



Habitat for Humanity of Franklin County

Financial Statements

December 31, 2023 and 2022



Habitat for Humanity of Franklin County

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Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of Franklin County
Chambersburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Franklin County (the Organization), which comprise the statement of financial position as of December 31, 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 the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but, is not absolute assurance; and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

RKL LLP

November 14, 2024
Chambersburg, Pennsylvania

Habitat for Humanity of Franklin County

Statement of Financial Position

	December 31,	
	2023	2022
Assets		
Current Assets		
Cash	\$ 1,439,896	\$ 1,254,184
Prepaid expenses	19,984	13,765
Escrow receivables	22,248	26,773
Inventory	174,127	214,295
Houses under construction	583,142	391,232
Mortgages receivable - current portion - net	72,816	62,685
Total Current Assets	2,312,213	1,962,934
Property and Equipment		
Leasehold improvements	91,498	91,498
Construction equipment	21,851	21,851
Vehicles	36,530	36,530
Office equipment	11,821	11,821
Signage	15,017	15,017
Store equipment	11,491	11,491
	188,208	188,208
Accumulated depreciation	(141,145)	(108,081)
Property and Equipment, Net	47,063	80,127
Other Assets		
Mortgages receivable - net of current portion and discounts	1,578,714	1,507,142
Right-of-use assets - operating leases	1,031,215	902,775
Other assets	53,785	-
Security deposits	6,822	6,822
Total Other Assets	2,670,536	2,416,739
Total Assets	\$ 5,029,812	\$ 4,459,800

Habitat for Humanity of Franklin County

Statement of Financial Position (continued)

	December 31,	
	2023	2022
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Accounts payable	\$ 46,594	\$ 21,478
Current maturities of operating lease liabilities	124,209	81,071
Sales tax payable	5,385	7,715
Escrow liability	20,257	14,586
Accrued payroll and payroll taxes	24,736	30,529
Accrued interest	9,615	10,313
Accrued rent	-	53,656
Total Current Liabilities	230,796	219,348
Long-Term Liabilities		
Note payable	149,900	149,900
Operating lease liabilities - net of current maturities	944,921	841,072
Total Long-Term Liabilities	1,094,821	990,972
Total Liabilities	1,325,617	1,210,320
Net Assets		
Net assets without donor restrictions	3,704,195	3,249,480
Total Liabilities and Net Assets	\$ 5,029,812	\$ 4,459,800

Habitat for Humanity of Franklin County

Statement of Activities

	Year Ended December 31, 2023		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues			
ReStore sales	\$ 1,717,054	\$ -	\$ 1,717,054
Non-cash donations	1,621,347	-	1,621,347
Home sales	455,000	-	455,000
Contributions	309,064	-	309,064
Grant income	105,647	-	105,647
Imputed interest on mortgages receivable	88,270	-	88,270
Interest income	23,854	-	23,854
Miscellaneous	13,616	-	13,616
Total Revenues	4,333,852	-	4,333,852
Expenses			
Program services	3,556,656	-	3,556,656
Supporting services			
Management and general	169,950	-	169,950
Fundraising	152,531	-	152,531
Total Expenses	3,879,137	-	3,879,137
Changes in Net Assets	454,715	-	454,715
Net Assets at Beginning of Year	3,249,480	-	3,249,480
Net Assets at End of Year	\$ 3,704,195	\$ -	\$ 3,704,195

Habitat for Humanity of Franklin County

Statement of Activities (continued)

	Year Ended December 31, 2022		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues			
ReStore sales	\$ 1,607,927	\$ -	\$ 1,607,927
Non-cash donations	1,635,169	-	1,635,169
Home sales	609,000	-	609,000
Contributions	425,411	-	425,411
Grant income	70,000	-	70,000
Imputed interest on mortgages receivable	53,178	-	53,178
Interest income	3,268	-	3,268
Miscellaneous	2,113	-	2,113
Total Revenues	4,406,066	-	4,406,066
Expenses			
Program services	3,389,343	-	3,389,343
Supporting services			
Management and general	208,062	-	208,062
Fundraising	86,869	-	86,869
Total Expenses	3,684,274	-	3,684,274
Changes in Net Assets	721,792	-	721,792
Net Assets at Beginning of Year	2,527,688	-	2,527,688
Net Assets at End of Year	\$ 3,249,480	\$ -	\$ 3,249,480

