

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2024 AND 2023**

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

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BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

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, 2024 and 2023, 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, 2024 and 2023, 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 audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government 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 Bucks County, 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 opinions.

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 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 U.S. 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 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.

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 federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards 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 February 28, 2025, on our consideration of Habitat for Humanity of Bucks County, 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 solely 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 Bucks County Organization'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 Bucks County's internal control over financial reporting and compliance.

Baum, Smith & Clemens, LLP

Harleysville, PA
December 20, 2024, except for Note V as to which the date is February 28, 2025

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Current		
Cash - operating	\$ 265,106	\$ 408,171
Mortgages receivable, current	99,876	97,977
Notes and loans receivable, current	5,347	4,661
Other receivables	252,795	312,140
Construction in progress - homes	602,145	397,721
Inventory	300,680	358,679
Prepaid expenses	99,498	77,507
Total current assets	1,625,447	1,656,856
Property and equipment, net	630,767	796,563
Other		
Mortgages receivable, net of current portion and discount	708,854	664,908
Notes and loans receivable, net of current portion	101,847	82,732
Cash - money market	919,497	504,372
Cash - certificate of deposit	47,606	47,606
Marketable securities	6,738,383	6,017,115
Security deposits	95,097	90,297
Land	346,393	209,336
Right of use assets - operating leases	3,058,112	3,513,461
Total other assets	12,015,789	11,129,827
Total assets	\$ 14,272,003	\$ 13,583,246
LIABILITIES		
Current		
Current portion of long-term debt	\$ 100,000	\$ -
Accounts payable and accrued expenses	291,757	386,422
Lease liabilities - operating leases, current	616,532	573,138
Total current liabilities	1,008,289	959,560
Long-term		
Debt	-	100,000
Lease liabilities - operating leases, net of current portion	2,569,104	3,055,348
Total long-term liabilities	2,569,104	3,155,348
Total liabilities	3,577,393	4,114,908
NET ASSETS		
Without donor restrictions	10,622,611	9,435,822
With donor restrictions	71,999	32,516
Total net assets	10,694,610	9,468,338
Total liabilities and net assets	\$ 14,272,003	\$ 13,583,246

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
ReStore activity						
ReStore revenue	\$ 4,920,616	-	\$ 4,920,616	\$ 4,677,407	-	\$ 4,677,407
Purchased costs of goods sold	(577,576)	-	(577,576)	(489,245)	-	(489,245)
Restore income	4,343,040	-	4,343,040	4,188,162	-	4,188,162
Contributions	2,402,650	210,000	2,612,650	1,775,792	-	1,775,792
In-kind contributions	24,337	-	24,337	27,420	-	27,420
Fundraising activities, net	145,203	-	145,203	127,486	-	127,486
Sale of homes to Habitat homeowners	1,115,000	-	1,115,000	350,000	-	350,000
Amortization of mortgage discounts	66,620	-	66,620	94,688	-	94,688
Other income	87,321	-	87,321	67,105	-	67,105
Net assets, released from restriction	170,517	(170,517)	-	21,969	(21,969)	-
Total support and revenue	8,354,688	39,483	8,394,171	6,652,622	(21,969)	6,630,653
EXPENSES						
Program services	7,358,494	-	7,358,494	5,684,318	-	5,684,318
Management and general	415,987	-	415,987	390,435	-	390,435
Fundraising expenses	230,809	-	230,809	235,582	-	235,582
Total expenses	8,005,290	-	8,005,290	6,310,335	-	6,310,335
Change in net assets from operations	349,398	39,483	388,881	342,287	(21,969)	320,318
Nonoperating activity						
Investment income, net	837,391	-	837,391	604,162	-	604,162
Change in net assets	1,186,789	39,483	1,226,272	946,449	(21,969)	924,480
Net assets, beginning of year	9,435,822	32,516	9,468,338	8,489,373	54,485	8,543,858
Net assets, end of year	<u>\$ 10,622,611</u>	<u>\$ 71,999</u>	<u>\$ 10,694,610</u>	<u>\$ 9,435,822</u>	<u>\$ 32,516</u>	<u>\$ 9,468,338</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Homeownership	Home Repair	ReStores	Total Program	Management & General	Fundraising	Total
Costs of homes sold to homeowners	\$ 1,207,891	\$ 95	\$ -	\$ 1,207,986	\$ -	\$ -	\$ 1,207,986
Home repair	-	703,271	-	703,271	-	-	703,271
Capital write-downs	690,000	-	-	690,000	-	-	690,000
Interest discounts, first mortgages	177,765	-	-	177,765	-	-	177,765
Salaries	275,034	220,508	1,740,452	2,235,994	274,498	155,158	2,665,650
Payroll taxes	18,772	18,622	146,631	184,025	23,181	13,095	220,301
Fringe benefits	46,635	23,473	237,764	307,872	22,413	3,863	334,148
Tithe	32,754	-	15,000	47,754	-	-	47,754
Newsletter and promotion	25,852	1,537	96,352	123,741	56	9,222	133,019
Office	43,060	12,405	34,852	90,317	11,732	19,371	121,420
Other	2,438	257	229,861	232,556	748	2,765	236,069
Professional fees	3,519	7,950	-	11,469	52,302	6,880	70,651
Travel and seminars	29,197	4,220	9,916	43,333	2,475	2,235	48,043
Rent	37,215	17,908	778,442	833,565	22,385	14,270	870,220
Depreciation	20,704	779	158,964	180,447	974	621	182,042
Insurance	19,442	1,141	40,031	60,614	1,426	909	62,949
Repairs and maintenance	1,824	878	61,196	63,898	1,097	699	65,694
Telephone and utilities	4,489	2,161	157,237	163,887	2,700	1,721	168,308
	\$ 2,636,591	\$ 1,015,205	\$ 3,706,698	\$ 7,358,494	\$ 415,987	\$ 230,809	\$ 8,005,290

