

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.**

FINANCIAL STATEMENTS

JUNE 30, 2024

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
FINANCIAL STATEMENTS
JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** (a non-profit organization), which comprise the statement of financial position as of June 30, 2024, 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 **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** as of June 30, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 **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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2024, the Company adopted the provisions of FASB ASU 2016-13, "Financial Instruments – Credit Losses (ASC Topic 326)." Our opinion is not modified with respect to this matter.

Prior Period Adjustment

We have previously audited **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s June 30, 2023 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated January 24, 2024. As discussed in Note 3 to the financial statements, the ending net assets within those June 30, 2023 financial statements has been adjusted to correct omissions that resulted in the overstatement in revenue. Accordingly, net assets have been reduced by \$1,075,762 as of July 1, 2023. Our conclusion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 **HABITAT FOR HUMANITY OF MOTGOMERY 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.

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 generally accepted auditing standards and *Government 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 and *Government 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 **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 **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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State of Pennsylvania, 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 schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024, on our consideration of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, 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 the effectiveness of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s 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 **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s internal control over financial reporting and compliance.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
November 12, 2024

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Current assets

Cash and cash equivalents without restriction	\$ 382,511
Cash and cash equivalents with restrictions	1,548,516
Current portion of mortgage notes receivable	236,255
Contributions receivable	468,692
Other receivables, net	22,823
ReStore inventory	40,863
Marketable securities	492,311
Prepaid expenses and other current assets	43,041
Total current assets	<u>3,235,012</u>

Non-current assets

Property and equipment	
Land and building	1,577,596
Vehicles and equipment	96,233
Leasehold improvements	116,848
	<u>1,790,677</u>
Less accumulated depreciation	(521,471)
Property and equipment, net	<u>1,269,206</u>

Other assets

Mortgage notes receivable, net	1,503,815
Construction in progress	356,200
Security deposits, ReStore	29,975
Finance lease right-of-use asset	70,912
Operating lease right-of-use asset	101,976
Total other assets	<u>2,062,878</u>

Total non-current assets	<u>3,332,084</u>
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Total Assets	<u><u>\$ 6,567,096</u></u>
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The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2024

LIABILITIES AND NET ASSETS

Current liabilities

Current portion of finance lease liability	\$ 18,372
Current portion of operating lease liability	79,871
Current portion of loans payable	99,009
Accounts payable	154,765
Accrued expenses and other current liabilities	130,432
Deferred revenues	1,543,516
Mortgage escrow liability	6,976
Total current liabilities	<u>2,032,941</u>

Long-term debt

Loans payable, net	610,740
Finance lease liability, net	53,606
Total long-term debt	<u>664,346</u>

Total liabilities	<u>2,697,287</u>
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Net assets

