

**HABITAT FOR HUMANITY OF  
NEW CASTLE COUNTY, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2022 AND 2021**

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
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***Independent Auditors' Report***

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

***Opinion***

We have audited the accompanying financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 New Castle County, Inc. as of June 30, 2022 and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Habitat for Humanity of New Castle 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 opinion.

***Management's Responsibility for the Financial Statements***

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of New Castle 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 New Castle 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.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of Habitat for Humanity of New Castle 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 New Castle County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of New Castle County, Inc.'s internal control over financial reporting and compliance.

*Belfint, Lyons & Shuman, P.A.*

January 31, 2023  
Wilmington, Delaware

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,990,828	\$ 3,113,011
Accounts Receivable	30,985	8,426
Grants Receivable	604,126	-
Prepaid Expenses	29,701	38,102
Inventory	121,158	111,850
Other Investments	2,274	-
Non-Interest-Bearing Mortgages Receivable (Current Portion)	344,472	317,774
<b>TOTAL CURRENT ASSETS</b>	<b>4,123,544</b>	<b>3,589,163</b>
<b>MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)</b>		
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	6,417,822	5,964,072
Discount on Non-Interest-Bearing Mortgages Receivable	(3,262,516)	(2,957,266)
<b>TOTAL MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)</b>	<b>3,155,306</b>	<b>3,006,806</b>
<b>OTHER ASSETS</b>		
Investments in Endowment Fund	567,576	645,708
Construction in Progress (Net of Accrued Subsidies)	1,416,727	2,715,413
Property and Equipment Used in Operations (Net)	762,864	802,501
Security Deposits	22,874	22,874
<b>TOTAL OTHER ASSETS</b>	<b>2,770,041</b>	<b>4,186,496</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,048,891</b>	<b>\$ 10,782,465</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 237,218	\$ 215,813
Accrued Expenses	35,911	87,278
Deferred Revenue	2,020	-
Conditional Grant - Paycheck Protection Program	-	237,377
<b>TOTAL CURRENT LIABILITIES</b>	<b>275,149</b>	<b>540,468</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	8,575,490	9,667,379
With Donor Restrictions	1,198,252	574,618
<b>TOTAL NET ASSETS</b>	<b>9,773,742</b>	<b>10,241,997</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,048,891</b>	<b>\$ 10,782,465</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and Grants	\$ 2,021,499	\$ 1,103,167	\$ 3,124,666
Revenue from Home Sales	1,452,281	-	1,452,281
Contributed Nonfinancial Assets for Sale at ReStore	1,192,510	-	1,192,510
Merchandise and ReStore Revenues	1,721,158	-	1,721,158
Less: Merchandise and Cost of Goods Sold	(1,267,766)	-	(1,267,766)
Event Income	113,779	-	113,779
Less: Event Expenses	(98,257)	-	(98,257)
Paycheck Protection Program Loan Forgiveness	237,377	-	237,377
Employee Retention Tax Credits	298,564	-	298,564
Other Revenue	24,952	-	24,952
Mortgage Loan Discount Amortization	193,192	-	193,192
Interest Income	1,237	-	1,237
Investment Loss (Net of Fees)	(78,788)	-	(78,788)
	<u>5,811,738</u>	<u>1,103,167</u>	<u>6,914,905</u>
Net Assets Released from Restrictions	<u>479,533</u>	<u>(479,533)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>6,291,271</u>	<u>623,634</u>	<u>6,914,905</u>
<b>EXPENSES</b>			
Program Services (91%)	6,760,823	-	6,760,823
Supporting Services			
Management and General (4%)	273,042	-	273,042
Fundraising (5%)	349,295	-	349,295
<b>TOTAL EXPENSES</b>	<u>7,383,160</u>	<u>-</u>	<u>7,383,160</u>
<b>CHANGE IN NET ASSETS</b>	(1,091,889)	623,634	(468,255)
<b>NET ASSETS - Beginning of Year</b>	<u>9,667,379</u>	<u>574,618</u>	<u>10,241,997</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 8,575,490</u>	<u>\$ 1,198,252</u>	<u>\$ 9,773,742</u>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and Grants	\$ 1,405,111	\$ 1,033,455	\$ 2,438,566
Revenue from Home Sales	971,424	-	971,424
Contributed Nonfinancial Assets for Sale at ReStore	1,305,900	-	1,305,900
Merchandise and ReStore Revenues	1,681,453	-	1,681,453
Less: Merchandise and Cost of Goods Sold	(1,536,361)	-	(1,536,361)
Event Income	88,674	-	88,674
Less: Event Expenses	(32,297)	-	(32,297)
Paycheck Protection Program Loan Forgiveness	286,572	-	286,572
Other Revenue	20,120	-	20,120
Mortgage Loan Discount Amortization	213,696	-	213,696
Interest Income	4,214	-	4,214
Investment Income (Net of Fees)	141,464	-	141,464
	4,549,970	1,033,455	5,583,425
Net Assets Released from Restrictions	1,803,518	(1,803,518)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>6,353,488</b>	<b>(770,063)</b>	<b>5,583,425</b>
<b>EXPENSES</b>			
Program Services (81%)	2,726,342	-	2,726,342
Supporting Services			
Management and General (10%)	323,653	-	323,653
Fundraising (9%)	309,518	-	309,518
<b>TOTAL EXPENSES</b>	<b>3,359,513</b>	<b>-</b>	<b>3,359,513</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,993,975</b>	<b>(770,063)</b>	<b>2,223,912</b>
<b>NET ASSETS - Beginning of Year</b>	<b>6,673,404</b>	<b>1,344,681</b>	<b>8,018,085</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 9,667,379</b>	<b>\$ 574,618</b>	<b>\$ 10,241,997</b>

