used by) by investing activities	**(269,251)**	**196,204**
Cash flows from financing activities		
Principal repayments on long term debt	(83,482)	(81,351)
Net cash used by financing activities	**(83,482)**	**(81,351)**
Net change in cash	**(660,045)**	**959,673**
Beginning cash and cash equivalents	1,791,274	831,601
Ending cash and cash equivalents	$ 1,131,229	$ 1,791,274
Supplementary disclosure of cash flow information		
Cash paid for interest		
Interest paid	$ 40,576	$ 50,119
Non-cash operating activities		
Right to use asset at lease inception	$ 796,192	$ -
Right to use liability at lease inception	$ 713,247	$ -

See Accompanying Notes to Financial Statements

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Habitat for Humanity of Montgomery County, Inc. was incorporated in January, 1989, under the laws of the Commonwealth of Pennsylvania as a nonprofit social service organization. In 2017, Habitat for Humanity of Montgomery County, Inc. merged in Habitat for Humanity – Delaware County, Pennsylvania, Inc, forming Habitat for Humanity of Montgomery and Delaware Counies, Inc. (Habitat).

Habitat strives to end poverty housing in our community by providing an array of programs geared toward homeownership, home repair and home preservation for low-income county residents. Habitat works with individuals, organizations and faith communities to build simple, basic, decent housing and provide no-interest low payment mortgages. In addition, Habitat provides critical repairs to low-income owner-occupied homes, as well as outside preservation to improve families, neighborhoods and our county's quality of life. In addition, Habitat provides critical repairs to low-income owner-occupied homes, hosts free financial literacy and home-buying readiness courses for adults (Almost Home), and facilitates a Neighborhood Revitalization program that mentors two grassroots community action organizations located in Pottstown, PA and Norristown PA. Our programs combine to build new, and improve existing housing, create a pathways to homeownership for low and moderate income families, and improve the quality of life in our counties, by empowering citizens.

Habitat has two thrift-style retail outlets, the ReStores offer new and gently used household goods and building materials at deeply discounted prices while providing volunteer and recycling opportunities for the community at large.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Habitat adopted ASU 2016-02, Leases (Topic 842) effective July 1, 2021, and recognized and measured leases existing at, or entered into after July 1, 2021 using the effective date method approach, with certain practical expedients available. Habitat determines if an arrangement is a lease at inception.

As a result of the adoption of the new lease accounting guidance, a lease liability and a right-of-use asset was recorded at the present value of the future lease payments at the discounted incremental borrowing rate of 3.69%. As payments on the lease are made, the ROU asset and lease liability are reduced. Habitat has no financing leases.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

Habitat is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, Habitat considers cash in operating accounts, cash on hand, demand deposits, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages Receivable

Habitat has financed mortgages to homeowners, collateralized by first mortgages recorded as liens against the properties sold to the homeowner by Habitat. A valuation discount, of approximately 7.49%, has been recorded to reflect an interest rate recommended by Habitat for Humanity International, Inc. for valuation purposes, and is amortized over the term of the corresponding mortgage. Habitat has and implemented a formal collection policy. A provision for doubtful accounts has been recognized based upon managements' review of existing receivables.

Contributions receivable

Contributions are recognized when a donor makes a promise or pledge to Habitat.

Inventory

Inventory at the ReStores consists of donated building materials, home furniture and appliances and are recorded at net realizable value.

Investments

Investments in marketable securities are reported at their fair value in the statement of financial position. Realized and unrealized gains and losses on investments are included in the statements of activities.

Habitat's principal financial instruments, subject to market risk, are its investments. The investments are managed by the board of directors. The degree and concentration of risk varies by the type of investment.

Construction in Progress

Management reviews its construction in progress assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value, based upon an independent third party appraisal.

Properties held and available for sale include the costs to purchase maintain and improve the properties until they are sold. These properties are reviewed on an ongoing basis for impairment.

All costs related to each project are recorded as construction in progress. As the homes are sold the accumulated costs for the homes are removed from construction in progress.

Property and Equipment

All acquisitions in excess of $1,000 are capitalized. Property and equipment are reported at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the books and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred and costs of significant replacements and improvements are capitalized and expensed over the periods benefited.

Real Estate and Insurance Escrow Accounts

At settlement, Habitat may open escrow accounts in the name of Habitat for Habitat homeowners for the payment of real estate taxes and insurance on behalf of the homeowners.