Without donor restrictions	2,321,294
With donor restrictions	1,548,515

Total net assets	<u>3,869,809</u>
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Total Liabilities and Net Assets	<u><u>\$ 6,567,096</u></u>
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HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 640,627	\$ 1,298,516	\$ 1,939,143
In-kind contributions	7,120	-0-	7,120
Non-cash inventory contributions	783,125	-0-	783,125
Home sales	709,727	-0-	709,727
ReStore sales	808,445	-0-	808,445
Special events, net of direct benefits to donors of \$23,359 and \$19,537 in 2024 and 2023	46,973	-0-	46,973
Critical home repair revenues	518,075	-0-	518,075
Other income	1,899	-0-	1,899
Investment income	76,389	-0-	76,389
Credit loss recoveries	55,039	-0-	55,039
Gain on asset disposal	1,768	-0-	1,768
Amortization of mortgage notes discounts	184,066	-0-	184,066
Net assets released from restrictions	89,920	(89,920)	-0-
	<hr/>	<hr/>	<hr/>
Total revenue and support	3,923,173	1,208,596	5,131,769
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program services			
Program services	2,711,256	-0-	2,711,256
ReStore program	1,993,938	-0-	1,993,938
Total program services	4,705,194	-0-	4,705,194
	<hr/>	<hr/>	<hr/>
Supporting services			
Administrative	736,419	-0-	736,419
Resource development	397,424	-0-	397,424
Total supporting services	1,133,843	-0-	1,133,843
	<hr/>	<hr/>	<hr/>
Total operating expenses	5,839,037	-0-	5,839,037
	<hr/>	<hr/>	<hr/>
Change in net assets	(1,915,864)	1,208,596	(707,268)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year, as previously stated	3,894,036	1,427,346	5,321,382
Prior period adjustment	11,665	(1,087,427)	(1,075,762)
Adjustment for adoption of FASB ASU 2016-13	331,457	-0-	331,457
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year, restated	4,237,158	339,919	4,577,077
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Net assets, end of year	\$ 2,321,294	\$ 1,548,515	\$ 3,869,809
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The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program <u>Services</u>	ReStore <u>Program</u>	Total <u>Program</u>	<u>Administrative</u>	Resource <u>Development</u>	Direct Benefit <u>to Donors</u>	<u>Total</u>
Salaries	\$ 384,411	\$ 460,483	\$ 844,894	\$ 370,281	\$ 258,210	\$ -0-	\$ 1,473,385
Payroll taxes	43,670	44,028	87,698	23,790	29,865	-0-	141,353
Employee benefits	59,248	66,597	125,845	26,399	13,410	-0-	165,654
Advertising	1,617	2,410	4,027	-0-	23,553	-0-	27,580
Amortization	-0-	10,910	10,910	-0-	-0-	-0-	10,910
Auto and truck	4,717	22,187	26,904	1,586	-0-	-0-	28,490
Construction costs of homes	1,397,200	-0-	1,397,200	-0-	-0-	-0-	1,397,200
Cost of goods sold, in-kind contributions	-0-	863,900	863,900	-0-	-0-	-0-	863,900
Cost of goods sold, purchased goods for resale	-0-	35,820	35,820	-0-	-0-	-0-	35,820
Depreciation	8,963	20,858	29,821	11,211	1,739	-0-	42,771
Dues, fees, and subscriptions	2,705	14,467	17,172	76,163	3,857	-0-	97,192
Fundraising	-0-	-0-	-0-	-0-	15,262	23,359	38,621
Facility	6,987	87,779	94,766	11,273	4,782	-0-	110,821
Homeowner services	376,961	5,966	382,927	1,988	2,930	-0-	387,845
Information technology	30,619	15,692	46,311	10,703	34,146	-0-	91,160
Insurance	29,602	25,578	55,180	12,923	482	-0-	68,585
Interest expense	5,623	20,996	26,619	3,704	3,673	-0-	33,996
Lease expense	-0-	292,053	292,053	-0-	-0-	-0-	292,053
Mortgage discount	319,954	-0-	319,954	-0-	-0-	-0-	319,954
Office	4,009	3,791	7,800	6,046	2,951	-0-	16,797
Professional fees	19,445	-0-	19,445	162,876	-0-	-0-	182,321
Travel and seminars	8,650	123	8,773	10,656	2,564	-0-	21,993
Vista	6,875	-0-	6,875	-0-	-0-	-0-	6,875
Total expenses	2,711,256	1,993,638	4,704,894	729,599	397,424	23,359	5,855,276
Less expenses included with revenues on the Statement of Activities	-0-	-0-	-0-	-0-	-0-	(23,359)	(23,359)
Total expenses before in-kinds	2,711,256	1,993,638	4,704,894	729,599	397,424	-0-	5,831,917
Facility	-0-	300	300	-0-	-0-	-0-	300
Professional fees	-0-	-0-	-0-	6,820	-0-	-0-	6,820
Total in-kinds	-0-	300	300	6,820	-0-	-0-	7,120
Total expenses by function	\$ 2,711,256	\$ 1,993,938	\$ 4,705,194	\$ 736,419	\$ 397,424	\$ -0-	\$ 5,839,037

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (601,418)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	42,771
Mortgage notes issued	(554,571)
Mortgage notes discounts issued	319,954
Mortgage notes discount amortization	(184,066)
Credit loss recoveries	(55,039)
Realized gain on marketable securities	(139,034)
Unrealized loss on investments	105,511
Amortization of finance right-of-use asset	10,910
Amortization of operating lease right-of-use asset	243,213
(Increase) decrease in:	
Mortgages notes receivable, net	348,364
Contributions receivable	(317,883)
Other receivables, net	111,426
Prepaid expenses	(36,446)
Construction in progress	324,316
ReStore inventory	80,775
(Decrease) increase in:	
Accounts payable	(64,391)
Accrued expenses and other current liabilities	(17,063)
Deferred revenue	1,222,255
Funds held in escrow	(15,612)
Repayments on operating lease liabilities	(190,160)
Net cash provided by operating activities	<u>633,812</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(2,371)
Proceeds from sale of marketable securities	796,910
Purchases of marketable securities	<u>(460,065)</u>
Net cash provided by investing activities	<u>334,474</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayments of loans payable	(95,258)
Repayments on finance lease liabilities	<u>(9,844)</u>
Net cash used in financing activities	<u>(105,102)</u>
Net increase in cash and cash equivalents	863,184
Cash and cash equivalents, beginning of year	<u>1,067,843</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,931,027</u></u>

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 1 – Nature of Activities

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 Counties, Inc. (the “Organization”).

