

**HABITAT FOR HUMANITY OF  
BUCKS COUNTY, INC.**

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**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

HABITAT FOR HUMANITY OF  
BUCKS COUNTY, INC.

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
of Habitat for Humanity of Bucks County, Inc.

### **Opinion**

We have audited the accompanying financial statements of Habitat for Humanity of Bucks County, Inc. (a non-profit organization), which are comprised of the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Bucks County, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### **Basis for Opinion**

We conducted our audits 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 Habitat for Humanity of Bucks County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 Habitat for Humanity of Bucks County, 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 for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. 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 Habitat for Humanity of Bucks County, 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 Bucks County, 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.

*Baum, Smith & Clemens, LLP*

Harleysville, PA  
October 27, 2023

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Current		
Cash - operating	\$ 408,171	\$ 426,515
Mortgages receivable, current	97,977	95,239
Notes and loans receivable, current	4,661	5,867
Other receivables	312,140	80,676
Construction in progress - homes	397,721	276,435
Inventory	358,679	350,910
Prepaid expenses	77,507	68,548
<b>Total current assets</b>	<b>1,656,856</b>	<b>1,304,190</b>
Property and equipment, net	796,563	746,661
Other		
Mortgages receivable, net of current portion and discount	664,908	677,765
Notes and loans receivable, net of current portion	82,732	83,408
Cash - money market	504,372	242,201
Cash - certificate of deposit	47,606	-
Marketable securities	6,017,115	5,704,432
Security deposits	90,297	55,097
Land	209,336	-
Right of use assets - operating leases	3,513,461	3,766,585
Total other assets	11,129,827	10,529,488
<b>Total assets</b>	<b>\$ 13,583,246</b>	<b>\$ 12,580,339</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued expenses	\$ 386,422	\$ 196,503
Lease liabilities - operating leases, current	573,138	502,422
<b>Total current liabilities</b>	<b>959,560</b>	<b>698,925</b>
Long term debt	100,000	-
Lease liabilities - operating leases, net of current portion	3,055,348	3,337,556
<b>Total liabilities</b>	<b>4,114,908</b>	<b>4,036,481</b>
<b>NET ASSETS</b>		
Without donor restrictions	9,435,822	8,489,373
With donor restrictions	32,516	54,485
Total net assets	9,468,338	8,543,858
<b>Total liabilities and net assets</b>	<b>\$ 13,583,246</b>	<b>\$ 12,580,339</b>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>						
ReStore activity						
ReStore revenue	\$ 4,677,407	\$ -	\$ 4,677,407	\$ 3,709,221	\$ -	\$ 3,709,221
Purchased costs of goods sold	(489,245)	-	(489,245)	(428,261)	-	(428,261)
Restore income	4,188,162	-	4,188,162	3,280,960	-	3,280,960
Contributions	1,775,792	-	1,775,792	1,016,861	54,485	1,071,346
In-kind contributions	27,420	-	27,420	18,916	-	18,916
Fundraising activities, net	127,486	-	127,486	109,222	-	109,222
Sale of homes to Habitat homeowners	350,000	-	350,000	480,000	-	480,000
Amortization of mortgage discounts	94,688	-	94,688	137,718	-	137,718
Other income	67,105	-	67,105	144,573	-	144,573
Net assets, released from restriction	21,969	(21,969)	-	180,629	(180,629)	-