The accompanying notes are an integral part of these financial statements.



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

	Program Services					Supporting Services			Total Expenses
	Construction	Discounts on Mortgage Originations	Home Repair Program	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salary and Related Costs	\$ 359,466	\$ -	\$ 513,958	\$ 577,835	\$ 1,451,259	\$ 282,007	\$ 108,339	\$ 390,346	\$ 1,841,605
Construction Administration	77,817	-	-	-	77,817	-	33,089	33,089	110,906
Advertising	-	-	-	41,891	41,891	-	-	-	41,891
Bad Debt Expense	-	-	-	-	-	-	21,032	21,032	21,032
Building Materials and Supplies, Net (Note 16)	2,942,523	-	-	-	2,942,523	-	-	-	2,942,523
Depreciation	16,447	-	-	27,404	43,851	-	20,586	20,586	64,437
Fundraising Supplies	-	-	-	-	-	54,044	-	54,044	54,044
HFHI Franchise Fee	-	-	-	-	-	-	15,000	15,000	15,000
Home Repair Program Assistance Provided	-	-	963,369	-	963,369	-	-	-	963,369
Interest Expense	-	-	-	-	-	-	4,461	4,461	4,461
Loan Servicing Fees	-	-	-	-	-	-	8,976	8,976	8,976
Merchandise and Cost of Goods Sold	-	-	-	1,267,766	1,267,766	-	-	-	1,267,766
Mortgage Discounts	-	498,442	-	-	498,442	-	-	-	498,442
Occupancy	-	-	-	374,986	374,986	-	11,174	11,174	386,160
Professional Services	-	-	-	-	-	12,750	50,095	62,845	62,845
ReStore Supplies	-	-	-	254,090	254,090	-	-	-	254,090
Special Events Expense	-	-	-	-	-	98,257	-	98,257	98,257
Telephone	10,708	-	-	-	10,708	494	40	534	11,242
Tithe to Habitat International	67,529	-	-	22,527	90,056	-	-	-	90,056
Training	11,831	-	-	-	11,831	-	250	250	12,081
	3,486,321	498,442	1,477,327	2,566,499	8,028,589	447,552	273,042	720,594	8,749,183
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,267,766)	(1,267,766)	-	-	-	(1,267,766)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	(98,257)	-	(98,257)	(98,257)
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,486,321</b>	<b>\$ 498,442</b>	<b>\$ 1,477,327</b>	<b>\$ 1,298,733</b>	<b>\$ 6,760,823</b>	<b>\$ 349,295</b>	<b>\$ 273,042</b>	<b>\$ 622,337</b>	<b>\$ 7,383,160</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Program Services				Supporting Services				Total Expenses
	Construction	Discounts on Mortgage Originations	Home Repair Program	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salary and Related Costs	\$ 286,776	\$ -	\$ 257,796	\$ 499,783	\$ 1,044,355	\$ 268,659	\$ 144,807	\$ 413,466	\$ 1,457,821
Construction Administration	43,184	-	-	-	43,184	-	28,787	28,787	71,971
Advertising	-	-	-	16,345	16,345	-	-	-	16,345
Bad Debt Expense	-	-	-	-	-	-	6,078	6,078	6,078
Building Materials and Supplies, Net (Note 16)	27,892	-	-	-	27,892	-	-	-	27,892
Depreciation	19,011	-	-	32,401	51,412	-	21,481	21,481	72,893
Fundraising Supplies	-	-	-	-	-	30,559	-	30,559	30,559
HFHI Franchise Fee	-	-	-	-	-	-	15,000	15,000	15,000
Home Repair Program Assistance Provided	-	-	395,151	-	395,151	-	-	-	395,151
Loan Servicing Fees	-	-	-	-	-	-	43,393	43,393	43,393
Merchandise and Cost of Goods Sold	-	-	-	1,536,361	1,536,361	-	-	-	1,536,361
Mortgage Discounts	-	412,604	-	-	412,604	-	-	-	412,604
Occupancy	-	-	-	330,845	330,845	-	7,938	7,938	338,783