Habitat for Humanity of Franklin County

Statement of Functional Expenses

	Year Ended December 31, 2023			
	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Cost of goods sold	\$ 1,717,054	\$ -	\$ -	\$ 1,717,054
Payroll expenses	488,951	103,008	76,921	668,880
Cost of home sales	362,395	-	-	362,395
Mortgage discounts	321,709	-	-	321,709
Rent	262,299	3,240	3,000	268,539
Tithing - national	102,979	-	-	102,979
Advertising	34,019	5,840	25,089	64,948
Professional fees	13,908	23,038	17,134	54,080
Insurance	36,639	3,646	6,549	46,834
Depreciation	31,660	1,404	-	33,064
Credit card and bank fees	29,844	2,114	215	32,173
Vehicle expense	32,055	-	-	32,055
Supplies	21,230	3,768	906	25,904
Licenses and filing fees	20,358	2,251	2,025	24,634
Landfill fees	21,049	-	-	21,049
Dues and subscriptions	5,253	3,029	8,563	16,845
Utilities	13,456	2,840	443	16,739
Small equipment	12,232	-	-	12,232
Telephone	7,997	2,021	1,054	11,072
Repairs	4,705	5,413	-	10,118
Office	7,060	1,904	642	9,606
Travel	1,750	612	4,913	7,275
Printing and reproduction	2,428	-	3,361	5,789
Interest expense	-	4,366	-	4,366
Postage and delivery	1,316	1,325	1,716	4,357
Volunteer appreciation	4,310	-	-	4,310
Miscellaneous	-	131	-	131
	<u>\$ 3,556,656</u>	<u>\$ 169,950</u>	<u>\$ 152,531</u>	<u>\$ 3,879,137</u>

Habitat for Humanity of Franklin County

Statement of Functional Expenses (continued)

	Year Ended December 31, 2022			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Cost of goods sold	\$ 1,608,372	\$ -	\$ -	\$ 1,608,372
Payroll expenses	422,138	100,086	73,174	595,398
Cost of home sales	522,434	-	-	522,434
Mortgage discounts	265,257	-	-	265,257
Rent	212,879	3,000	3,000	218,879
Tithing - national	51,122	-	-	51,122
Advertising	69,897	-	-	69,897
Professional fees	9,799	21,811	-	31,610
Insurance	9,300	27,031	1,612	37,943
Depreciation	29,150	1,519	-	30,669
Credit card and bank fees	28,022	4,436	-	32,458
Vehicle expense	45,414	-	-	45,414
Supplies	21,083	3,430	828	25,341
Licenses and filing fees	12,215	-	-	12,215
Landfill fees	16,226	-	-	16,226
Dues and subscriptions	-	9,098	-	9,098
Utilities	15,233	-	667	15,900
Small equipment	14,169	-	-	14,169
Telephone	6,944	877	888	8,709
Repairs	4,526	8,109	-	12,635
Office	-	10,729	-	10,729
Travel	4,992	3,739	1,235	9,966
Printing and reproduction	6,867	-	-	6,867
Interest expense	-	4,125	-	4,125
Postage and delivery	-	-	2,653	2,653
Volunteer appreciation	9,900	-	-	9,900
Miscellaneous	3,404	10,072	-	13,476
Fundraising expense	-	-	2,812	2,812
	<u>\$ 3,389,343</u>	<u>\$ 208,062</u>	<u>\$ 86,869</u>	<u>\$ 3,684,274</u>

Habitat for Humanity of Franklin County

Statement of Cash Flows

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	\$ 454,715	\$ 721,792
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	33,064	30,669
Mortgage discounts	321,709	265,257
Imputed interest on mortgages receivable	(88,270)	(53,178)
Amortization of right-of-use assets - operating leases	127,495	95,503
(Increase) decrease in assets		
Prepaid expenses	(6,219)	(773)
Escrow receivables	4,525	5,877
Inventory	40,168	7,297
Houses under construction	(191,910)	(99,746)
Mortgages receivable	(315,142)	(315,449)
Other assets	(53,785)	-
Increase (decrease) in liabilities		
Accounts payable	25,116	8,464
Operating lease liabilities	(108,948)	(76,135)
Sales tax payable	(2,330)	1,663
Escrow liability	5,671	252
Accrued payroll and payroll taxes	(5,793)	11,600
Accrued interest	(698)	4,125
Accrued rent	(53,656)	14,000
Net Cash Provided by Operating Activities	185,712	621,218
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(43,821)
Net Cash Used in Investing Activities	-	(43,821)
Net Increase in Cash	185,712	577,397
Cash at Beginning of Year	1,254,184	676,787
Cash at End of Year	\$ 1,439,896	\$ 1,254,184