The Organization is a Pennsylvania nonprofit social service organization that strives to end poverty housing in its community by providing an array of programs geared toward homeownership, home repair, and home preservation for low-income county residents. The Organization works with individuals, organizations, and faith communities to build simple, basic, decent housing and provides no-interest low payment mortgages. In addition, the Organization 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, the Organization 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. Its programs combine to build new, improve existing housing, create a pathway to homeownership for low and moderate income families, and improve the quality of life in our counties, by empowering citizens. The Organization is an affiliate of Habitat for Humanity International, Inc. (“HFHI”), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although HFHI assists the Organization with information, resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization has a thrift-style retail outlet called a ReStore which offers new and gently used household goods and building materials at deeply discounted prices while providing volunteer and recycling opportunities.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities. Consequently, revenue is recognized as described below in the section entitled Revenue and Revenue Recognition and expenses are recognized when the obligations are incurred.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statement preparation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Subtopic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Subtopic 958-205, to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, its net assets and revenues have been reported according to the following classifications:

Net assets 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 the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Grants specified for home projects are considered net assets with donor restrictions. See Note 10 to the financial statements for additional information on net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the Statement of Activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, as events continue to evolve and additional information becomes available, actual results could vary from the estimates that were used.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

Contributions

Contributions are recognized when cash, donated investments or other assets, unconditional promises to give, or other various notifications of a beneficial interest is received. Conditional contributions, including those received as conditional promises to give, that is, those with a measurable performance or other barrier, and right of return or release of assets, are not recognized until the conditions on which they depend have been substantially met. As of June 30, 2024, the Organization had no remaining conditional grants.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor restricted contributions are 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 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 restrictions.

Program Income

The Organization recognizes program income as exchange transactions. Home sales are considered exchange transactions. Revenues are recognized from the home sales when ownership of the home is transferred to the purchaser. Revenues are recognized from the home sales at the time of sale, thus, at a point in time. Also see Home Sales and Mortgage Notes Receivable section below.

Program income also includes ReStore sales, which are considered exchange transactions. Revenues are recognized from the sale of items in the ReStore when the products are transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. ReStore revenues are recognized at the time of sale, thus, at a point in time. The Organization collects sales tax from customers on these sales and remits the entire amount to the state. All items are sold as-is and are non-refundable. There is no variable consideration or significant financing components connected with ReStore sales.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Contributions - In-kind

Volunteers contribute significant amounts of time to program and support services; however, the financial statements do not reflect the value of these contributed services because they do not meet the necessary criteria for recognition under GAAP. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. The Organization recognizes contributed professional services if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. Contributions - in-kind received during the year ended June 30, 2024 included repairs and professional fees, including pro-bono legal services and engineering services. See Note 12 to the financial statements for further detail. Contributions - in-kind are recorded as both revenue and support and program services, and therefore, there is no effect on the change in net assets.

Home Sales and Mortgage Notes Receivable

Sales to homeowners are recorded at the gross amount with the sales price determined by comparable home sales in similar markets. The Organization has financed mortgage notes to homeowners, collateralized by first mortgages recorded as liens against the properties sold to the homeowner by the Organization. These non-interest-bearing mortgages have been discounted using a discount rate established by HFHI, based on the Internal Revenue Service (“IRS”) Index of Applicable Federal Rates Rulings for low income housing tax credits. Utilizing the straight-line basis, these discounts are recognized as income over the term of the mortgage note. The Organization has implemented a formal collection policy. A provision for credit losses has been recognized based upon management’s review of existing receivables.

In addition, the Organization provides and has provided second and third silent mortgages in connection with the sales of certain homes. These mortgages are non-interest bearing and are fully forgiven provided certain factors are met including that the first mortgage does not go into default. If the first mortgage goes into default, then the silent mortgages are to be paid. Silent mortgage forgiveness is also contingent on how long the homeowner lives in the home. The time period ranges from 5 to 15 years for this requirement. These amounts are not recorded in the Statements of Financial Position as the conditions under which they may be collectible are uncertain. This is in accordance with the GAAP rule of conservatism and non-recognition of contingent assets.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses

The allowance for credit losses reduces the other receivable and mortgage notes receivable balances to the estimated net realizable value which is the amount that is expected to be collected. The allowance is established using assessments of current creditworthiness of customers, historical collection experience, and the aging of receivables, which are adjusted using currently available evidence and expected future trends to prepare reasonable and supportable forecasts. Other receivable and mortgage notes receivable balances are written off against the allowance if a final determination of uncollectibility is made after management has used reasonable collection efforts.

Actual collections of other receivable and mortgage notes receivable could differ from estimates due to changes in future economic or industry conditions or a specific customer's financial condition.

