HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024 AND 2023

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BELFINT • LYONS • SHUMAN
Certified Public Accountants

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Independent Auditor's 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, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of New Castle County, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Habitat for Humanity of 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.

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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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of 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 23, 2025, 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 23, 2025
Wilmington, Delaware

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

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,670,637	$ 2,121,752
Accounts Receivable	34,780	29,986
Pledges and Grants Receivable	995,422	1,238,233
Prepaid Expenses	8,540	48,178
Inventory	162,348	80,228
Other Investments	1,262,327	1,169,833
Non-Interest-Bearing Mortgages Receivable (Current Portion)	409,670	414,320
TOTAL CURRENT ASSETS	4,543,724	5,102,530
MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)		
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	7,863,080	7,975,719
Discount on Non-Interest-Bearing Mortgages Receivable	(4,033,789)	(4,163,294)
TOTAL MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)	3,829,291	3,812,425
OTHER ASSETS		
Investments in Endowment Fund	527,245	497,047
Construction in Progress (Net of Accrued Subsidies)	2,394,465	1,103,690
Property and Equipment Used in Operations (Net)	776,438	737,749
Right-of-Use Asset - Operating Leases	1,056,356	964,913
Security Deposits	22,874	22,874
TOTAL OTHER ASSETS	4,777,378	3,326,273
TOTAL ASSETS	$ 13,150,393	$ 12,241,228

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts Payable	$ 318,943	$ 113,867
Accrued Expenses	20,716	48,868
Deferred Revenue	103	1,460
Current Maturities of Operating Lease Liabilities	272,142	214,961
TOTAL CURRENT LIABILITIES	611,904	379,156
OTHER LIABILITIES		
Operating Lease Liabilities, Net of Current Maturities	784,214	749,952
TOTAL LIABILITIES	1,396,118	1,129,108
NET ASSETS		
Without Donor Restrictions	10,967,778	9,954,549
With Donor Restrictions	786,497	1,157,571
TOTAL NET ASSETS	11,754,275	11,112,120
TOTAL LIABILITIES AND NET ASSETS	$ 13,150,393	$ 12,241,228

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, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Grants	$ 4,248,801	$ 404,456	$ 4,653,257
Revenue from Home Sales	969,648	-	969,648
Contributed Nonfinancial Assets for Sale at ReStore	1,520,487	-	1,520,487
Merchandise and ReStore Revenues	1,539,935	-	1,539,935
Less: Merchandise and Cost of Goods Sold	(1,549,987)	-	(1,549,987)
Event Income	107,194	-	107,194
Less: Event Expenses	(40,750)	-	(40,750)
Other Revenue	15,181	-	15,181
Mortgage Loan Discount Amortization	389,522	-	389,522
Interest Income	20,000	-	20,000
Investment Income (Net of Fees)	240,777	-	240,777
	7,460,808	404,456	7,865,264
Net Assets Released from Restrictions	775,530	(775,530)	-
TOTAL SUPPORT AND REVENUE	8,236,338	(371,074)	7,865,264
EXPENSES			
Program Services (89%)	6,364,291	-	6,364,291
Supporting Services			
Management and General (5%)	359,073	-	359,073
Fundraising (6%)	423,156	-	423,156
TOTAL EXPENSES	7,146,520	-	7,146,520
CHANGE IN NET ASSETS	1,089,818	(371,074)	718,744
NET ASSETS - Beginning of Year, Restated	9,954,549	1,157,571	11,112,120
Cumalitve Adjustment for Adoption of Topic 326	(76,589)	-	(76,589)
NET ASSETS - End of Year	$ 10,967,778	$ 786,497	$ 11,754,275

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, 2023

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
SUPPORT AND REVENUE			
Contributions and Grants	$ 3,475,924	$ 1,303,616	$ 4,779,540
Revenue from Home Sales	2,514,825	-	2,514,825
Contributed Nonfinancial Assets for Sale at ReStore	1,303,158	-	1,303,158
Merchandise and ReStore Revenues	1,500,223	-	1,500,223
Less: Merchandise and Cost of Goods Sold	(1,415,533)	-	(1,415,533)
Event Income	105,271	-	105,271
Less: Event Expenses	(131,826)	-	(131,826)
Other Revenue	13,075	-	13,075
Mortgage Loan Discount Amortization	274,405	-	274,405
Interest Income	17,853	-	17,853
Investment Loss (Net of Fees)	79,556	-	79,556
	7,736,931	1,303,616	9,040,547
Net Assets Released from Restrictions	1,344,297	(1,344,297)	-
TOTAL SUPPORT AND REVENUE	9,081,228	(40,681)	9,040,547
EXPENSES			
Program Services (91%)	7,019,367	-	7,019,367
Supporting Services			
Management and General (4%)	306,355	-	306,355
Fundraising (5%)	376,447	-	376,447
TOTAL EXPENSES	7,702,169	-	7,702,169
CHANGE IN NET ASSETS	1,379,059	(40,681)	1,338,378
NET ASSETS - Beginning of Year	8,575,490	1,198,252	9,773,742
NET ASSETS - End of Year, Restated	$ 9,954,549	$ 1,157,571	$ 11,112,120