Habitat for Humanity of Franklin County

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2023	2022
Supplementary Cash Flows Information		
Interest paid	\$ 5,064	\$ -
Supplementary Schedule of Noncash Investing and Financing Activities		
Right-of-use assets and corresponding operating lease liabilities recorded for building leases in conjunction with the adoption of Accounting Standards Codification Topic 842, <i>Leases</i>	\$ 255,935	\$ 998,278

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 - Nature of Operations

Habitat for Humanity of Franklin County (the Organization), formed in 1993, is a Christian not-for-profit organization created to work with donors, volunteers, and homeowners to provide decent affordable housing for those in need in Franklin County, and to make shelter a matter of conscience with people in Franklin County. Additionally, the Organization operates a ReStore that sells donated home goods and materials to the general public.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

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

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. If a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as without restrictions. The Organization had no net assets with donor restrictions as of December 31, 2023 and 2022.

Cash

For purposes of the statement of cash flows, cash includes all highly liquid investments with an initial maturity of three months or less.

Inventory

Inventory, at the ReStore, consists of donated building materials and household appliances and goods. Items are valued based on subsequent sales, which approximates fair value.

Note 2 - 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, based on the prime rate at date of purchase, has been recorded to reflect an interest rate for valuation purposes. The Organization deems all receivables to be collectible.

Property and Equipment

Property and equipment is recorded at cost, or if donated, at fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred, whereas major improvements are capitalized and recorded at cost.

Long-Lived Assets

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management of the Organization concluded that no impairment adjustments were required during the years ended December 31, 2023 or 2022.

Houses under Construction

All costs related to each project are recorded as houses under construction. As the homes are sold, the accumulated costs for the homes are removed from houses under construction.

Escrow Liability

The Organization collects funds from the homeowners and holds them in escrow. Payments are made on behalf of the homeowners for real estate taxes and homeowners insurance on a semi-annual and annual basis, respectively.

Sales Tax

The Organization collects sales tax. The amount received is recorded in a liability account and as payments are made, the liability is reduced.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as performance obligations are satisfied.

The Organization recognizes revenue from homebuilding activities at a point in time, when closing occurs, legal title transfers to the customer, and the Organization has the right to payment for the transferred asset. During construction, all costs related to acquisition and construction are capitalized. Capitalized costs are charged to earnings upon closing. Revenues from ReStore sales are recognized at the point of sale.

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Imputed interest on mortgages receivable is recognized over the term of the mortgage.

Donated Materials

Donated materials for construction projects are recorded as non-cash contributions in the statement of activities. They are recorded at fair market value.

Donated Services

The contribution 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 processing 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. 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.

Home Sales

Home sales are recorded at the contract price. Non-interest bearing mortgages have been discounted based upon the prime rate at the inception of the mortgage. The discount will be recognized over the term of the mortgage.

Note 2 - Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising and marketing costs are expensed as incurred.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

The Organization is subject to potential examination by the IRS and various state taxing authorities. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. Management believes the Organization is no longer subject to tax examination for years prior to 2020. The Organization has evaluated its tax positions for all open tax years and management believes all material tax positions taken would be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2023 and 2022. If assessed, the Organization classifies any interest and penalties recognized with a tax position as expenses.

Expense Allocation

Directly identifiable expenses are charged to program services. Expenses related to more than one function are allocated to program services using allocation rates. Supporting services expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Right-of-Use Assets and Liabilities

The Organization records leases in accordance with Topic 842, *Leases*, as of January 1, 2022, which recognizes most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Note 2 - Summary of Significant Accounting Policies (continued)

Right-of-Use Assets and Liabilities (continued)

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Contributed Nonfinancial Assets

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU requires disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. During the year ended December 31, 2022, the Organization implemented the provisions of this standard.

Note 3 - Concentration of Credit Risk

The Organization maintains its cash balances at Truist and F&M Trust. The balances, at times, are periodically in excess of the \$250,000 limit insured by the Federal Deposit Insurance Corporation. As of December 31, 2023 and 2022, the Organization did not have any balances exceeding the insured limit.