<b>Total support and revenue</b>	<b>6,652,622</b>	<b>(21,969)</b>	<b>6,630,653</b>	<b>5,368,879</b>	<b>(126,144)</b>	<b>5,242,735</b>
<b>EXPENSES</b>						
Program services	5,684,318	-	5,684,318	4,664,135	-	4,664,135
Management and general	390,435	-	390,435	234,700	-	234,700
Fundraising expenses	235,582	-	235,582	239,495	-	239,495
<b>Total expenses</b>	<b>6,310,335</b>	<b>-</b>	<b>6,310,335</b>	<b>5,138,330</b>	<b>-</b>	<b>5,138,330</b>
<b>Change in net assets from operations</b>	<b>342,287</b>	<b>(21,969)</b>	<b>320,318</b>	<b>230,549</b>	<b>(126,144)</b>	<b>104,405</b>
Nonoperating activity						
Investment income (loss), net	604,162	-	604,162	(780,978)	-	(780,978)
<b>Change in net assets</b>	<b>946,449</b>	<b>(21,969)</b>	<b>924,480</b>	<b>(550,429)</b>	<b>(126,144)</b>	<b>(676,573)</b>
Net assets, beginning of year	8,489,373	54,485	8,543,858	9,039,802	180,629	9,220,431
Net assets, end of year	<u>\$ 9,435,822</u>	<u>\$ 32,516</u>	<u>\$ 9,468,338</u>	<u>\$ 8,489,373</u>	<u>\$ 54,485</u>	<u>\$ 8,543,858</u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Homeownership &amp; Home Repair</b>	<b>ReStores</b>	<b>Total Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Costs of homes sold to homeowners	\$ 1,026,317	\$ -	\$ 1,026,317	\$ -	\$ -	\$ 1,026,317
Home repair	542,985	-	542,985	-	-	542,985
Interest discounts, first mortgages	81,989	-	81,989	-	-	81,989
Salaries	349,356	1,602,134	1,951,490	275,245	147,194	2,373,929
Payroll taxes	27,009	137,625	164,634	23,695	12,666	200,995
Fringe benefits	60,740	138,954	199,694	25,533	14,452	239,679
Tithe	34,300	15,000	49,300	-	-	49,300
Newsletter and promotion	35,649	20,862	56,511	-	11,538	68,049
Office	56,846	68,141	124,987	9,065	22,909	156,961
Other	2,170	152,095	154,265	910	6,139	161,314
Professional fees	8,236	-	8,236	21,775	-	30,011
Travel and seminars	21,115	42,879	63,994	1,089	1,251	66,334
Rent	62,237	788,168	850,405	26,077	15,299	891,781
Depreciation	21,027	135,347	156,374	797	468	157,639
Insurance	18,698	28,412	47,110	649	381	48,140
Repairs and maintenance	6,365	63,334	69,699	2,667	1,564	73,930
Telephone and utilities	7,000	129,328	136,328	2,933	1,721	140,982
	<b><u>\$ 2,362,039</u></b>	<b><u>\$ 3,322,279</u></b>	<b><u>\$ 5,684,318</u></b>	<b><u>\$ 390,435</u></b>	<b><u>\$ 235,582</u></b>	<b><u>\$ 6,310,335</u></b>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Homeownership &amp; Home Repair</b>	<b>ReStores</b>	<b>Total Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Costs of homes sold to homeowners	\$ 594,060	\$ -	\$ 594,060	\$ -	\$ -	\$ 594,060
Home repair	443,232	-	443,232	-	-	443,232
Gifts of equity to homeowners	88,343	-	88,343	-	-	88,343
Interest discounts, first mortgages	79,972	-	79,972	-	-	79,972
Salaries	415,773	1,132,425	1,548,198	165,137	148,714	1,862,049
Payroll taxes	33,274	98,589	131,863	14,411	12,969	159,243
Fringe benefits	51,989	136,199	188,188	5,659	19,686	213,533
Tithe	25,322	15,000	40,322	-	-	40,322
Newsletter and promotion	36,555	26,368	62,923	-	10,025	72,948
Office	64,031	43,672	107,703	7,709	20,495	135,907
Other	970	133,790	134,760	1,265	2,889	138,914
Professional fees	521	-	521	18,471	-	18,992
Travel and seminars	23,791	35,818	59,609	1,465	2,760	63,834
Rent	53,903	706,752	760,655	14,612	15,586	790,853
Depreciation	29,505	120,509	150,014	1,207	1,288	152,509
Insurance	20,212	28,506	48,718	336	359	49,413
Repairs and maintenance	11,220	60,481	71,701	3,042	3,245	77,988
Telephone and utilities	5,115	148,238	153,353	1,386	1,479	156,218
	<b>\$ 1,977,788</b>	<b>\$ 2,686,347</b>	<b>\$ 4,664,135</b>	<b>\$ 234,700</b>	<b>\$ 239,495</b>	<b>\$ 5,138,330</b>