Professional Services	-	-	-	-	-	10,300	56,169	66,469	66,469
ReStore Supplies	-	-	-	261,194	261,194	-	-	-	261,194
Special Events Expense	-	-	-	-	-	32,297	-	32,297	32,297
Telephone	15,227	-	-	-	15,227	-	-	-	15,227
Tithe to Habitat International	98,877	-	-	24,664	123,541	-	-	-	123,541
Training	4,592	-	-	-	4,592	-	-	-	4,592
	495,559	412,604	652,947	2,701,593	4,262,703	341,815	323,653	665,468	4,928,171
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,536,361)	(1,536,361)	-	-	-	(1,536,361)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	(32,297)	-	(32,297)	(32,297)
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 495,559</b>	<b>\$ 412,604</b>	<b>\$ 652,947</b>	<b>\$ 1,165,232</b>	<b>\$ 2,726,342</b>	<b>\$ 309,518</b>	<b>\$ 323,653</b>	<b>\$ 633,171</b>	<b>\$ 3,359,513</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (468,255)	\$ 2,223,912
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Bad Debt Expense	21,032	6,078
Depreciation Expense	64,437	72,893
Endowment Fund (Gain) Loss	78,132	(141,464)
Losses on Other Investments	656	-
Net Mortgage Discounts Issued	498,442	412,604
Mortgage Loan Discount Amortization	(193,192)	(213,696)
Mortgages Received from Home Sales	(837,017)	(720,341)
Donated Investments Received	(2,930)	-
Paycheck Protection Program Loan Forgiveness	(237,377)	(286,572)
Notes Payable Converted to Grant Revenue	-	(83,000)
Changes in Assets and Liabilities		
Mortgages Receivable	356,569	244,798
Accounts Receivable	(43,591)	(8,426)
Grants Receivable	(604,126)	-
Prepaid Expenses	8,401	(38,102)
Inventories	(9,308)	47,964
Construction in Progress, Net of Accrued Subsidies	1,298,686	(1,191,376)
Accounts Payable	21,405	28,803
Accrued Expenses	(51,367)	18,701
Deferred Revenue	2,020	-
	<b>(97,383)</b>	<b>372,776</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(24,800)	(25,354)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Conditional Grant - Paycheck Protection Program	-	237,377
Proceeds from Notes Payable	265,328	-
Principal Payments on Notes Payable	(265,328)	-
	<b>-</b>	<b>237,377</b>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(122,183)	584,799
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	3,113,011	2,528,212
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	\$ 2,990,828	\$ 3,113,011
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest Paid	\$ 4,461	\$ -

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1: NATURE OF ACTIVITIES**

Habitat for Humanity of New Castle County, Inc., a nonprofit organization (Organization), was incorporated in 1986. The Organization is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational, Christian, nonprofit organization whose purpose is to build homes, community, and hope through creating and sustaining decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization also provides its home repair program known as “A Brush with Kindness” (ABWK). ABWK is a nationwide effort to serve low-income homeowners who struggle to maintain their homes. The focus is on helping homes stay safe, warm, and dry. Given the nature of the repairs, most of the work is performed by subcontractors.