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

	Homeownership	Home Repair	ReStores	Total Program	Management & General	Fundraising	Total
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	234,665	114,691	1,602,134	1,951,490	275,245	147,194	2,373,929
Payroll taxes	17,148	9,861	137,625	164,634	23,695	12,666	200,995
Fringe benefits	46,407	14,333	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	46,637	10,209	30,691	87,537	9,065	22,909	119,511
Other	1,867	303	218,337	220,507	910	6,139	227,556
Professional fees	4,736	3,500	-	8,236	21,775	-	30,011
Travel and seminars	17,407	3,708	14,087	35,202	1,089	1,251	37,542
Rent	48,329	13,908	788,168	850,405	26,077	15,299	891,781
Depreciation	20,602	425	135,347	156,374	797	468	157,639
Insurance	18,352	346	28,412	47,110	649	381	48,140
Repairs and maintenance	4,943	1,422	63,334	69,699	2,667	1,564	73,930
Telephone and utilities	5,436	1,564	129,328	136,328	2,933	1,721	140,982
	\$ 1,644,784	\$ 717,255	\$ 3,322,279	\$ 5,684,318	\$ 390,435	\$ 235,582	\$ 6,310,335

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 1,226,272	\$ 924,480
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Inventory - donated	-	(20,000)
Depreciation	182,042	157,639
Mortgages issued	(260,000)	(125,000)
Mortgage discounts	177,765	81,989
Unrealized/realized (gain)/loss on investments	(696,463)	(472,567)
Amortization of mortgage discounts	(66,620)	(94,688)
Amortization of right of use assets - operating leases	455,349	253,124
Changes in assets and liabilities		
Other receivables	59,345	(231,464)
Collection of mortgages receivable, net	108,935	156,613
Construction in progress - homes	(204,424)	(121,286)
Inventory - purchased	57,999	12,231
Prepaid expenses	(21,991)	(8,959)
Security deposits	(4,800)	(35,200)
Accounts payable and accrued expenses	(94,665)	189,919
Reduction in lease liability - operating leases	(442,850)	(211,492)
Net cash provided by operating activities	475,894	455,339
Cash flows from investing activities		
Reinvestment of dividends and earnings	(177,721)	(165,739)
Reinvestment of interest on certificate of deposit	-	(47,606)
Transfer to (from) operating, net	(262,209)	63,452
Purchase of fixed assets	(16,246)	(207,541)
Land acquisition	(137,057)	(209,336)
Notes and loans issued	(25,726)	(8,104)
Collection of notes and loans receivable	-	1,191
Net cash used by operating activities	(618,959)	(573,683)
Cash flows from financing activities		
Proceeds from long-term debt	-	100,000
Net cash provided by financing activities	-	100,000
Net change in cash	(143,065)	(18,344)
Beginning cash	408,171	426,515
Ending cash	\$ 265,106	\$ 408,171
<u>Supplementary disclosure of cash flow information</u>		
Non-cash operating activities		
Right to use asset at lease inception	\$ 135,324	\$ 290,216
Right to use liability at lease inception	\$ 135,324	\$ 290,216

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

The Organization 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, the Organization 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 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.