See Accompanying Notes to Financial Statements



**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Cash flows from operating activities		
<b>Change in net assets</b>	<b>\$ 924,480</b>	<b>\$ (676,573)</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Inventory - donated	(20,000)	(72,000)
Depreciation	157,639	152,509
Transfer of debt to homeowners	-	(140,000)
Mortgages issued	(125,000)	(125,000)
Mortgage discounts	81,989	79,972
Unrealized/realized (gain)/loss on investments	(472,567)	860,138
Amortization of mortgage discounts	(94,688)	(137,718)
Amortization of right of use assets - operating leases	253,124	518,515
Changes in assets and liabilities		
Other receivables	(231,464)	27,171
Collection of mortgages receivable, net	156,613	272,093
Construction in progress - homes	(121,286)	(114,819)
Inventory - purchased	12,231	(24,501)
Prepaid expenses	(8,959)	919
Security deposits	(35,200)	15,459
Accounts payable and accrued expenses	189,919	34,171
Reduction in lease liability - operating leases	(211,492)	(481,127)
<b>Net cash provided by operating activities</b>	<b>455,339</b>	<b>189,209</b>
Cash flows from investing activities		
Reinvestment of dividends and earnings	(165,739)	(118,883)
Purchase of certificate of deposit	(47,606)	-
Transfer to operating, net	63,452	98,424
Security deposits	(207,541)	(261,879)
Land acquisition	(209,336)	
Notes and loans issued	(8,104)	(7,769)
Collection of notes and loans receivable	1,191	3,262
<b>Net cash used by operating activities</b>	<b>(573,683)</b>	<b>(286,845)</b>
Cash flows from financing activities		
Proceeds from long-term debt	100,000	92,000
<b>Net cash provided by financing activities</b>	<b>100,000</b>	<b>92,000</b>
<b>Net change in cash</b>	<b>(18,344)</b>	<b>(5,636)</b>
Beginning cash	426,515	432,151
Ending cash	<b>\$ 408,171</b>	<b>\$ 426,515</b>
<u>Supplementary disclosure of cash flow information</u>		
Non-cash operating activities		
Right to use asset at lease inception	\$ 290,216	\$ 4,285,100
Right to use liability at lease inception	\$ 290,216	\$ 4,321,105

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Habitat for Humanity of Bucks County, Inc. ("the Organization") is a Pennsylvania non-profit organization, and has been granted an exemption from federal income tax under Section 501(c) (3) of the Internal Revenue Code as an affiliate of Habitat for Humanity International, Inc. ("HfHI"). HfHI is a non-profit organization whose purpose is to create decent, affordable housing for those in need. While HfHI provides training, publications, and on-line resources, Habitat for Humanity of Bucks County, Inc. is primarily and directly responsible for its own operations.

The mission of Habitat for Humanity of Bucks County, Inc. is - *Building Communities, Empowering Families*. The Organization's activities focus primarily on three key areas: Homeownership, Home Repair, and the ReStores.

Homeownership

Habitat for Humanity of Bucks County, Inc. provides opportunities for low-income individuals and families to increase their independence and economic well-being through affordable homeownership. In order to keep costs down, Habitat utilizes volunteers for approximately 70% of the actual construction of each home and the homeowners also invest their own sweat equity in helping to build their future homes. The Organization strives to build all Habitat homes to the Energy Star standards, meaning they are built to help save money on energy costs and to protect the environment through energy-efficient products and practices.

Home Repair

*Home Repair* is a program to serve low-income homeowners who, due to age, disability, or family circumstances, are unable to take care of repairs on their homes. This program offers security and healthy living conditions for homeowners, and brings stability and revitalization to neighborhoods. The expenditures for this program are included with homeownership & home repair on the statement of functional expenses.

ReStores

Designed as 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.