The Organization operates two ReStores, with locations in Wilmington and Middletown, Delaware. These ReStores are retail outlets where quality used and surplus building materials, furniture, and appliances are sold at a fraction of normal prices. The materials sold by the ReStores are usually donated from building supply stores, contractors, demolition crews, or from individuals who wish to show their support for the Organization. In addition to raising funds, the ReStores help the environment by rechanneling good, usable materials into use. The proceeds from the ReStores help the Organization fund the construction of houses within the community. The ReStores are a department of the Organization and not a separate legal entity.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Financial Statement Reporting*** - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board’s Accounting Standards Codification (FASB ASC) No. 958, *Not-for-Profit Entities*. Under ASC 958, net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. 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.

***Net Assets Without Donor Restrictions*** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, although their use may be limited by other factors, such as by contract or board designation. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Financial Statement Reporting - Continued***

*Net Assets With Donor Restrictions* - Net assets subject to donor- or certain grantor- imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Use of Estimates* - The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue Recognition - Contributions and Government Appropriations* - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restriction is met. Promises to give subject to donor- or grantor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as net assets with donor restrictions, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

A portion of contribution and grant revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization has received cost-reimbursable grants of approximately \$4,900,000 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under our government contracts and grants, and therefore have not been recorded in the financial statements.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Revenue Recognition - Contributions and Government Appropriations - Continued***

The Organization received funding under the U.S. Small Business Administration’s Paycheck Protection Program (PPP) during the years ended June 30, 2021 and 2020. These amounts were initially recorded as a conditional grant liability upon receipt and totaled \$237,377 and \$286,572 as of June 30, 2021 and 2020, respectively. During the years ended June 30, 2022 and 2021, the Organization satisfied the conditions for the amounts received in the previous year and recognized \$237,377 and \$286,572 as revenue.

***In-kind Contributions*** - Contributed nonfinancial assets include donated goods for resale at the Restore. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to construction program services, and administrative activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Contributed goods are recorded at fair value at the date of donation. These noncash items were provided to the ReStore for resale to support the Organization's mission.

***Revenue Recognition - Contracts with Customers*** - The Organization’s revenue subject to FASB ASC Topic 606, *Revenue from Contracts with Customers*, includes revenue from home sales, ReStore merchandise revenues, and a portion of event income attributable to event attendance fees. The Organization’s revenue subject to topic 606 is recognized at a point of time. Revenue from home sales and Restore merchandise revenues are presented separately in the statements of activities. The exchange portion of event income represents an immaterial portion of the account balance.

Contract receivables, contract assets, and contract liabilities are as follows:

Year Ending June 30:		Contract Receivables	Contract Assets	Contract Liabilities
2022	Beginning of Year	\$ 6,281,846	\$ -	\$ -
	End of Year	6,762,294	-	2,020
2021	Beginning of Year	\$ 5,806,303	\$ -	\$ -
	End of Year	6,281,846	-	-

***Cash and Cash Equivalents*** - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Deposit balances in excess of federally insured limits, as of June 30, 2022 and 2021, were \$2,505,778 and \$2,690,398, respectively.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Accounts Receivable* - Accounts receivable are carried at cost. The Organization does not accrue finance or interest charges. On a periodic basis, management evaluates its accounts receivable based on the history of past write-offs and collections. An account is written off when it is determined that all collection efforts have been exhausted.

The Organization has not recognized an allowance for doubtful accounts receivable since experience and management's estimation indicate an allowance for such amounts is immaterial.

*Pledges and Grants Receivable* - Unconditional receivables are recognized as revenues or gains in the period received. Conditional receivables are recognized when the conditions on which they depend are substantially met. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges and grants receivable. There was no allowance for bad debts as of June 30, 2022 and 2021.

*Fair Value of Financial Instruments* - FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework 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 and liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The carrying amounts for cash and cash equivalents, receivables, prepaid expenses, payables, accrued expenses, and deferred revenue approximate their fair value because of their short-term maturity.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Fair Value of Financial Instruments - Continued*

The asset's 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.

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021.