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 326, *Financial Instruments – Credit Losses*) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to guidance in FASB ASC 326 were mortgages receivable.

The Organization adopted FASB ASC 326, Financial Instruments – Credit Losses effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Cash

The Organization reports cash for operating activities separate from cash restricted to a specific use.

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 8.02%, has been recorded to reflect an interest rate recommended by HFHI 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 mainly donated building materials, household appliances and goods. These items are valued based on historical sales and the square footage of each ReStore location. Purchased Inventory for resale is valued at cost.

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, 2024 AND 2023

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 trust 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, 2024 AND 2023

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 3rd party financing. Prior to July 2022, discounts are provided to the homebuyer by the Organization via its gift of equity program. From July 2022 onward, 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.

Starting July 2023, sale of homes to Habitat homeowners are recorded at the full appraised value, resulting in a capital write down at settlement to reduce the recorded purchase price to the affordable purchase price for the homebuyer.

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, 2024 AND 2023

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.

Operating Leases

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. The evaluation may require significant judgment. Lease payments for leases with terms of twelve months or less are expensed as paid with no right of use asset or operating lease liability recognized.

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 2023 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 December 20, 2024.

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.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE B: CONCENTRATIONS (Continued)

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.

NOTE C: CERTIFICATE OF DEPOSIT

Certificates of deposit are as follows:

	2024	2023
Certificate of deposit balance	\$ 47,606	\$ 47,606
Interest rate	3.44%	3.44%
Maturity date	August 2024	August 2024

The certificate of deposit matured subsequent to year-end. See Note U for more detail.

The township required the Organization to hold cash in a separate escrow account/certificate of deposit 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, 2024. The township releases the restriction on the cash as items of public interest pass inspection, such as sewer lines or sidewalks. At June 30, 2024, \$28,841 of the total certificate of deposit balance was restricted. At June 30, 2023, the entire certificate of deposit balance was restricted.

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, 2024 and 2023 of \$177,765 and \$81,989, 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.

	2024	2023
Non-interest bearing mortgages receivable from homeowners	\$ 1,772,410	\$ 1,619,237
Mortgages receivable - PHFA	(52,610)	(56,427)
Valuation discount	(911,070)	(799,925)
Net mortgages receivable	808,730	762,885
Current maturities of mortgages receivable	(99,876)	(97,977)
	\$ 708,854	\$ 664,908

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE E: NOTES AND LOANS RECEIVABLE

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

	<u>2024</u>	<u>2023</u>
Current	\$ 5,347	\$ 4,661
Long-term	101,847	82,732
	<u>\$ 107,194</u>	<u>\$ 87,393</u>

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	2024 Status	<u>2024</u>	<u>2023</u>
Walnut	Croydon	3	In process*	\$ 289,792	\$ 397,721
569 Sycamore	Croydon	1	In process	309,793	-
1109 Penn.	Croydon	1	In process	1,020	-
823 Main	Croydon	1	In process	1,540	-
				<u>\$ 602,145</u>	<u>\$ 397,721</u>

* During the year ended June 30, 2024, the Organization sold 2 of the 3 units. The final unit was sold in September 2024 (Note U).

At June 30, 2024, the Organization had signed commitments to purchase the 1109 Penn and 823 Main properties. Both properties were purchased in August 2024 (Note U).

NOTE G: PROPERTY AND EQUIPMENT

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

	Estimated useful lives in years	<u>2024</u>	<u>2023</u>
Office equipment	3	\$ 117,822	\$ 117,822
Vehicles	5	414,750	414,750
Equipment	5	84,001	84,001
Storage trailers	7	8,430	8,430
Furniture and fixtures	7	57,283	57,283
Leasehold improvements	3 - 10	820,521	804,275
		1,502,807	1,486,561
Less: accumulated depreciation		(872,040)	(689,998)
		<u>\$ 630,767</u>	<u>\$ 796,563</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$182,042 and \$157,639, respectively.