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

The Organization 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

The Organization reports cash for operating activities separate from cash restricted to a specific use. The township required the Organization to hold cash in a separate escrow account for its Walnut property build in Croydon in case anything of public interest/owned by the township is damaged during the build. The Walnut property remains in construction in progress as of June 30, 2023. The township will release the restriction on the cash as items of public interest pass inspection, such as sewer lines or sidewalks.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

Mortgages Receivable

The Organization has financed mortgages to homeowners, collateralized by first mortgages recorded as liens against the properties sold to the homeowner by the Organization. A valuation discount, of approximately 7.9%, has been recorded to reflect an interest rate recommended by Habitat for Humanity International, Inc. for valuation purposes.

A mortgage loss reserve has not been included in the financial statements. The Organization believes its risk is minimal due to the fact that in the event of foreclosure the Organization can take the property back. The Organization has developed and implemented a formal mortgage collection policy.

Notes and Loans Receivable

Upon sale of the properties to homeowners, the Organization advances the closing costs incurred on the sale of the property net of any deposit paid by the homeowner. The closing costs are repaid on a monthly basis over terms of 240, 300 or 360 months on a non-interest bearing basis. Any notes or receivable balances considered not collectible are written off when that determination is made. All balances at year end are considered fully collectible.

Other Receivables

Contribution receivables as well as ReStore receivables are included as other receivables on the statement of financial position. Contribution receivables consist of grants pledged before year-end but not yet received. ReStore receivables consist of sales in transit as of year-end. All receivables are considered collectible within one year of the date of the financial statements.

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.

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.

Inventory

Inventory, at the ReStores, consists of donated building materials, household appliances and goods. These items are valued based on historical sales and the square footage of each ReStore location. Inventory purchased for resale is valued at cost. Inventory on the statement of financial position also includes purchased inventory for all ReStore locations.

Property, Equipment and Depreciation

All acquisitions in excess of \$5,000 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.

Investments

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

The Organization's investments in marketable securities are subject to market risk. The investments are managed by an investment committee subject to its respective investment goals for the total investment return, yield, tolerance of investment risk, and investment turnover. The degree and concentration of risk varies by the type of investment.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

Land Trust Model

Effective July 2022 forward, the Organization intends to sell all future homes through a land trust model. The intention of this model is to preserve affordable housing for future generations. A homebuyer purchases only the house, not the land, making the price more affordable. The homebuyer leases the land from the Organization, paying a monthly lease amount subject to a long-term renewable lease. When the homeowner chooses to sell their home, they agree to limit the proceeds, to enable another low income homebuyer to purchase the home at an affordable price. The land trusts value is estimated at fair value by using the Pennsylvania Department of Revenue Common Level Ratio for Bucks County. The land leases recorded on the statement of financial position are evaluated for impairment on an annual basis.

Sales Tax

The Organization 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 authorities 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.

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 the Organization. These net assets may be used at the discretion of the Organization'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 increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and programs. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Contributions

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value on the date of donation.

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 the Organization is entitled to the assets transferred or promised is considered a conditional contribution. 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. The Organization may consider certain government contracts to be conditional contributions.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

Donated Property, Services and Materials

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. The Organization receives donated services from unpaid volunteers assisting the Organization with the construction and renovation of the homes and at the ReStores. 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.

Revenue Recognition

Sale of Merchandise

The Organization 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 the Organization at the time of sale, are recognized as a reduction in sales as the products are sold.

Sale of Homes

The Organization 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 the Organization or 3<sup>rd</sup> party financing. Discounts are provided to the homebuyer by the Organization via its gift of equity program. Starting July 2022, the homebuyer purchases only the house and the Organization retains ownership of the land. Also starting July 2022, the gift of equity program no longer exists.

Sale of homes to Habitat homeowners are recorded at the gross mortgage amount. 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.

Gift Cards

When the Organization sells its own gift cards, it records a deferred revenue liability equal to the amount received. A sale is then recognized when the gift cards are redeemed. The Organization's gift cards do not have an expiration date, but after twelve (12) months of continuous nonuse, the Organization reduces the deferred revenue liability below the issued value.