The other receivable balance is presented net of an allowance for credit losses. Other receivables for the years ended June 30, 2024 and 2023 were:

	<u>2024</u>	<u>2023</u>
Other receivables	\$ 39,675	\$ 134,249
Less: allowance for credit losses	<u>(16,852)</u>	<u>-0-</u>
Total	<u>\$ 22,823</u>	<u>\$ 134,249</u>

The mortgage notes receivable balance is presented net of an allowance for credit losses. Mortgage notes receivable for the years ended June 30, 2024 and 2023 was:

	<u>2024</u>	<u>2023</u>
Mortgage notes receivable	\$ 4,480,544	\$ 4,253,374
Less: unamortized discount	(2,728,508)	(2,592,619)
Less: allowance for credit losses	<u>(11,966)</u>	<u>(375,837)</u>
Total	<u>\$ 1,740,070</u>	<u>\$ 1,284,918</u>

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies (continued)

Donated Services

Volunteers contribute significant amounts of time to program and support services; however, the financial statements do not reflect the value of these contributed services because they do not meet the necessary criteria for recognition under GAAP. The Organization recognizes volunteer services if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. In-kind contributions of services, if any, are recorded as both revenue and expense and therefore, there is no effect on the change in net assets.

ReStore Inventory

ReStore inventory consists of purchased and donated items and supplies. Inventory is stated at the lower of cost or net realizable value. Cost is determined by the specific identification method if purchased, or fair value if donated. Net realizable value is equal to the sales price determined as half of retail selling price and subsequently adjusted for slow moving items.

The Organization receives significant donations of goods during the year in addition to the items that are purchased. The donated goods have been recorded as both a contribution and increase in inventory. When sold, the Organization recognizes a program expense at a value equal to the donated value. The value of donated goods sold, included as non-cash contributions in the accompanying financial statements, are included in the corresponding cost of goods sold expense accounts on the Statement of Activities. See Note 12 to the financial statements for further detail.

Marketable Securities

The Organization's investments include investments in exchange traded and mutual funds with readily determinable fair values that are reported at fair value in the Statement of Financial Position (see Note 6 to the financial statements). Unrealized gains and losses are included in the change in net assets in the Statement of Activities. Investment income, including realized and unrealized gains or losses, is reported as an increase or decrease in net assets without donor restrictions in the reporting period in which the income or loss is recognized and is used to support operations.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of assets for financial reporting purposes are as follows: building, 25 years; leasehold improvements, 10 years; and vehicles and equipment, range from 5 to 10 years. The Organization capitalizes all property and equipment purchased with a cost of \$1,000 or more. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

The Organization reviews the carrying value of its property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. Based on these reviews, there were no adjustments to the carrying value of long-lived assets for the year ended June 30, 2024.

Depreciation expense for the year ended June 30, 2024 was \$42,771.

Construction in Progress

The amounts included in construction in progress consist of capitalized costs associated with the renovation of properties that the Organization holds with future plans to sell. Costs associated with the renovation of properties, including labor costs, are capitalized. When the property is sold, the related costs are offset against the sale price and the excess revenue or expense is reflected in the Statement of Activities. Any excess revenue from the sale of a property is used to offset overhead costs and to provide for the continuation of the Organization's mission.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the year ended June 30, 2024 was \$27,580.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies (continued)

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as interest expense and is computed using the straight-line method over the term of the related debt. Amortization of debt issuance costs for the year ended June 30, 2024 was \$602. Accumulated amortization as of June 30, 2024 was \$9,129. In 2021, the Organization modified a mortgage agreement with a financial institution and paid \$7,500 in fees. The fees are reported as interest expense and are amortized using the straight-line method over the term of the mortgage. Amortization of loan fees for the year ended June 30, 2024 was \$533 and accumulated amortization was \$1,820 as of June 30, 2024.

Compensated Absences

The Organization accrues accumulated paid time off when earned by the employee. An employee can carry forward 40 hours to the next calendar year. Eligible employees who end their employment with the Organization are reimbursed for their accumulated paid time off. The accrued accumulated paid time off was \$38,253 as of June 30, 2024 and included in accrued expenses and other current liabilities on the Statement of Financial Position.

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 Activities. Accordingly, certain costs have been allocated among the programs, administrative, and resource development categories benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses may be attributable to more than one program or supporting function, but are charged directly to that function as their usage is directly identifiable. Salaries and benefits related costs are allocated on the basis of time and effort.

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. The Organization is also exempt from state income taxes under the provisions of the Pennsylvania Nonprofit Corporation Law. The Organization follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization's Federal Exempt Organization informational returns (Form 990) for 2023, 2022, and 2021 are subject to examination by the IRS, generally for three years after filing.