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Mortgages Receivable

Mortgages receivable consist of the following as of December 31:

	Discount Rate	Collateral	2023	2022
Represents a 240-month mortgage note receivable dated December 2006 in the original amount of \$73,000. The loan requires monthly principal payments of \$304	8.25%	Residence	\$ 5,487	\$ 15,193
Represents a 240-month mortgage note receivable dated October 2001 in the original amount of \$55,190. The loan requires monthly principal payments of \$229	5.50%	Residence	3,346	5,373
Represents a 300-month mortgage note receivable dated February 2016 in the original amount of \$127,980. The loan requires monthly principal payments of \$427	3.50%	Residence	88,291	94,264
Represents a 300-month mortgage note receivable dated October 1999 in the original amount of \$55,000. In October 2022, unpaid escrow balances were added to the principal balance outstanding and maturity was extended through December 2032. The loan requires monthly principal payments of \$229	8.25%	Residence	24,719	27,007
Represents a 360-month mortgage note receivable dated December 2021 in the original amount of \$137,043. The loan requires monthly principal payments of \$381	3.25%	Residence	128,287	132,855
Represents a 240-month mortgage note receivable dated August 2005 in the original amount of \$68,900. The loan requires monthly principal payments of \$287	6.50%	Residence	5,626	9,358

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Mortgages Receivable (continued)

	Discount Rate	Collateral	2023	2022
Represents a 300-month mortgage note receivable dated November 2013 in the original amount of \$80,000. The loan requires monthly principal payments of \$267	3.25%	Residence	\$ 47,726	\$ 50,926
Represents a 240-month mortgage note receivable dated September 2017 in the original amount of \$117,956. The loan requires monthly principal payments of \$491	4.25%	Residence	81,414	87,312
Represents a 300-month mortgage note receivable dated February 2015 in the original amount of \$112,830. The loan requires monthly principal payments of \$376	3.25%	Residence	73,342	77,855
Represents a 360-month mortgage note receivable dated August 2016 in the original amount of \$130,000. The loan requires monthly principal payments of \$366	3.50%	Residence	98,676	102,996
Represents a 360-month mortgage note receivable dated December 2022 in the original amount of \$202,102. The loan requires monthly principal payments of \$561	7.00%	Residence	195,927	202,102
Represents a 360-month mortgage note receivable dated December 2023 in the original amount of \$215,658. The loan required monthly principal payments of \$599	8.02%	Residence	215,658	-
Represents a 360-month mortgage note receivable dated November 2019 in the original amount of \$140,254. The loan requires monthly principal payments of \$390	4.75%	Residence	130,199	132,536

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Mortgages Receivable (continued)

	<u>Discount Rate</u>	<u>Collateral</u>	<u>2023</u>	<u>2022</u>
Represents a 240-month mortgage note receivable dated November 2014 in the original amount of \$86,686. The loan requires monthly principal payments of \$361	3.25%	Residence	\$ 38,071	\$ 42,406
Represents a 264-month mortgage note receivable dated October 2015 in the original amount of \$123,090. The loan requires monthly principal payments of \$466	3.25%	Residence	76,071	81,666
Represents a 360-month mortgage note receivable dated July 2002 in the original amount of \$64,200. The loan requires monthly principal payments of \$178	4.75%	Residence	16,118	18,079
Represents a 300-month mortgage note receivable dated July 2018 in the original amount of \$125,487. The loan requires monthly principal payments of \$418	5.00%	Residence	98,716	103,736
Represents a 300-month mortgage note receivable dated November 2018 in the original amount of \$114,401. The loan requires monthly principal payments of \$381	5.25%	Residence	91,307	96,265
Represents a 360-month mortgage note receivable dated September 2016 in the original amount of \$128,324. The loan requires monthly principal payments of \$356	3.50%	Residence	96,652	100,930
Represents a 360-month mortgage note receivable dated April 2006 in the original amount of \$66,100. The loan requires monthly principal payments of \$184	7.75%	Residence	28,448	35,976
Represents a 360-month mortgage note receivable dated December 2019 in the original amount of \$108,522. The loan requires monthly principal payments of \$301	4.75%	Residence	90,786	94,403

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Mortgages Receivable (continued)