Home Repairs

The Organization recognizes revenue from home repair projects when payments are received from the customer.

ReStore Activity

ReStore sales and changes in the contributed and purchased inventory balances are shown on the statement of activities.

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. Salary and other personnel costs that are not directly coded to programmatic activity are allocated based on personnel time and the best estimate of employees. Building maintenance and depreciation expenses are allocated among the programs and supporting services benefited. Other operating costs are allocated using one of the following methodologies: personnel time, direct cost allocation, or the best estimate of employees.

Advertising

Advertising costs are expensed as incurred.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

Employee Benefit Plan

The Organization has a 401(k) plan for its employees. Eligible employees may contribute a percentage of their salary, up to federal limits. The plan also provides the option for an employer matching contribution. The matching contribution is discretionary from year to year with a maximum not to exceed 3% of participating employees' compensation. The Organization also pays the annual plan administration costs on the behalf of plan participants.

Shipping and Handling

The majority of the shipping and handling costs to deliver product to the ReStore locations are expensed as incurred and is classified as other expense with a minimal amount included in ReStore inventory.

Income Taxes

The Organization qualifies under the Internal Revenue Code as a publicly supported charitable organization. The Organization is registered as required with the Pennsylvania Bureau of Charitable Organizations

The Organization is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken on the Organization's tax returns. Management has determined that the Organization 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 valuation of the ReStore inventory, and the value of land trusts of homes sold.

Reclassification

Certain items in the accompanying 2022 financial statements have been reclassified to conform to the current year presentation. The reclassifications had no impact on the previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was October 27, 2023.

NOTE B: CONCENTRATIONS

Credit Risk

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

The Organization 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 federal limits, but the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE C: CERTIFICATE OF DEPOSIT

Certificates of deposit are as follows:

	2023	2022
CD – Balance	\$ 47,606	\$ -
Interest rate	3.44%	-
Maturity date	August 2024	-

NOTE D: MORTGAGES RECEIVABLE

The mortgages are payable by the homeowners in monthly installments ranging from \$150 to \$390 over a term of 240, 300 or 360 months. The mortgages are non-interest bearing. Unamortized discounts for mortgages financed to homeowners during the years ended June 30, 2023 and 2022 of \$81,989 and \$79,972, respectively, have been included in the statement of functional expenses.

Pennsylvania Housing Finance Agency (PHFA) has purchased various mortgages receivable from the Organization. These proceeds are to be used to provide additional loans to low income families. The Organization will continue to service these mortgages, collecting monthly installments, which are remitted to PHFA on a quarterly basis along with a report of the status of each mortgage. The Organization must adhere to agreed-upon obligations, and in the event of a default, all obligations purchased at PHFA's option shall cease and terminate, and PHFA may declare the mortgage indebtedness immediately due and payable by the Organization.

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

	2023	2022
Non-interest bearing mortgages receivable from homeowners	\$ 1,619,237	\$ 1,648,042
Mortgages receivable - PHFA	(56,427)	(62,414)
Valuation discount	(799,925)	(812,624)
Net mortgages receivable	762,885	773,004
Current maturities of mortgages receivable	(97,977)	(95,239)
	\$ 664,908	\$ 677,765

NOTE E: NOTES AND LOANS RECEIVABLE

The following is a summary of the notes and loans from homeowners as of June 30.

	2023	2022
Current	\$ 4,661	\$ 5,867
Long-term	82,732	83,408
	\$ 87,393	\$ 89,275

NOTE F: CONSTRUCTION IN PROGRESS - HOMES

The following properties were under construction or have incurred acquisition costs as of June 30.

Project Name	Location	Number of units	2023 Status	2023	2022
Beaver Dam	Bristol	1	Sold	\$ -	\$ 174,292
Hillcrest	Morrisville	1	Sold	-	87,063
Walnut	Croydon	3	In process	397,721	15,080
				\$ 397,721	\$ 276,435

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE G: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30.