Endowment Fund, Pooled Separate Accounts - Valued at the net asset value (NAV) of units held by the Organization at year end based on the market value of its underlying investments. Although the pooled separate accounts are not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

Other Investments - Valued based on quoted prices of marketable securities traded on active markets.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Investment in Pooled Separate Accounts	\$ -	\$ 567,576	\$ -	\$ 567,576
Investments in Marketable Equity Securities	2,274	-	-	2,274
Total Investments at Fair Value	<u>\$ 2,274</u>	<u>\$ 567,576</u>	<u>\$ -</u>	<u>\$ 569,850</u>
	2021			
	Level 1	Level 2	Level 3	Total
Investment in Pooled Separate Accounts	<u>\$ -</u>	<u>\$ 645,708</u>	<u>\$ -</u>	<u>\$ 645,708</u>



**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Inventories* - Inventories are valued at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

*Mortgages Receivable* - Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

*Allowance for Mortgage Receivable Losses* - The Organization uses established underwriting criteria to ensure that only families who meet the Organization's financial and credit criteria are approved to be partner families and receive a non-interest-bearing mortgage loan from the Organization. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income, and financial history.

The Organization regularly reviews its portfolio of mortgage notes receivable and monitors the accounts for delinquencies. Homeowners whose mortgages are more than 30 days past due are considered in an early stage of default. During the period of delinquency, the Organization contacts the homeowner using collection efforts and establishes a payment plan with the homeowner, if necessary. Homeowners whose mortgages are more than 90 days past due, who have not made satisfactory payment arrangements or reached a deed in lieu of foreclosure agreement, are subject to foreclosure proceedings.

Non-interest-bearing mortgages originated are discounted at the time of sale based on historical experience from the Organization's portfolio mortgages and upon prevailing market rates. This results in the net mortgage receivable balances being less than the home's fair market value. Therefore, the Organization believes that losses resulting from nonpayment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization has not recorded an allowance for mortgage notes receivable losses.

*Property and Equipment* - Property and equipment acquired by the Organization are considered owned by the Organization and are valued at cost. Donated property and equipment acquired by the Organization are considered owned by the Organization and are valued at fair value at the time of the donation. Depreciation is provided on the straight-line method. Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Property and Equipment - Continued***

The estimated useful lives for depreciation are:

Automobiles	5 Years
Buildings and Improvements	7 - 39 Years
Equipment, Furniture, and Software	3 - 7 Years

***Long-Lived Assets*** - As required by FASB ASC 360, *Property, Plant, and Equipment*, long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. There was no impairment loss as of June 30, 2022 and 2021.

***Construction in Progress*** - Construction in progress is carried at cost less accrued subsidies. Cost includes initial acquisition and all subsequent costs to develop the property. It is not the Organization's intent to earn a profit selling developed property. Generally, sales are at a loss. The Organization considers losses incurred to be a subsidy to the respective buyer. However, in accordance with accounting principles generally accepted in the United States of America, the Organization records a provision of estimated losses on construction in progress in the period such losses are determined. These estimated losses are recorded on the statements of financial position as accrued subsidies included in the cost of construction incurred. As of June 30, 2022 and 2021, accrued subsidies on construction in progress were \$1,445,672 and \$719,444, respectively.

***Home Sales*** - Transfers to homeowners are generally financed by the Organization. Home sales are recorded when title is transferred at the gross mortgage amount plus down payment received, if any. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

***Home Construction Costs*** - Costs incurred in conjunction with home construction are capitalized as construction in progress. Capitalized construction costs are expensed when ownership transfers to the homeowners. Post-settlement costs are expensed as incurred

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Functional Allocation of Expenses** - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Certain costs have been allocated among the programs and supporting services benefited.

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on the best estimates of management. Expenses that are not directly identifiable by program or support services that are allocated based on personnel time spent on the activity include certain professional fees, supplies, and occupancy costs including maintenance and utilities. Depreciation expenses are allocated based on personnel costs specifically related to the utilization of property and equipment assets.

**Income Taxes** - The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). However, a Form 990, *Return of Organization Exempt from Income Taxes*, is required to be filed each year. The Organization complies with other Internal Revenue Service reporting requirements regarding contributions received and payments to independent contractors.

The Organization recognizes tax benefits only to the extent that the Organization believes it is “more likely than not” that its tax positions will be sustained upon taxing authorities' examination.

The federal informational returns of the Organization for the years ended June 30, 2019, 2020, and 2021, are subject to examination by the tax authorities, generally for three years after they were filed.