	Discount Rate	Collateral	2023	2022
Represents a 300-month mortgage note receivable dated August 2009 in the original amount of \$72,000. The loan requires monthly principal payments of \$240	3.25%	Residence	\$ 28,668	\$ 30,828
Represents a 360-month mortgage note receivable dated August 2020 in the original amount of \$124,431. The loan requires monthly principal payments of \$346	3.25%	Residence	112,886	115,652
Represents a 300-month mortgage note receivable dated November 2011 in the original amount of \$70,805. The loan requires monthly principal payments of \$236	3.25%	Residence	36,475	39,543
Represents a 360-month mortgage note receivable dated October 2022 in the original amount of \$218,513. The loan requires monthly principal payments of \$607	6.25%	Residence	210,622	217,906
Represents a 360-month mortgage note receivable dated November 2018 in the original amount of \$114,640. The loan requires monthly principal payments of \$318	5.25%	Residence	96,984	105,582
Represents a 360-month mortgage note receivable dated December 2020 in the original amount of \$128,363. The loan requires monthly principal payments of \$357	3.25%	Residence	114,325	118,603
Represents a 360-month mortgage note receivable dated March 2022 in the original amount of \$76,318. The loan requires monthly principal payments of \$212	3.25%	Residence	71,862	74,410

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Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Mortgages Receivable (continued)

	<u>Discount Rate</u>	<u>Collateral</u>	<u>2023</u>	<u>2022</u>
Represents a 240-month mortgage note receivable dated December 2006 in the original amount of \$73,000. The loan requires monthly principal payments of \$304	8.25%	Residence	\$ 13,321	\$ 17,665
Represents a 240-month mortgage note receivable dated October 2010 in the original amount of \$82,125. The loan requires monthly principal payments of \$343. In December 2012, an additional \$15,000 was loaned on the mortgage for sewer improvements	3.25%	Residence	44,485	58,548
Represents a 300-month mortgage note receivable dated November 2017 in the original amount of \$184,298. The loan requires monthly principal payments of \$614	4.25%	Residence	139,452	146,824
Represents a 360-month mortgage note receivable dated July 2023 in the original amount of \$170,575. The loan required monthly principal payments of \$474	7.85%	Residence	168,206	-
Represents a 240-month mortgage note receivable dated September 2013 in the original amount of \$72,000. The loan requires monthly principal payments of \$300	3.25%	Residence	35,200	38,799
			2,707,353	2,475,598
Discount			(1,055,823)	(905,771)
			1,651,530	1,569,827
Current portion			(72,816)	(62,685)
			<u>\$ 1,578,714</u>	<u>\$ 1,507,142</u>

All mortgages maintain a zero percent interest rate.

At times the mortgagee's escrow balance reaches a deficit balance and that balance is added to the mortgage balance. This does not result in an increase in monthly principal payments.

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Mortgages Receivable (continued)

In addition, the Organization has obtained second mortgages on most of the properties in which they have a mortgage receivable. The second mortgages have the same term as the first mortgages. For each month that a payment is made on the first mortgage, a payment on the second mortgage is forgiven. If all payments are made on the first mortgage, no payments are required under the second mortgage.

Note 5 - Non-Cash Donations

In-kind contributions consist of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Donated ReStore items	\$ 1,589,240	\$ 1,600,630
Donated construction materials and labor	<u>32,107</u>	<u>34,539</u>
	<u>\$ 1,621,347</u>	<u>\$ 1,635,169</u>

Donated ReStore items are valued using prices of similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Donated ReStore items are resold to the general public.

Donated construction materials and labor are valued based on estimated costs the Organization would be required to pay for the goods or services donated. Donated construction materials and labor are used in the construction of houses for sale.

There are no associated donor restrictions related to in-kind contributions during the years ended December 31, 2023 and 2022.

Note 6 - Lines of Credit

The Organization also has an outstanding line of credit from F&M Trust that provides a borrowing limit of \$100,000. The line carries a rate at The Wall Street Journal Prime Rate, with a minimum of 4.00%. There was no balance on the line of credit at December 31, 2023 and 2022.

Note 7 - Note Payable

On July 9, 2020, the Organization obtained an Economic Injury Disaster Loan from the United States Small Business Administration in the amount of \$150,000. The note bears a fixed interest rate of 2.75%. The Organization began making payments of \$641 on January 9, 2023 and will end in 2050. The loan proceeds must be used for working capital to alleviate economic injury caused by the COVID-19 pandemic.