	Estimated useful lives <u>in years</u>	<u>2023</u>	<u>2022</u>
Office equipment	3	\$ 117,822	\$ 109,992
Vehicles	5	414,750	342,896
Equipment	5	84,001	69,157
Storage trailers	7	8,430	8,430
Furniture and fixtures	7	57,283	57,283
Leasehold improvements	3 - 10	<u>804,275</u>	<u>671,930</u>
		1,486,561	1,259,688
Less: accumulated depreciation		<u>689,998</u>	<u>544,772</u>
		796,563	714,916
Construction in progress		-	31,745
		<u>\$ 796,563</u>	<u>\$ 746,661</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$157,639 and \$152,509, respectively.

NOTE H: MARKETABLE SECURITIES

Investments held by the Organization at June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Mutual funds – equities and exchange traded funds	\$ 4,431,548	\$ 4,153,651
Mutual funds - bond funds	<u>1,585,567</u>	<u>1,550,781</u>
	<u>\$ 6,017,115</u>	<u>\$ 5,704,432</u>

Investment income is summarized as follows:

	<u>2023</u>	<u>2022</u>
Unrealized loss	\$ (84,651)	\$ (1,041,610)
Realized gains	557,218	181,472
Dividends and interest (net of fees)	<u>131,595</u>	<u>79,160</u>
	<u>\$ 604,162</u>	<u>\$ (780,978)</u>

Investment fees for the year ended June 30, 2023 and 2022 were \$35,120 and \$40,274, respectively.



**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE I: 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 the Organization has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> <li>▪ Quoted prices for similar assets in active markets;</li> <li>▪ Quoted prices for identical or similar assets in inactive markets;</li> <li>▪ Inputs other than quoted prices that are observable for the asset;</li> <li>▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> <p>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.</p>
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.

Following is a description of the valuation methodologies used for assets measured at fair value. There are no changes in the methodologies used at June 30, 2023 or 2022.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Land leases: Valued at common level ratio real estate valuation factors for Bucks County as of the settlement date of the property. There is no observable active markets for these assets.

	Assets at Fair Value as of June 30, 2023			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds – bond funds	\$ 1,585,567	\$ -	\$ -	\$ 1,585,567
Mutual funds – equities and exchange traded funds	4,431,548	-	-	4,431,548
Land leases	-	-	209,336	209,336
Total assets at fair value	\$ 6,017,115	\$ -	\$ 209,336	\$ 6,226,451

Following is a reconciliation of activity for the 2023 assets measured at fair value on a nonrecurring basis, based on significant unobservable (non-market) information using the common level ratio real estate valuation factors:

	Land Leases
Balance, July 1, 2022	\$ -
Transfer of homes sold into land lease program	209,336
Balance, June 30, 2023	\$ 209,336

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE I: FAIR VALUE MEASUREMENT (Continued)

	Assets at Fair Value as of June 30, 2022			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds - bond funds	\$ 1,550,781	\$ -	\$ -	\$ 1,550,781
Mutual funds - equities and exchange traded funds	4,153,651	-	-	4,153,651
Total assets at fair value	\$ 5,704,432	\$ -	\$ -	\$ 5,704,432

NOTE J: LINE OF CREDIT

The line is renewable annually and is secured by the Organization's deposits and marketable securities held by the investment company, which are used as collateral. The interest rate is variable and was 6.93% and 2.75% at June 30, 2023 and 2022, respectively. At June 30, 2023 the available unused credit line was approximately \$3,910,000. There were no outstanding balances at June 30, 2023 or 2022.

NOTE K: LONG-TERM DEBT

	2023	2022
Notes payable, due March 31, 2025, 1% interest only, payable quarterly, principal due at maturity. Proceeds used to support the predevelopment costs of the Walnut Street project.	\$ 100,000	\$ -
Less: current portion	(-)	(-)
Long-term debt	\$ 100,000	\$ -

The Organization follows the policy of capitalizing construction interest as a component of the construction in progress. During the years ended June 30, 2023 and 2022, interest expense capitalized to construction in progress was \$4,660 and \$-, respectively.