Statement of Cash Flows

For financial statement purposes, the Organization considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Recently Adopted Accounting Pronouncements

Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13 "Financial Instruments – Credit Losses (ASC Topic 326)." The ASU requires instruments measured at amortized cost, including accounts receivable to be presented at the net amount expected to be received. The ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date using a methodology that requires consideration of a broad range of information, including, but not limited to, historical experience, current information, reasonable and supportable forecasts. The guidance is effective for fiscal years beginning after December 15, 2022. The Organization adopted this standard as of July 1, 2023. Upon adoption of the standard on July 1, 2023, the Organization recorded a \$331,457 decrease to the allowance for credit losses with an offset to net assets.

Note 3 – Prior Period Adjustment

Management discovered omissions that resulted in the overstatement of revenue in the previously issued June 30, 2023 financial statements. The June 30, 2023 net asset balances were adjusted to correct this error and the effect of the adjustment resulted in a decrease in net assets at July 1, 2023 of \$1,075,762.

The effects of the restatement of net assets as of July 1, 2023 are as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Contributions receivable	\$ 1,009,497	\$ (825,762)	\$ 183,735
Deferred revenue	-0-	(250,000)	(250,000)
Net assets without donor restrictions	3,894,036	11,665	3,905,701
Net assets with donor restrictions	\$ 1,427,346	\$ (1,087,427)	\$ 339,919

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 4 – Concentration of Credit Risk

The Organization maintains cash and cash equivalents at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At various times during the year, the Organization's bank balances may have been in excess of federally insured limits. At June 30, 2024, the Organization's amounts in excess of insured limits totaled \$1,327,815.

Note 5 – Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2024:

Financial assets at year end:

Cash and cash equivalents without restriction	\$ 382,511
Cash and cash equivalents with restrictions	1,548,516
Current portion of mortgage notes receivable	236,255
Contributions receivable	468,692
Other receivables	22,823
Marketable securities	<u>492,311</u>

Financial assets at year end	3,151,108
------------------------------	-----------

Less net assets with purpose and/or time restrictions not available to be used within one year	<u>-0-</u>
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Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,151,108</u>
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The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds.

The Organization typically maintains its financial assets other than receivables and promises to give in cash accounts or investments available for sale with a goal of having funds available when needed. The above calculation of financial assets available to meet general expenditures over the next twelve months does not consider amounts necessary to satisfy current liabilities, such as accounts payable and accrued expenses as well as accrued payroll and liabilities, as these are considered general expenditures though the expense has been incurred in the current year and payment will occur in the subsequent year.

Financial assets above include cash and cash equivalents – restricted which is restricted based on liquidity considerations, however, their usage is only permitted only for specified properties that are under construction. The use of these funds typically occurs within a year.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 5 – Availability and Liquidity (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

Note 6 – Marketable Securities

The Organization maintains an investment account that can be used for various programs when needed. The Organization's investment policy is focused on maximizing total return consistent with an acceptable level of risk. Investment assets are invested in a diversified asset mix, which includes exchange traded funds, closed end funds, mutual funds, and individual stocks as well as a money market account, all of which are intended to result in a consistent rate of return that also has sufficient liquidity to make expense withdrawals as needed. The money market account is considered a cash equivalent and is presented as such within the Statement of Financial Position. Investments contain various types of liquid assets and are classified as current assets within the Statement of Financial Position.

Summary information about the investments at June 30, 2024 is as follows:

	<u>Cost</u>	Unrealized Holding <u>Gains</u>	Unrealized Holding <u>Losses</u>	Fair <u>Value</u>
Exchange traded funds	\$ 300,252	\$ 91,000	\$ -0-	\$ 391,252
Mutual funds	99,491	-0-	(180)	99,311
Individual stocks	<u>371</u>	<u>1,377</u>	<u>-0-</u>	<u>1,748</u>
Total	<u>\$ 400,114</u>	<u>\$ 92,377</u>	<u>\$ (180)</u>	<u>\$ 492,311</u>

Accounting standards for fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Organization uses appropriate valuation techniques based on the available inputs to measure fair value of its investments when available.

The fair value of exchange traded funds and mutual funds have been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. There have been no changes in valuation techniques and related inputs.

Unrealized loss in the fair market value of marketable securities included in the Statement of Cash Flows for the year ended June 30, 2024 was \$105,511. Proceeds from sales of marketable securities during the year ended June 30, 2024 was \$796,910. The realized gain on sales of marketable securities for the year ended June 30, 2024 was \$139,034, included in the Statement of Cash Flows.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 7 – Mortgage Notes Receivable

At June 30, 2024, mortgage notes receivable consists of loans on properties that were developed by the Organization. These loans are noninterest bearing, with maturities ranging from 20 to 30 years, and are secured by the related properties. At June 30, 2024, the balance of mortgage notes receivable was \$1,740,070.