**Subsequent Events** - The Organization's policy is to evaluate events and transactions subsequent to year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**Accounting Policies for Future Pronouncements** - In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right of use asset and lease liability on the statements of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements and related disclosures.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 3: AVAILABILITY AND LIQUIDITY**

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

	2022	2021
Financial Assets as of June 30		
Cash and Cash Equivalents	\$ 2,990,828	\$ 3,113,011
Accounts Receivable, Net	30,985	8,426
Grants Receivable	604,126	-
Non-Interest-Bearing Mortgages Receivable, Net	3,499,778	3,324,580
Other Investments	2,274	-
Investments in Endowment Fund	567,576	645,708
Financial Assets as of June 30	7,695,567	7,091,725
Less: Amounts Not Available to be Used Within a Year		
Net Assets with Donor Restrictions to be Used for Specific Purposes	1,198,252	574,618
Endowment Assets	567,576	645,708
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	3,155,306	3,006,806
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,774,433	\$ 2,864,593

The Organization strives to maintain liquid financial assets sufficient to cover 30 days of general expenses. The Organization regularly monitors the liquidity required to meet its operating needs and other contractual commitments. The Organization has a few sources of liquidity at its disposal, including cash and cash equivalents and a line of credit (Note 9).

For purposes of analyzing resources available to meet general expenses over a 12-month period, the Organization considers all expenses related to its ongoing program and support activities to be general expenses. If assets are not available to meet current operating needs, then they are not included in the preceding chart. Inventory and properties available for resale are not included in the preceding chart because they require the Organization to sell the assets.

In addition to financial assets available to meet general expenses over the next 12 months, the Organization operates within its budget and anticipates collecting sufficient funding to cover general expenses not covered by donor-restricted resources.

Funds held in the Organization’s endowment are subject to contractual spending policies of the Delaware Community Foundation. There were no amounts expected to be distributed as of June 30, 2022 and 2021.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose		
Construction of Homes	\$ 923,977	\$ 474,164
COVID Related Expenses	-	25,000
Family Services	<u>274,275</u>	<u>75,454</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,198,252</u>	<u>\$ 574,618</u>

Net assets released from donor restrictions by incurred expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished		
Construction of Homes	\$ 197,382	\$ 1,172,658
Family Services	257,151	630,860
COVID Related Expenses	<u>25,000</u>	<u>-</u>
Total Purpose Restriction Releases	479,533	1,803,518
Endowment Withdrawal	<u>-</u>	<u>-</u>
Total Releases from Restrictions	<u>\$ 479,533</u>	<u>\$ 1,803,518</u>

**NOTE 5: IN-KIND CONTRIBUTIONS**

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2022</u>	<u>2021</u>
Contributions of Assets for Sale at ReStore	<u>\$ 1,192,510</u>	<u>\$ 1,305,900</u>

Contributed assets for sale at ReStore are valued based on the estimated net realizable value upon sale. The Organization's estimates these values based on historical experience. Contributions of assets for sale at Restore are recognized as increases in net assets without donor restrictions.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 6: MORTGAGES RECEIVABLE**

Mortgages from home sales represent the sale of houses built by the Organization in exchange for mortgage notes with no interest. These mortgages are payable over 20 to 30 years and discounted for the present time value of money. The held mortgages receivable are discounted in order to reflect their economic value. The interest rates used to determine the discount range from 7.39% to 9.00%. As of June 30, 2022 and 2021, the Organization had 70 and 68 loans outstanding, respectively.

The following are annual maturities to be received for the years ending June 30:

	2022	2021
Past Due	\$ 163,445	\$ 170,056
Due in Year 1	344,472	317,774
Due in Year 2	339,820	315,371
Due in Year 3	339,047	312,496
Due in Year 4	335,177	310,783
Due in Year 5	335,177	302,550
Thereafter	4,905,156	4,552,816
	6,762,294	6,281,846
Less: Unamortized Discount	(3,262,516)	(2,957,266)
Non-Interest-Bearing Mortgages Receivable (Net of Discount)	\$ 3,499,778	\$ 3,324,580

To account for uncertainty in the timing of cash collections, management has excluded from current assets in the statements of financial position amounts reflected as past due mortgages.