Loan Fees

Loan settlement costs are expensed over the life of the related borrowings using the effective interest rate method and are netted with long-term debt on the statement of financial position.

Sales Tax

Habitat collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the tax authority for amounts collected but not yet remitted. These balances are reported in the accounts payable and accrued expense line item on the statements of financial position.

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Habitat accrues accumulated unpaid annual leave when earned by the employee. Generally, annual leave must be taken during the calendar year earned. However, up to 40 hours may be carried forward per calendar year. Eligible employees who end their employment with Habitat are reimbursed for each day of accumulated annual leave. This accrual is included in accrued expenses on the statement of financial position.

Deferred Revenue

Habitat recognizes deferred revenues for amounts received but not earned during the period.

Net Assets

Net assets consist of the following

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat's management and board of directors.

With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Donor restrictions are temporary in nature; those restrictions will be by the passage of time or specified purpose. Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions

Contributions are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

A contribution with a stipulation from the funder that represents a barrier that must be overcome before Habitat is entitled to the assets transferred or promised is considered conditional. Failure to overcome the barrier gives the funder a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Habitat considers the government contracts to be conditional contributions.

Other In-Kind Contributions

Habitat adopted in the current year the new standard for contributed nonfinancial assets. The standard changes the presentation and disclosure requirements of contributed nonfinancial assets. The term nonfinancial assets includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The standard requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities and additional disclosures will be presented, including disaggregation of amounts, qualitative information, and valuation techniques and inputs be disclosed that were used to arrive at the fair value of the contributed nonfinancial assets.

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other In-Kind Contributions (Continued)
The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Habitat receives donated services from unpaid volunteers assisting Habitat with the construction and renovation of the homes. This volunteer time is not recognized in the accompanying statement of activities, because these services do not meet the criteria for recognition as contributed services. The donated services have been recorded at the estimated value provided by the donor if it were to be charged and paid based on time and materials of the donor.

The contributed facilities usage value is reported at the estimated fair rental value of the property.

Revenue Recognition
Habitat generally recognizes revenue for contracts at a point in time as the performance obligation is satisfied. Revenue recognized primarily consists of one performance obligation that is satisfied at the point of transfer.

Sale of Merchandise
Habitat recognizes revenues from the retail sale of products, in stores or online, net of sales taxes, at the point of sale. Payment is usually received via cash, debit card or credit card. Discounts provided to customers by Habitat at the time of sale, are recognized as a reduction in sales as the products are sold.

Sale of Homes
Habitat recognizes revenues from the sale of homes at the date of settlement, with the transfer of ownership of the real estate. The home is paid for by the homebuyer either through Habitat or third party financing. Discounts are provided to the homebuyer by Habitat via its gift of equity program.

Home Repairs
Habitat recognizes revenue from home repair projects when the repair work is performed and invoiced to the customer.

Special Events
Habitat held a special event during the fiscal year. Support is raised through sponsorships and voluntary donations. Support from event sponsorships have little benefit to the sponsor, so these amounts are considered to be contributions. Habitat recognized as revenue part of the attendees fee as an exchange transaction for the estimated value of food and beverage.

Sale of Homes - Habitat Holds Mortgage
Sale of homes to Habitat homeowners are recorded at the net mortgage amount plus down payment received. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount will be recognized as income on a straight-line basis over the term of the mortgages and is included in program income on the statement of activities.

ReStore Activity
ReStore sales and changes in the contributed inventory balance are shown net on the Statement of Activities.

Functional Allocation of Expenses
Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support towards Habitat's programs, and some of the expenses charged to the programs represent direct expenses related to program operations and objectives. Personnel costs and related expenses are allocated based on time and effort spent for each function.

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising
Advertising costs are expensed as incurred.

Shipping and Handling
Shipping and handling costs to deliver product to the Restore locations are expensed as incurred.

Income Taxes
Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Habitat is classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A).

Habitat is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken on Habitat's tax returns. Management has determined that Habitat does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Management's Use of Estimates and Assumptions
Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Significant estimates included in the financial statements are the allowance for mortgage receivables, valuation of the ReStore inventory, land and property donations, property impairment, donated construction services included in construction in progress and the cost of homes sold.

Subsequent Events
Management has evaluated subsequent events through the date the financial statements were available to be issued which was January 13, 2023.