The Organization accounts for its mortgage notes in accordance with the HFHI's U.S. Affiliate Accounting Policy Manual. Under this guide, the non-interest bearing mortgage notes are discounted to their present value at the time the mortgage note is issued, using an imputed interest rate, averaging approximately 8% (see Note 2 to the financial statements, home sales and mortgage notes receivable, for discussion on rate). The discounted amount is amortized over the term of the mortgage note on the straight-line method.

The balance of mortgage notes receivable on a net basis at June 30, 2024 is as follows:

Mortgage notes receivable, gross	\$ 4,480,544
Current portion of mortgage notes receivable	<u>(236,255)</u>
	4,244,289
Unamortized discount	(2,728,508)
Allowance for credit losses	<u>(11,966)</u>
Mortgage notes receivable, net	<u>\$ 1,503,815</u>

Future undiscounted long-term principal maturities of mortgage notes receivable at June 30, 2024 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2026	\$ 232,982
2027	232,982
2028	230,503
2029	219,351
2030	211,711
Thereafter	<u>3,116,760</u>
	<u>\$ 4,244,289</u>

Mortgage discount amortization totaled \$184,066 for the year ended June 30, 2024.

Currently, the Organization services a portion of the mortgage notes in its portfolio. The Organization collects all principal and escrow payments on the mortgage notes. The escrow payments are collected from the homeowners and paid out for real estate taxes and insurance. At June 30, 2024, the mortgage escrow liability was \$6,976.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 8 – Line of Credit

The line of credit is provided under a \$200,000 agreement that is automatically renewable on an annual basis. Interest is due monthly at the WSJ prime rate which was 8.50% at June 30, 2024. The agreement is secured by a blanket lien of all assets. At June 30, 2024, the Organization had no amounts outstanding under the line of credit.

Note 9 – Loans Payable

Mortgage note payable to financial institution in the amount of \$1,152,000 with monthly installments of \$6,359, which includes interest at 3.75% per annum through March 2035; secured by the Organization's real estate, buildings, improvements, fixtures, machinery, equipment, and materials. \$ 674,260

Business loan payable to financial institution in the amount of \$270,000 with monthly installments of \$3,804, which includes interest at a variable rate equal to the WSJ Prime Rate plus 1 percent (9.50% as of June 30, 2024); due May 2025; secured by the mortgage notes receivable of the Organization. 47,100

Total debt	721,360
Less: current portion	<u>(99,009)</u>
Long-term debt, less current portion	622,351
Less: unamortized deferred debt issuance costs	<u>(11,611)</u>
Total long-term debt, net	<u>\$ 610,740</u>

Future Maturities

Maturities of long-term debt at June 30, 2024 are as follows:

<u>Year ending June 30,</u>	
2026	\$ 53,890
2027	55,946
2028	58,080
2029	60,296
2030	62,596
Thereafter	<u>331,543</u>
	<u>\$ 622,351</u>

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following programs or purposes at June 30, 2024:

Restrictions related to purpose:	
Construction	\$ 255,000
Critical home repair	<u>1,293,515</u>
Total	<u>\$ 1,548,515</u>

Net assets were released from restrictions by incurring expenses to satisfy the specified restriction in the following amounts for the year ended June 30, 2024:

Purpose restrictions:	
Construction	\$ 84,920
Critical home repair	<u>5,000</u>
Total	<u>\$ 89,920</u>

Note 11 – Leases

Operating Lease

The Organization leases store space under a long-term operating lease agreement that expires in November 2024, which is classified and accounted for as an operating lease. The operating lease includes one or more options to renew, at the Organization's sole discretion, with renewal terms that can extend the lease term upon each renewal. The Organization does not consider renewal options to be reasonably certain to be exercised, therefore renewal options are generally not recognized as part of the right-of-use ("ROU") assets and lease liabilities.

The Organization has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less, and with no purchase option that the Organization is reasonably certain to exercise. ROU assets and lease liabilities are recognized based on the present value of the fixed and in-substance fixed lease payments over the lease term at the commencement date.

The Organization elected to use the risk-free interest rate (U.S. daily treasury par yield curve) for a period approximating the lease term for the lease as the lease does not have a readily determinable implicit interest rate and the relevant incremental borrowing rate could not be determined.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 11 – Leases (continued)

Operating Lease (continued)

Operating lease cost is recognized on the straight-line method over the lease term. The depreciable life of the ROU asset is typically limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The lease agreement does not contain any significant residual value guarantees or material restrictive covenants.

The Organization's lease agreement for real estate includes payments based on actual common area maintenance expenses. These additional lease payments are recognized as other operating expenses but are not included in the ROU asset or lease liability balance.