The following table shows an aging analysis of mortgages receivable by past due status:

2022			
Current	30-89 Days Past Due	90 Days or More Past Due	Total
\$ 6,610,840	\$ 19,262	\$ 132,192	\$ 6,762,294
2021			
Current	30-89 Days Past Due	90 Days or More Past Due	Total
\$ 6,123,709	\$ 20,024	\$ 138,113	\$ 6,281,846

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 7: ENDOWMENT FUND**

The endowment fund consists of pooled investments managed by the Delaware Community Foundation (DCF). The Organization is the primary income beneficiary. DCF reserves the right to make the final decision regarding distributions to the Organization. Endowment fund activity consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Beginning Balance - July 1	\$ 645,708	\$ 504,244
Withdrawals	-	-
Investment Income (Loss)	<u>(78,132)</u>	<u>141,464</u>
Ending Balance - June 30	<u>\$ 567,576</u>	<u>\$ 645,708</u>

The Organization does not believe that investments within the DCF endowment fund are within the scope of the FASB ASC, *Not-for-Profit Organizations*, in regard to required disclosures for endowments, because in contrast to donor-restricted endowment funds, no ongoing decisions about the investment or distributions from the fund are within the authority of the Organization. The endowment does not include net assets with donor restrictions as of June 30, 2022 and 2021. Investment income is reported as increases in net assets without donor restrictions in the statements of activities. Endowment fund gain (loss) consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Realized and Unrealized Gain (Loss)	\$ (87,539)	\$ 141,096
Income Earned	15,497	8,427
Administrative and Investment Fees	<u>(6,090)</u>	<u>(8,059)</u>
Endowment Fund Gain (Loss)	<u>\$ (78,132)</u>	<u>\$ 141,464</u>

**NOTE 8: PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 were as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 152,523	\$ 152,523
Automobiles	131,500	131,500
Building and Improvements	1,211,892	1,197,708
Equipment, Furniture, and Software	<u>187,719</u>	<u>177,103</u>
	1,683,634	1,658,834
Less: Accumulated Depreciation	<u>920,770</u>	<u>856,333</u>
	<u>\$ 762,864</u>	<u>\$ 802,501</u>

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 9: NOTE PAYABLE - DEMAND**

The Organization has a revolving line of credit with a local financial institution in the amount of \$300,000. Principal is payable on demand with interest paid monthly at the bank’s prime rate (5.50% and 3.25% as of June 30, 2022 and 2021, respectively) less 1% annually on all outstanding balances. The line of credit is considered due on demand; therefore, renewal documentation is not required each year unless changes are made to the original agreement. The line of credit is collateralized by a security interest in the assets of the Organization. No amounts were outstanding on the line of credit as of June 30, 2022 and 2021.

**NOTE 10: NOTES PAYABLE**

In June 2013, the City of Wilmington provided properties in exchange for three loans payable by the Organization totaling \$83,000. The loans were to be used to acquire and renovate specific properties to provide affordable housing. The terms of the agreements converted the notes to grants if the Organization sold the properties for affordable housing during the contract period. During the year ended June 30, 2021, the notes were forgiven in total and converted to grants.

The Organization entered into a loan agreement with Cinnaire Lending Corporation to finance the construction of three single family townhomes on Bennet St. on Wilmington’s East Side for the Organization’s homeownership program for eligible low-income families. The loan had a maximum amount of \$450,000 and bore interest at the 30-day LIBOR plus 400 bps. Repayment of the loan was to occur upon the sale of townhomes. During the year ended June 30, 2022, the Organization borrowed and repaid \$265,328 under this loan program prior to the termination of the agreement.

**NOTE 11: LEASE COMMITMENTS**

The Organization leases various facilities and a copier under noncancelable operating leases which expire in various years through November 30, 2025. Rent expense on the facilities and copier was \$280,794 and \$1,636, respectively, for the year ended June 30, 2022, and \$230,749 and \$4,487, respectively, for the year ended June 30, 2021.

The following are the future minimum lease payments required by these leases for the years ending June 30:

	Facilities	Copiers	Total
2023	\$ 250,339	\$ 584	\$ 250,923
2024	231,432	-	231,432
2025	182,862	-	182,862
2026	76,193	-	76,193
Total Minimum Lease Payments	\$ 740,826	\$ 584	\$ 741,410



**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

*Mortgage Loan Repurchase Commitment* - The Organization is required to repurchase any mortgage loan that it had previously sold that becomes 120 days past due. The Organization is notified regularly of delinquent mortgages that are at risk of repurchase. During the years ended June 30, 2022 and 2021, the Organization was not required to repurchase delinquent mortgages receivable.