NOTE H: MARKETABLE SECURITIES

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

	<u>2024</u>	<u>2023</u>
Mutual funds – equities and exchange traded funds	\$ 5,132,061	\$ 4,431,548
Mutual funds - bond funds	1,606,322	1,585,567
	<u>\$ 6,738,383</u>	<u>\$ 6,017,115</u>

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE H: MARKETABLE SECURITIES (Continued)

Investment income is summarized as follows:

	2024	2023
Unrealized gain (loss)	\$ 699,494	\$ (84,651)
Realized gain (loss)	(3,031)	557,218
Dividends and interest, net of fees	140,928	131,595
	\$ 837,391	\$ 604,162

Investment fees for the year ended June 30, 2024 and 2023 were \$37,872 and \$35,120, respectively.

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	Inputs to the valuation methodology include: <ul style="list-style-type: none"> ▪ Quoted prices for similar assets in active markets; ▪ Quoted prices for identical or similar assets in inactive markets; ▪ Inputs other than quoted prices that are observable for the asset; ▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p style="margin-left: 40px;">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, 2024 or 2023.

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, 2024			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds – bond funds	\$ 1,606,322	\$ -	\$ -	\$ 1,606,322
Mutual funds – equities and exchange traded funds	5,132,061	-	-	5,132,061
Land leases	-	-	346,393	346,393
Total assets at fair value	\$ 6,738,383	\$ -	\$ 346,393	\$ 7,084,776

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE I: FAIR VALUE MEASUREMENT (Continued)

Following is a reconciliation of activity for the 2024 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, 2023	\$ 209,336
Transfer of homes sold into land lease program	137,057
Balance, June 30, 2024	\$ 346,393

	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

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 7.13% and 6.93% at June 30, 2024 and 2023, respectively. At June 30, 2024 the available unused credit line was approximately \$4,381,000. There were no outstanding balances at June 30, 2024 or 2023.

NOTE K: LONG-TERM DEBT

	2024	2023
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	\$ 100,000
Less: current portion	(100,000)	(-)
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, 2024 and 2023, interest expense capitalized to construction in progress was \$1,000 and \$4,660, 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, 2024 and 2023 were as follows.

	2024	2023
Purpose	\$ 71,999	\$ 32,516

Net assets with donor restrictions released for the years ended June 30, 2024 and 2023 were as follows.

	2024	2023
Purpose	\$ 170,517	\$ 21,969

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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.

	<u>2024</u>	<u>2023</u>
Gross receipts	\$ 194,162	\$ 173,985
Expenses	48,959	46,499
	<u>\$ 145,203</u>	<u>\$ 127,486</u>

NOTE N: RESTORE ACTIVITY

The Organization has three ReStore locations. The ReStores have sales from both donated and purchased products. The ReStores had the following activity for the years ended June 30, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
ReStore sales	\$ 4,920,616	\$ 4,677,407
Purchased inventory sold	(528,896)	(382,566)
Change in inventory	(48,680)	(106,679)
ReStore activity	<u>\$ 4,343,040</u>	<u>\$ 4,188,162</u>

The donated contributions of goods to the ReStore were \$4,170,444 and \$3,619,472 for the years ending June 30, 2024 and 2023, respectively.

ReStore gross revenue represents approximately 52% and 63% of total support and revenue for the years ending June 30, 2024 and 2023, respectively.

NOTE O: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to HFHI. 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 HFHI 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, 2024 and 2023, the Organization voluntarily contributed \$47,754 and \$49,300, respectively, to HFHI. These amounts are included in program services expense in the statement of activities.

HFHI makes donated merchandise available to ReStores. The Organization pays an acquisition fee. For the years ended June 30, 2024 and 2023, the Organization did not incur any acquisition expenses.

NOTE P: ADDITIONAL INFORMATION

	<u>2024</u>	<u>2023</u>
Donated goods program	\$ 10,337	\$ 23,460
Donated services program	\$ 14,000	\$ 3,960
Advertising expense	\$ 114,879	\$ 45,231
Employer matching retirement contribution	\$ 42,953	\$ 27,384
401(K) administration costs	\$ 1,226	\$ 1,616

On June 30, 2024, The Organization had remaining available award balances on conditional reimbursement grants and contracts for sponsored projects totaling approximately \$765,000. 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.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE Q: OPERATING LEASES

The Organization leases a vehicle as well as building space in Warminster, Langhorne, and Quakertown under operating leases expiring in various years through 2031. The Organization also leases a vehicle. 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, Langhorne, and Quakertown building leases were initially recognized in prior years. A lease liability and a ROU asset for the vehicle lease was recorded at the present value of future lease payments at the discounted incremental borrowing rate of 7.11% for the year ended June 30, 2024.