Operating lease expense, including amounts for short-term leases and additional rent expense, for the year ended June 30, 2024 was \$292,053. Short term lease and additional expense totaled \$47,000 for the year ended June 30, 2024.

At June 30, 2024, the remaining lease term for the operating lease was 5 months and the discount rate used for the operating lease was 0.97%. At June 30, 2024, the balances of the right-of-use asset and operating lease liability were \$101,976 and \$79,871 (\$79,871 of which was classified as current), respectively.

Future undiscounted cash flows and reconciliation to the operating lease liabilities at June 30, 2024 are as follows:

<u>Year ending June 30,</u>	
2025	\$ 80,000
Total lease payments	80,000
Less imputed interest	<u>(129)</u>
Total present value of operating lease liabilities	<u>\$ 79,871</u>

There were no subleases during the year ended June 30, 2024. Further, there are no leases that have not yet commenced, which would create significant rights and obligations.

Finance Lease

The Companies entered into a finance lease agreement during the year ended June 30, 2024 that expires October 2028 for a vehicle. The present value of total lease payments is substantially all of the leased asset's fair value. As such, the lease is classified as a finance lease obligation.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 11 – Leases (continued)

Finance Lease (continued)

Included in the cost of the vehicle at June 30, 2024 is \$70,912, representing the ROU asset under the finance lease. Accumulated amortization at June 30, 2024 for the ROU asset was \$10,910. Amortization expense for the year ended June 30, 2024 for the ROU asset was \$10,910.

The monthly payments under finance lease at June 30, 2024 totaled \$1,531, which includes imputed interest of 4.65%. The total amount due for the finance lease at June 30, 2024 was \$71,978, which includes the current portion of principal of \$18,372. Imputed interest expense paid on the finance lease for the year ended June 30, 2024 was \$2,404.

At June 30, 2024, the weighted-average remaining lease term under the finance lease was 52 months. At June 30, 2024, the weighted-average implicit interest rate on the finance leases was 4.65%.

The following is a schedule by years of future minimum payments required under the finance lease together with the present value as of June 30, 2024:

2025	\$ 18,372
2026	18,372
2027	18,372
2028	18,372
2029	<u>6,124</u>
Total lease payments	79,612
Less: imputed interest	<u>(7,634)</u>
Present value of finance leases	<u>\$ 71,978</u>

Note 12 – Contributed Materials and Services

The value of contributed services and materials included as in-kind contributions, in the accompanying Statement of Activities for the year ended June 30, 2024 is as follows:

Facility	\$ 300
Professional fees	6,820
Non-cash inventory contributions	<u>783,125</u>
Total in-kind revenues	<u>\$ 790,245</u>

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 12 – Contributed Materials and Services (continued)

Contributed facility expenses included repair services donated to the Organization recorded at fair value that the services would ordinarily be charged. Contributed professional fees include legal services provided to the Organization. Contributed professional fees are recorded at the fair value of the donated time that would ordinarily be charged for their services. Non-cash inventory contributions consist of donated items to the Restore locations that have been recorded as both a contribution and increase in inventory. The contributions are recorded at the value at the time of donation, which is typically equivalent to initial estimated selling price. For the majority of items, the initial estimated selling price is approximately half of the retail value. Non-cash inventory contributions are reported as program expenses when sold as cost of goods sold on the accompanying Statement of Functional Expenses.

Note 13 – Special Event Revenue

During the year ended June 30, 2024 the Organization hosted a fundraising gala called No Place Like Home. The event's revenues and expenses have been appropriately recognized in accordance with GAAP. Revenue from the event is recorded according to the company's revenue recognition policy. Expenses are recorded when incurred. The special event revenue is presented under the caption "Special events" net of the cost of direct benefit to donors on the statement of activities.

Note 14 – Related Party Transactions

The Organization had the following transactions with HFHI for the year ended June 30, 2024 including the following payments.

Habitat Stewardship and Organization Sustainability Initiative annual cost- sharing fee	\$ 25,000
Tithe	<u>4,000</u>
Total payments	<u><u>\$ 29,000</u></u>

In addition, the Organization received an in-kind contribution in the form of legal services from a member of the board of directors during the year ended June 30, 2024 in the amount of \$6,820.

Note 15 – Supplementary Disclosure of Cash Flow Information

For the year ended June 30, 2024, cash paid for interest was \$32,861.

During the year ended June 30, 2024, the Organization recorded \$70,912 in finance lease ROU assets and \$71,978 in lease liabilities.