**NOTE 13: RELATED-PARTY TRANSACTIONS**

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI). Affiliate fees paid to HFHI were \$15,000 for the years ended June 30, 2022 and 2021.

HFHI has a suggested 10% tithing based on internal calculations for unrestricted funds; however, there is no penalty for tithing less than this amount. This amount is used for HFHI's worldwide housing programs. For the years ended June 30, 2022 and 2021, contributions to HFHI amounted to \$90,056 and \$123,541, respectively.

**NOTE 14: RETIREMENT PLAN**

The Organization sponsors a 401(k) plan. Full-time employees with 30 days of service are eligible to participate in the plan. Matching contributions are made on a discretionary basis as approved by the Organization's board of directors. For the years ended June 30, 2022 and 2021, matching contributions of \$13,857 and \$13,891, respectively, were determined based on 2% eligible compensation.

**NOTE 15: RESTORE**

Selected operating information for the Organization's ReStore program is as follows:

	<u>Years Ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Contributed Nonfinancial Assets for Sale at ReStore	\$ 1,192,510	\$ 1,305,900
Merchandise and ReStore Revenues	1,721,158	1,681,453
Less: Merchandise and Cost of Goods Sold	<u>(1,267,766)</u>	<u>(1,536,361)</u>
	1,645,902	1,450,992
Other ReStore Expenses	<u>(1,298,733)</u>	<u>(1,165,232)</u>
Net ReStore Activity	<u>\$ 347,169</u>	<u>\$ 285,760</u>

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 16: HOME CONSTRUCTION COSTS**

Following is a summary of home building activity:

	<u>Years Ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Construction in Progress (Net of Accrued Subsidies) - Beginning	\$ 2,715,413	\$ 1,524,037
Cost of Homes Transferred	(1,613,821)	(964,857)
Capitalized Home Development Costs	1,041,363	1,298,635
Decrease (Increase) in Accrued Subsidies on Homes Under Construction	<u>(726,228)</u>	<u>857,598</u>
Construction in Progress (Net of Accrued Subsidies) - Ending	<u>\$ 1,416,727</u>	<u>\$ 2,715,413</u>
Homes Under Construction - Beginning	15	16
Homes Transferred to Homeowners	(7)	(7)
Homes Rented	0	0
New Homes Entering Development Stage	<u>4</u>	<u>6</u>
Homes Under Construction - Ending	<u>12</u>	<u>15</u>

Net building materials and supplies expense as reported in the statements of functional expenses consisted of the following:

	<u>Years Ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Cost of Homes Transferred	\$ 1,613,821	\$ 964,857
Increase (Decrease) in Accrued Subsidies on Homes Under Construction	726,228	(857,598)
Property Maintenance and Construction Administration	847,474	144,633
Allocation of Construction Overhead to Construction in Progress	<u>(245,000)</u>	<u>(224,000)</u>
Total Building Materials and Supplies (Net)	<u>\$ 2,942,523</u>	<u>\$ 27,892</u>

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2022**

**NOTE 17: PRIOR PERIOD RESTATEMENT**

The Organization restated its previously issued financial statements for the year ended June 30, 2021. The Organization determined that during the year ending June 30, 2021, it had expensed costs that should have been capitalized as construction in progress. The impact of the restatement is as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>As of June 30, 2021</u>			
Construction in Progress (Net of Accrued Subsidies)	\$ 2,649,613	\$ 65,800	\$ 2,715,413
Total Assets	10,716,665	65,800	10,782,465
Total Net Assets	10,176,197	65,800	10,241,997
<u>For the Year Ended June 30, 2021</u>			
Home Repair Program Assistance Provided	\$ 460,951	\$ (65,800)	\$ 395,151
Total Expenses	3,425,313	(65,800)	3,359,513
Change in Net Assets	2,158,112	65,800	2,223,912



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***Independent Auditors' 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  
Habitat for Humanity of New Castle County, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statements of financial position, as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of New Castle 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 the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses of significant deficiencies may exist that have not been identified.

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Habitat for Humanity of New Castle 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*.

***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.

*Belfint, Lyons & Shuman, P.A.*

January 31, 2023  
Wilmington, Delaware