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

	<u>Amount</u>
Right to Use Asset - Operating	<u>\$ 135,324</u>
Lease Liability - Operating	<u>\$ 135,324</u>

The Organization's lease terms may include options to extend or terminate the lease. When it is reasonably certain that the Organization 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 was initially for the period August, 2021 through July, 2022 and renews annually unless terminated by March 31. The monthly rent to be received by the Organization was \$2,905. The sublease was amended in August of 2023 increasing the monthly rent to be received by the Organization to \$3,252, beginning August 1, 2023. Rental income received for the year ended June 30, 2024 and 2023 was \$35,412 and \$34,860, respectively.

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, 2024 and 2023 was \$870,220 and \$891,781, 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>
2025	\$ 718,024
2026	648,912
2027	491,432
2028	494,488
2029	435,770
Thereafter	<u>821,252</u>
	<u>\$ 3,609,878</u>

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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>
2025	\$ 616,532
2026	561,669
2027	418,012
2028	432,838
2029	383,565
Thereafter	773,020
	<u>\$ 3,185,636</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 six executed land lease arrangements and expects to collect \$75 per month per lease over 99 years. Total lease income for the years ended June 30, 2024 and 2023 is \$3,311 and \$525, respectively.

NOTE R: SERVICE AGREEMENTS

The Organization has a contract for voice and data services through June 2024. A new contract was signed in April 2024 for services beginning July 2024 through June 2027. Total expense for the years ending June 30, 2024 and 2023 was \$5,124 and \$5,124, respectively.

Minimum future payments for the services are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2025	\$ 12,085
2026	12,085
2027	12,085
	<u>\$ 36,255</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.

For properties sold prior to July 2022, the Organization placed a silent, most often 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 have a permanent third mortgage placed on the property.

NOTE T: 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.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE T: LIQUIDITY (Continued)

The following table reflects the Organizations' financial assets as of June 30, 2024 and 2023 that are available to meet cash needs for operating expenditures within one year.

	2024	2023
Cash	\$ 265,106	\$ 408,171
Mortgages receivable, current	99,876	97,977
Notes and loans receivable, current	5,347	4,661
Other receivables and pledges	252,795	312,140
Cash – money market	919,497	504,372
Marketable securities	6,738,383	6,017,115
Total	8,281,004	7,344,436
Less: Net assets with donor restrictions	(71,999)	(32,516)
Financial assets available to meet general expenditures over the next twelve months	\$ 8,209,005	\$ 7,311,920

In the event of an unanticipated liquidity need, the Organization can also draw upon approximately \$4,381,000 of an available line of credit.

NOTE U: SUBSEQUENT EVENTS

The Organization's certificate of deposit matured on August 2, 2024. \$20,880 of this balance was withdrawn and transferred to the operating cash account, and the remaining balance of approximately \$28,800 that is still restricted by the township was reinvested into a new certificate of deposit at an interest rate of 4.83% with a maturity date of November 2, 2024.

Subsequent to June 30, 2024, the Organization finalized the purchase of three properties. In July 2024, the Organization purchased 636 Race Street for \$5,000 and in August 2024, the Organization purchased 1109 Pennsylvania Avenue and 823 Main Avenue, for \$225,000 each.

In September 2024, the Organization sold the final Walnut Avenue property.

NOTE V: DUAL DATING OF THE AUDITORS REPORT

The basic financial statements were completed and issued on December 20, 2024. The supplemental information and other reporting in accordance with *Government Auditing Standards* including management's evaluation of subsequent events in regard to the *Government Auditing Standards* information was completed on February 28, 2025.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
US Department of Housing and Urban			
Passed Through Pennsylvania County of Bucks			
CDBG	14.218	B-19-07	\$ 165,414
CDBG	14.218	B-20-19	37,125
HOME	14.239	M-20-15-02	72,675
HOME	14.239	M-20-15-01	180,000
HOME	14.239	M-20-15-03	<u>180,000</u>
Total US Department of Housing and Urban			<u>635,214</u>
US Department of Treasury			
Passed through Pennsylvania County of Bucks			
COVID-19 - State and Local Fiscal Recovery			
Bucks County Home Repair Program	21.027	W-23-02	54,459
COVID-19 - State and Local Fiscal Recovery	21.027	C-21-08	200,000
COVID-19 - State and Local Fiscal Recovery	21.027	C-21-09	<u>194,405</u>
Total US Department of Treasury			<u>448,864</u>
Total Expenditure of Federal Awards			<u>\$ 1,084,078</u>