NOTE B: CONCENTRATIONS

Habitat maintains cash in bank deposit accounts which, at times, exceed federally insured limits. No loss has been experienced in such accounts and Habitat believes it is not exposed to any significant credit risk on cash.

Habitat maintains accounts with a brokerage firm. The accounts contain cash and securities. Security balances are insured up to $500,000 by the Securities Investor Protection Corporation. Cash balances held in these accounts may at times exceed insured limits, but Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Concentrations represent individual amounts which account for 10% of more of the activity or balances. Following are concentrations for 2022.

ReStore revenue accounted for 35% of total support and revenue for 2022.

The receivable for the Employee Retention Credits funded from the U.S. government is 31% of the total receivable balance at June 30, 2022.

One vendor accounted for 15% of the accounts payable and accrued expenses balance at June 30, 2022.

NOTE C: MORTGAGES RECEIVABLE

Below is a summary of the mortgages receivable as of June 30.

	Amount
Non-interest bearing mortgages receivable from homeowners	$ 3,541,540
Less: Allowance for doubtful accounts	(582,101)
Less: Unamortized mortgage discount	(2,052,555)
Net mortgages receivable	906,884
Current maturities of mortgages receivable	(32,208)
	$ 874,676

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following.

	Estimated useful lives in years	Amount
Land		$ 207,937
Buildings and Improvements	20 - 40	1,481,335
Furniture and fixtures	5 - 7	57,724
Vehicles	5	27,455
		1,774,451
Less: accumulated depreciation		(420,526)
Total		$ 1,353,925

Depreciation expense for the year ended June 30, 2022 was $63,732.

Habitat's Foundry location sustained fire damage in November, 2020. Insurance proceeds have been received for repairs and restoration. During the current fiscal year, $40,124 was received, after replacement of asset there was a loss of approximately $3,000 that is included in the statement of activities in the gain (loss) on disposal of assets.

NOTE E: INVESTMENTS

Investments held by Habitat at June 30, 2022 consist of the following.

	Amount
Exchange traded funds - equities	$ 645,144
Mutual funds - equities	81,185
Total investments	$ 726,329

Investment income is summarized as follows.

	Amount
Unrealized losses	$ (88,089)
Realized gains	273
Dividends and interest (net of fees)	11,590
Total investment income	$ (76,226)

Investment fees for the year ended June 30, 2022 were $2,118.

NOTE F: FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that Habitat has the ability to access.
Level 2	Inputs to the valuation methodology include: ▪ Quoted prices for similar assets in active markets; ▪ Quoted prices for identical or similar assets in inactive markets; ▪ Inputs other than quoted prices that are observable for the asset; ▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
Level 3	Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table represents by level within the fair value hierarchy assets measured at fair value on a recurring basis at June 30, 2022:

	Level 1	*Level 2*	*Level 3*	*Total*
Exchange traded funds - equities	$ 645,144	$ -	$ -	$ 645,144
Mutual funds - equities	81,185	-	-	81,185
Total assets at fair value	$ 726,329	$ -	$ -	$ 726,329

NOTE G: LINE OF CREDIT

Habitat has a $200,000 line of credit available for its use, collateralized by the assets of Habitat, with the interest rate at prime. The line is automatically renewable on an annual basis. There was no outstanding balances at June 30, 2022.

NOTE H: LONG-TERM DEBT

Long-term debt consists of the following:

	Amount
Mortgage in the amount of $1,152,000. The loan is to be repaid in 300 monthly installments of principal and interest of $6,359 at an annual interest rate of 3.75%. The note is secured by the land and building. The effective interest rate was 3.97% for the year ending 2022. The note is due in March, 2035.	$ 772,426

NOTE H: LONG-TERM DEBT (Continued)

	Amount
Note payable to be repaid in monthly installments of principal and interest of $3,794 at an annual interest rate of 4.75%. Note is subject to interest rate adjustment in June 2023 The note is secured by the mortgage receivable. The note is due in May 2025.	134,980
	907,406
Net loan costs balance at June 30, 2022	(13,881)
	893,525
Less: current portion	(88,174)
Long-term debt	$ 805,351

Future maturities on long-term debt at June 30, 2022 are as follows:

Years ending June 30	Amount
2023	$ 88,174
2024	91,954
2025	104,928
2026	53,890
2027	55,946
Thereafter	512,514
Total	$ 907,406

Loan amortization costs for the year ended June 30, 2022 was $1,356.