NOTE L: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for use in future periods for restricted purposes at June 30, 2023 and 2022 were as follows.

	2023	2022
Purpose	\$ 32,516	\$ 54,485

Net assets with donor restrictions released for the years ended June 30, 2023 and 2022 were as follows.

	2023	2022
Purpose	\$ 21,969	\$ 180,629

NOTE M: FUND RAISING ACTIVITIES

The Organization has an annual Signature Event and other fundraising events. The support received and expenses incurred for these events were as follows.

	2023	2022
Gross receipts	\$ 173,985	\$ 152,590
Expenses	46,499	43,368
	\$ 127,486	\$ 109,222

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NOTE N: RESTORE ACTIVITY

During the year ended June 30, 2023, a third ReStore location was opened. The ReStores have sales from both donated and purchased products. The ReStores had the following activity for the years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
ReStore sales	\$ 4,677,407	\$ 3,709,221
Purchased inventory sold	(509,245)	(500,261)
Contributions – change in inventory	<u>20,000</u>	<u>72,000</u>
ReStore activity	<u>\$ 4,188,162</u>	<u>\$ 3,280,960</u>

The donated contributions of goods to the ReStore were \$3,619,472 and \$2,866,667 for June 30, 2023 and 2022, respectively.

ReStore revenue represents approximately 63% of total support and revenue for June 30, 2023 and 2022, respectively.

NOTE O: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes and provide housing solutions in economically depressed areas around the world. In addition, the Organization pays \$15,000 annually to Habitat for Humanity International to offset a portion of the costs associated with efforts that benefit all affiliates; efforts such as brand protection and promotion, and regulatory advocacy. For the years ended June 30, 2023 and 2022, the Organization voluntarily contributed \$49,300 and \$40,322, respectively, to Habitat for Humanity International. These amounts are included in program services expense in the statement of activities.

Habitat for Humanity International makes donated merchandise available to ReStores. The Organization pays an acquisition fee. For the years ended June 30, 2023 and 2022, the Organization did not incur any acquisition expenses.

NOTE P: ADDITIONAL INFORMATION

	<u>2023</u>	<u>2022</u>
Donated goods program	\$ 23,460	\$ 18,916
Donated services program	\$ 3,960	\$ -
Advertising expense	\$ 45,231	\$ 55,093
Employer matching retirement contribution	\$ 27,384	\$ 26,085
401(K) administration costs	\$ 1,616	\$ 1,646

On June 30, 2023, The Organization had remaining available award balances on conditional reimbursement grants and contracts for sponsored projects totaling approximately \$929,000. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and expenses related to the reimbursement grants are incurred.

NOTE Q: OPERATING LEASES

The Organization leases building space in Warminster, Langhorne, and Quakertown under operating leases expiring in various years through 2031. The building leases also include a monthly charge for operating expenses. Operating leases are included in operating right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position. The right of use asset and lease liability for the Warminster and Langhorne building leases were initially recognized at the discounted incremental borrowing rate of 1.84% in the fiscal year ended June 30, 2022. A lease liability and a ROU asset for the Quakertown site was recorded at the present value of future lease payments at the discounted incremental borrowing rate of 6.46% for the year ended June 30, 2023.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE Q: OPERATING LEASES (Continued)

The amounts of the asset and liability for the Quakertown site operating lease at inception per the lease standard was as follows:

	<u>Amount</u>
Right to Use Asset - Operating	<u>\$ 290,216</u>
Lease Liability - Operating	<u>\$ 290,216</u>

The Organization's lease terms may include options to extend or terminate the lease. When it is reasonably certain that we will exercise that option adjustments will be recorded to the right of use asset & liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as office space, the Organization 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 utilities and real estate taxes, are recognized as operating expenses in the period in which the obligation for those payments was incurred.

The Warminster location lease includes a sublease. The sublease is effective August 1, 2021 through July 31, 2022 and will renew annually unless terminated by March 31 of each year. The monthly rent to be received by the Organization is \$2,905. Rental income received for the year ended June 30, 2023 was \$34,860. Subsequent to year end, the Organization signed a lease amendment, increasing the monthly rent to be received by the Organization to \$3,252, beginning August 1, 2023. Rental income to be received during the year ended June 30, 2024 will be \$38,677.