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Habitat for Humanity of Bucks County, Inc under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. All federal awards received (a) directly from federal agencies or (b) passed through other organizations are included on this schedule. Because the Schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance for Federal Awards.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures are reported on the statement of activities as expenses. The expenses reported in the basic financial statements differ from the expenditures reported in the schedule of expenditures of federal awards primarily because not all expenses are required to be reported in the schedule of the expenditures of the federal awards. In addition, expenditures on the schedule of federal awards are in most cases limited to the contract amount.

Federal funding is included in the contributions line item on the statement of activities.

NOTE 4: OTHER INFORMATION

Pass-through entity identifying numbers are presented where available.

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 Bucks County, Inc.

We have audited, in accordance with U.S. generally accepted auditing standards 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 Bucks County, Inc (a nonprofit organization), which are comprised of the statements 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 December 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Bucks County, Inc's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Bucks County, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Bucks County, Inc's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item (2024-01) that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Bucks County, 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*.

Habitat for Humanity of Bucks County, Inc's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Habitat for Humanity of Bucks County, Inc's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Habitat for Humanity of Bucks County, Inc's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Baum, Smith & Clemens, LLP

Harleysville, PA
February 28, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Habitat for Humanity of Bucks County, Inc's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity of Bucks County, Inc's major federal programs for the year ended June 30, 2024. Habitat for Humanity of Bucks County, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat for Humanity of Bucks County, Inc complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Habitat for Humanity of Bucks County Inc's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Habitat for Humanity of Bucks County Inc's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Habitat for Humanity of Bucks County, Inc's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat for Humanity of Bucks County, Inc's compliance with the requirements of each major federal program as a whole.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Habitat for Humanity of Bucks County, Inc's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat for Humanity of Bucks County, Inc's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Bucks County, Inc's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baum, Smith & Clemens, LLP

Harleysville, PA
February 28, 2025

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles:

unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? Xyes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Federal award programs:

Type of auditor’s report issued on compliance for federal award programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) yes X no

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified yes X none reported

Identification of major federal programs:

CFDA Number

21.027

Name of Federal Program or Cluster

US Department of Treasury
State and Local Fiscal Recovery Funds – COVID-19

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

Section II – Financial Statement Findings

2024-1

Title:

Internal Control Procedures Regarding Monitoring of Procedures for Contribution Recognition.

Condition:

The trial balance provided by the Organization did not include all significant receivables and related support and revenue as of year- end.

Context:

The trial balance provided to the auditors understated assets by approximately \$24,000 and understated support and revenue by approximately \$24,000. The additional receivable and support was identified during the audit process. The proposed adjustment to the trial balance, approved by management, appeared to be a result of an oversight for one of the reimbursement grants.

Effect:

The internal trial balance did not reflect the correct balances and activity for assets and support and revenue at year end..

Cause:

The Organization's internal control regarding the monitoring of the procedures for the year-end close were ineffective in discovering the missing receivable and related support and revenue.

Criteria:

One of the components of internal controls is monitoring of financial information. Internal controls are designed to prevent fraud and clerical errors that would impact the accuracy of an organization's financial information including the trial balance.

Recommendation:

We recommend that the Organization review its documentation and procedures for monitoring the expenditures and reporting of grants at year-end to ensure that all funding due to the Organization is included at year end.

View of reasonable officials and planned corrective actions:

A budgeted but unfilled finance position was filled and team tasks were realigned to afford dedication of a resource to Internal Controls, grant and accounting compliance. New procedures have been written and a scorecard for tracking is in progress. The affiliate will continue to further document and refine the Internal Control procedures. Progress thus far will be presented to the finance committee of the board at the next meeting. The finance team will seek and implement any suggestions for improvement from the finance committee. Internal controls will be added to the agenda of the regular finance committee meetings.

Section III – Federal Award Findings and Questioned Costs

None.