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

Note 16 – Subsequent Events

The Organization evaluated subsequent events through November 12, 2024, the date these financial statements were available to be issued. The Organization entered into an agreement effective September 25, 2024 to sell six mortgage receivable accounts for 98% of their value for \$261,854. The Organization also entered into a lease agreement for office space effective November 15, 2024 that was signed on October 14, 2024. The lease is a 10-year lease with 2 renewal options that are not likely to be exercised at this time. The future effect of this lease as of November 12, 2024 is \$1,075,797 in right of use asset and lease liability using the current risk free rate. Other than the events noted, there were no material subsequent events that required recognition in these financial statements.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2024

State Grantor Department and Program Title	State Account Number	Award Amount	Program Grant Period	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2023	Revenue Recognized	Fiscal Year Disbursements	Accrued (Deferred) Revenue at June 30, 2024	Total Grant Expenditures to Date
Pennsylvania Housing Finance Agency									
Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund	2023-PHARE/RTT-099	\$ 400,000	8/7/23-8/7/25	\$ 400,000	\$ -0-	\$ 110,627	\$ 110,627	\$ (289,373)	\$ 110,627
Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund	2022-PHARE/RTT-087	300,000	7/26/22-1/26/24	-0-	(71,261)	71,261	71,261	-0-	71,261
Total Pennsylvania Housing Finance Agency				400,000	(71,261)	181,888	181,888	(289,373)	181,888
County of Delaware, Pennsylvania									
Pass-through programs from:									
Pennsylvania Department of Community and Economic Development									
Whole Home Repairs Program	21.027	7,120,000	8/2/23-6/30/26	1,129,779	-0-	178,350	178,350	(951,429)	178,350
American Rescue Plan Act - Dudley Ave.	21.027	608,688	9/13/22-9/13/26	489,225	-0-	608,688	608,688	119,463	608,688
Pass-through programs from:									
U.S. Department of Housing and Urban Development									
Community Development Block Grant	14.218	90,000	7/1/20-6/30/24	72,083	32,926	39,157	39,157	-0-	39,157
Community Development Block Grant	14.218	100,000	7/1/22-4/30/25	19,265	-0-	62,386	62,386	43,121	62,386
Total County of Delaware, Pennsylvania				1,710,352	32,926	888,581	888,581	(788,845)	888,581
County of Montgomery, Pennsylvania									
Pass-through programs from:									
Pennsylvania Department of Community and Economic Development									
Keystone Communities Program	C000082313	349,935	12/13/21-6/30/24	115,950	-0-	349,935	349,935	233,985	349,935
Keystone Communities Program	C000084254	100,000	12/15/22-6/30/25	-0-	-0-	17,919	17,919	17,919	17,919
American Rescue Plan Act - Willow Street	21.027	500,000	12/12/22-12/12/24	-0-	(250,000)	-0-	-0-	(250,000)	-0-
Total County of Montgomery, Pennsylvania				115,950	(250,000)	367,854	367,854	1,904	367,854
Total Expenditures of State Financial Assistance				\$ 2,226,302	\$ (288,335)	\$ 1,438,323	\$ 1,438,323	\$ (1,076,314)	\$ 1,438,323

**HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES,
INC.
NOTES TO SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2024**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the “Schedule”) includes the state grant activity of the Organization under programs of the state government for the year ended June 30, 2024. Because the Schedule presents only a selected portion of the operations of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**, it is not intended to and does not present the financial position, change in net assets, or cash flows of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** The financial activity of the aforementioned awards is reported in the Organization’s Statement of Activities.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Reconciliation of Accrued (Deferred) Revenue Amounts per the Schedule of Expenditures of State Financial Assistance to the Statement of Net Position

	<u>At June 30, 2024</u>
Contributions receivable	\$ 468,692
Less: Local grants receivable	(34,096)
Less: Deferred revenue	(1,543,516)
Add: Local deferred revenue	<u>32,606</u>
Net deferred revenue	\$ <u>1,076,314</u>

Note 4. Federal Expenditures

In the fiscal year ended June 30, 2024, the Organization expended over \$750,000 in federal awards. Since majority of the funds expended were SLFRF funds, the Organization opted to be subjected to a separate examination engagement instead of a federal single audit under 2 CFR Part 200, Subpart F of the Single Audit Act.

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

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

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 financial statements of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** (a nonprofit organization), which comprise the Statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.’s** internal control over financial reporting (“internal control”) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.’s** internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we

identified a certain deficiency in internal control that we consider to be a material weakness.

Our audit identified a material weakness in controls surrounding revenue recognition. Material adjustments were needed to correct revenue derived from grants. The adjustments were accepted by management. The weakness was caused by inadequate procedures around grant accounting. We recommend that management tracks grant receipts and grant expenditures in the same place. Management agrees with the finding and pledges to correct the issue.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s 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 financial statements. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
November 12, 2024