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 7 - Note Payable (continued)

Future principal maturities on the note payable are as follows:

2024	\$	-
2025		-
2026		3,473
2027		3,712
2028		3,795
Thereafter		138,920

Note 8 - Lease Commitments

On June 1, 2016, the Organization entered into a non-cancelable operating lease for office space for one year. The lease automatically renews for a one-year period unless either party terminates the lease 60 days prior to the end of the term, which the Organization has anticipated renewing through 2026.

On November 15, 2018, the Organization entered into a non-cancelable operating lease for the ReStore building, which began on November 15, 2018 and is set to expire on August 31, 2024 with options to renew through August 2033.

The lease contains minimum monthly payments ranging from \$1,439 to \$7,896. In addition, the lease has variable payments based on ReStore profits with a maximum monthly payment can not exceed \$11.25 per square foot, which currently would be \$180,664 per year.

On April 1, 2023, the Organization entered into a non-cancelable operating lease for storage rental space which began on April 1, 2023 and is set to expire on March 31, 2029. The lease contains minimum monthly payments ranging from \$3,750 to \$4,140.

The components of lease expense are as follows for the years ended December 31:

	2023	2022
Operating lease cost	\$ 132,317	\$ 95,355
Variable lease costs	96,721	72,066
Short-term lease cost	3,878	35,448
CAM charges	15,634	16,010
Total Lease Cost	\$ 248,550	\$ 218,879

Weighted-Average Remaining Lease Term

Operating leases 8.56 Years

Weighted-Average Discount Rate

Operating leases 2.30%

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 8 - Lease Commitments (continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2023:

	Operating Leases
2024	\$ 147,721
2025	151,311
2026	152,243
2027	136,532
2028	140,178
Thereafter	447,909
Total Lease Payments	1,175,894
Imputed interest	(106,764)
Total Present Value of Lease Liabilities	\$ 1,069,130
Current portion of obligations under operating leases	\$ 124,209
Long-term portion of obligations under operating leases	944,921
	\$ 1,069,130

Note 9 - ReStore Facility

The Organization has a ReStore facility which accepts donated home improvements and home furnishing items and sells them for amounts below market value. A summary of the ReStore transactions consist of the following for the years ended December 31:

	2023	2022
Donations	\$ 1,589,240	\$ 1,600,630
Sales	1,717,054	1,607,927
Cost of sales	(1,717,054)	(1,608,372)
Gross Profit	1,589,240	1,600,185
Store Operating Expenses		
Compensation	405,120	308,669
Rent expense	288,675	195,351
Other expenses	180,044	194,974
Advertising	35,789	56,501
Vehicle expense	30,792	42,811
Depreciation	20,133	20,132
Total Operating Expenses	960,553	818,438
Net Profit	\$ 628,687	\$ 781,747

Habitat for Humanity of Franklin County

Notes to Financial Statements

December 31, 2023 and 2022

Note 10 - Retirement Plan

The Organization has a SIMPLE IRA that covers substantially all employees. Eligible employees have the right to make elective contributions, subject to annual limits detailed in the IRC. The Organization has elected to make matching contributions up to 3% of compensation. The employer contribution to the plan for the years ended December 31, 2023 and 2022 amounted to \$11,184 and \$14,483, respectively.

Note 11 - Contingencies

The Organization received grant funding for the purchase and renovation of property to be sold to a qualified, low-income person/family. If the property is sold by the owner/occupant during the affordability period of 15 years certain requirements and restrictions apply. If the property is sold within the affordability period the owner/occupant must (i) sell on the open market, in which the proceeds will be used to satisfy the mortgage and any other expenses initially incurred, (ii) sell to another qualified, low-income person/family, or (iii) the Organization may purchase the property back, in which the sale price will be the same as the amount of the balance due on the first mortgage.

Note 12 - Liquidity

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash	\$ 1,439,896	\$ 1,254,184
Escrow receivables	22,248	26,773
Mortgages receivables, current portion, net	<u>72,816</u>	<u>62,685</u>
Total Financial Assets	1,534,960	1,343,642
Amounts not available to be used for general expenditures within one year	<u>(72,816)</u>	<u>(62,685)</u>
Mortgage Receivable, Current Portion, Net	<u>\$ 1,462,144</u>	<u>\$ 1,280,957</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization could draw upon \$150,000 of available lines of credit (as further discussed in Note 6).

Note 13 - Subsequent Events

The Organization has evaluated subsequent events through November 14, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.