NOTE I: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for use in future periods for restricted purposes at June 30, 2022 are as follows.

	Amount
Construction	$ 58,450
Critical home repair	102,850
Total	$ 161,300

Net assets with donor restrictions released for the year ended June 30, 2022 are as follows.

Purpose restrictions	$ 561,542

NOTE J: FUNDRAISING ACTIVITIES

Habitat held a Gala and other fundraising events in 2022. Included in gross receipts is estimated revenue from attendees of approximately $1,900. The total support and revenue received and expenses incurred were as follows:

	Amount
Gross receipts	$ 58,335
Expenses	18,581
Total	$ 39,754

NOTE K: EMPLOYEE RETENTION CREDIT

Habitat qualified for the tax credit provided by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) employee retention credit, which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee. The receivable for the ERC at June 30, 2022 is $433,742, which represents refunds due on the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021. The credit has been recorded in these financial statements as a conditional contribution, and included in revenue for the current fiscal year.

NOTE L: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat had the following transactions with Habitat for Humanity International, Inc. for the year ended June 30, 2022:

	Amount
Tithe	$ 4,000
Habitat SOSI annual cost-sharing fee	$ 25,000

NOTE M: ADDITIONAL INFORMATION

	Amount
Total donated property, goods and services – program	$ 196,786
Total donated property, goods and services – fundraising	$ 4,150
Advertising expense	$ 44,293
Vacation liability	$ 38,544

On June 30, 2022, Habitat had remaining available award balances on conditional grants and contracts for sponsored projects totaling $366,000. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

NOTE N: LEASES

Habitat leases building space and office equipment under operating leases expiring in various years through November 2024. Operating leases are included in operating right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position. A lease liability and a ROU asset was recorded at the present value of future lease payments at the discounted incremental borrowing rate of 3.69%.

The amounts of asset and liability for the operating leases recorded at July 1, 2021 after adoption of the new lease standard was as follows:

	Amount
Right to Use Asset – Operating	$ 796,192
Lease Liability – Operating	$ 713,247

Habitat's lease terms may include options to extend or terminate the lease when it is reasonably certain that Habitat will exercise that option. Lease expense payments are recognized on a straight-line basis over the lease term.

Habitat's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NOTE N: LEASES (Continued)

Habitat has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as office space, Habitat accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common are maintenance charges, are recognized as operating expense in the period in which the obligation for those payments was incurred.

Total lease expense was $194,793 for the year ending June 30, 2022.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2022 are as follows:

Years ending June 30	Amount
2023	$ 241,365
2024	192,297
2025	80,000
	$ 513,662

Minimum future lease liabilities as of June 30, 2022 are as follows:

Years ending June 30	Amount
2023	$ 185,928
2024	79,512
	$ 265,440

NOTE O: LIQUIDITY

Habitat monitors its liquidity so that it is able to meets its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The following table reflects Habitat's financial assets as of June 30, 2022 that are available to meet cash needs for operating expenditures within one year.

	Amount
Cash and cash equivalents	$ 1,131,229
Mortgages receivable, current	32,208
Contributions receivable	75,925
Other receivables	4,145
Investments	726,329
Total	2,403,578
Less: Net assets with donor restrictions	(161,300)
Financial assets available to meet general expenditures over the next twelve months	$ 2,242,278

In the event of an unanticipated liquidity need, Habitat can also draw upon $200,000 of an available line of credit. In addition to financial assets available to meet general expenditures over the year, Habitat operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient program fees and other revenues as needed.

NOTE P: COMPARATIVE INFORMATION

The amounts shown for the year ended June 30, 2021 in the accompanying financial statements are included to provide a basis for comparison with 2022 and present summarized totals only. Accordingly, the 2021 totals are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles. Such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE Q: PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of the fiscal year ending June 30, 2021 have been adjusted to correct an error of over accruals made in the year ended June 30, 2020. Had the error not been made, the beginning net assets for the year ended June 30, 2021, and subsequently the beginning net assets for the year ended June 30, 2022, would have been increased by $25,000.

NOTE R: SUBSEQUENT EVENTS

The Horsham ReStore was closed from July 30 – October 15, 2022 for reorganization and improvements.