The Organization also leases a piece of equipment through 2026. Monthly payments of \$203 are expensed as incurred.

Rent expense for the years ending June 30, 2023 and 2022 was \$891,781 and \$790,853, respectively.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30 for each of the next five years, thereafter, and in the aggregate, are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2024	\$ 649,844
2025	664,294
2026	594,599
2027	436,525
2028	438,975
Thereafter	<u>1,094,922</u>
	<u>\$ 3,879,159</u>

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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**NOTE Q: OPERATING LEASES (Continued)**

The maturities of lease liabilities as of June 30 for the next five years, thereafter, and in the aggregate, are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2024	\$ 573,138
2025	600,692
2026	544,664
2027	399,757
2028	413,241
Thereafter	<u>1,096,994</u>
	<u>\$ 3,628,486</u>

The Organization also has lease arrangements with its homeowners. When the Organization sells a property, it retains ownership of the land and subsequently leases the land to the homeowners who purchased the related building (See Note A). The land is reflected on the statement of financial position in non-current assets. Monthly rent expense for each lease is approximately \$75. The Organization determines if the arrangement is a lease at inception. The Organization currently has three executed land lease arrangements and expects to collect \$75 per month per lease for the next 99 years. Total lease income for the years ended June 30, 2023 and 2022 is \$600 and \$ -, respectively.

**NOTE R: SERVICE AGREEMENTS**

The Organization has a contract for voice and data services through June 2024. Total expense for the years ending June 30, 2023 and 2022 was \$5,124 and \$11,734, respectively.

Minimum future payments for the services are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2024	<u>\$ 5,124</u>

**NOTE S: GIFTS OF EQUITY**

Gifts of equity are applicable to any mortgages issued before July 2022. For the Organization's treatment of mortgages received starting July 2022, see Note A.

The Organization has received funds from Bucks County's HOME and Housing Trust Funds to build affordable homes. In lieu of debt repayment by the Organization, the note is transferred to the home buyer at the time of sale as a second mortgage payable to the County. The second mortgage is payable to the County in full if the homeowner sells, refinances or transfers the property.

The Organization may place a third mortgage on a property at the time of sale if the appraised value of the home exceeds the combined first and second mortgage values. The mortgage is forgiven over time for all properties sold prior to June 1, 2015. Homes sold after June 1, 2015 will have a permanent third mortgage placed on the property.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE T: EMPLOYEE RETENTION CREDIT

The Organization qualified for the Employee Retention Credit (ERC), which is a refundable tax credit provided by the CARES Act for the 2nd quarter of 2020. The ERC is applied against certain employment taxes of up to \$5,000 per employee for eligible employers. In 2020, the available tax credit was equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee. The credit claimed and received during the year ended June 30, 2022 was \$72,306. The credits have been recorded in these financial statements as a conditional contribution and included in the other income total in the statement of activities. No credits were claimed or received during the current year ended June 30, 2023.

NOTE U: LIQUIDITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash requirements are invested in money market accounts, certificates of deposit, and other short or long term investments.

The following table reflects the Organizations' financial assets as of June 30, 2023 and 2022 that are available to meet cash needs for operating expenditures within one year.

	<u>2023</u>	<u>2022</u>
Cash	\$ 408,171	\$ 426,515
Mortgages receivable, current	97,977	95,239
Notes and loans receivable, current	4,661	5,867
Other receivables and pledges	312,140	80,676
Cash – money market	504,372	242,201
Marketable securities	<u>6,017,115</u>	<u>5,704,432</u>
Total	7,344,436	6,554,930
Less: Net assets with donor restrictions	<u>(32,516)</u>	<u>(54,485)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,311,920</u>	<u>\$ 6,500,445</u>

In the event of an unanticipated liquidity need, the Organization can also draw upon approximately \$3,910,000 of an available line of credit.