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, 2024

	Program Services					Supporting Services			
	Construction and Home Ownership	Discounts on Mortgage Originations	Home Repair Program	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salary and Related Costs	$ 670,316	$ -	$ 670,356	$ 742,040	$ 2,082,712	$ 360,379	$ 191,179	$ 551,558	$ 2,634,270
Construction Administration	81,552	-	-	-	81,552	-	60,365	60,365	141,917
Properties Granted to Other Organizations	216,044	-	-	-	216,044	-	-	-	216,044
Advertising	-	-	-	33,559	33,559	-	-	-	33,559
Building Materials and Supplies, Net (Note 16)	835,908	-	-	-	835,908	-	-	-	835,908
Credit Loss Expense	-	-	-	-	-	-	8,102	8,102	8,102
Depreciation	25,982	-	9,760	8,921	44,663	-	9,761	9,761	54,424
Fundraising Supplies	-	-	-	-	-	55,538	-	55,538	55,538
HFHI Franchise Fee	-	-	-	-	-	-	15,000	15,000	15,000
Home Repair Program Assistance Provided	-	-	1,952,314	-	1,952,314	-	-	-	1,952,314
Loan Servicing Fees	-	-	-	-	-	-	13,334	13,334	13,334
Merchandise and Cost of Goods Sold	-	-	-	1,549,987	1,549,987	-	-	-	1,549,987
Mortgage Discounts	-	260,017	-	-	260,017	-	-	-	260,017
Occupancy	-	-	-	342,820	342,820	-	1,891	1,891	344,711
Professional Services	-	-	-	-	-	7,239	56,505	63,744	63,744
ReStore Supplies	-	-	-	168,043	168,043	-	-	-	168,043
Events Expense	197,735	-	-	-	197,735	40,750	-	40,750	238,485
Telephone	4,473	-	786	-	5,259	-	787	787	6,046
Tithe to Habitat International	80,199	-	-	32,861	113,060	-	-	-	113,060
Training	28,457	-	2,148	-	30,605	-	2,149	2,149	32,754
	2,140,666	260,017	2,635,364	2,878,231	7,914,278	463,906	359,073	822,979	8,737,257
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,549,987)	(1,549,987)	-	-	-	(1,549,987)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	(40,750)	-	(40,750)	(40,750)
TOTAL FUNCTIONAL EXPENSES	$ 2,140,666	$ 260,017	$ 2,635,364	$ 1,328,244	$ 6,364,291	$ 423,156	$ 359,073	$ 782,229	$ 7,146,520

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, 2023

	Program Services					Supporting Services			
	Construction and Home Ownership	Discounts on Mortgage Originations	Home Repair Program	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salary and Related Costs	$ 525,467	$ -	$ 572,694	$ 678,556	$ 1,776,717	$ 329,424	$ 210,864	$ 540,288	$ 2,317,005
Construction Administration	92,591	-	-	-	92,591	-	22,809	22,809	115,400
Properties Granted to Other Organizations	84,508	-	-	-	84,508	-	-	-	84,508
Advertising	-	-	-	58,587	58,587	-	-	-	58,587
Building Materials and Supplies, Net (Note 16)	1,932,612	-	-	-	1,932,612	-	-	-	1,932,612
Credit Loss Expense	-	-	-	-	-	-	1,256	1,256	1,256
Depreciation	31,831	-	10,335	7,671	49,837	-	10,336	10,336	60,173
Fundraising Supplies	-	-	-	-	-	34,551	-	34,551	34,551
HFHI Franchise Fee	-	-	-	-	-	-	15,000	15,000	15,000
Home Repair Program Assistance Provided	-	-	1,157,417	-	1,157,417	-	-	-	1,157,417
Loan Servicing Fees	-	-	-	-	-	-	5,974	5,974	5,974
Merchandise and Cost of Goods Sold	-	-	-	1,415,533	1,415,533	-	-	-	1,415,533
Mortgage Discounts	-	1,175,183	-	-	1,175,183	-	-	-	1,175,183
Occupancy	-	-	-	369,418	369,418	-	3,791	3,791	373,209
Professional Services	-	-	-	-	-	11,245	35,655	46,900	46,900
ReStore Supplies	-	-	-	207,858	207,858	-	-	-	207,858
Special Events Expense	-	-	-	-	-	131,826	-	131,826	131,826
Telephone	6,716	-	1,226	-	7,942	1,227	-	1,227	9,169
Tithe to Habitat International	83,158	-	-	14,051	97,209	-	-	-	97,209
Training	8,818	-	670	-	9,488	-	670	670	10,158
	2,765,701	1,175,183	1,742,342	2,751,674	8,434,900	508,273	306,355	814,628	9,249,528
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,415,533)	(1,415,533)	-	-	-	(1,415,533)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	(131,826)	-	(131,826)	(131,826)
TOTAL FUNCTIONAL EXPENSES	$ 2,765,701	$ 1,175,183	$ 1,742,342	$ 1,336,141	$ 7,019,367	$ 376,447	$ 306,355	$ 682,802	$ 7,702,169

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, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 718,744	$ 1,338,378
Adjustments to Reconcile Change in Net Assets		
to Net Cash from Operating Activities		
Credit Loss Expense	8,102	1,256
Depreciation Expense	54,424	60,173
Endowment Fund Gain	(57,104)	(43,172)
Gains on Other Investments	(39,784)	(21,930)
New Mortgage Discounts Issued	260,017	1,175,183
Mortgage Loan Discount Amortization	(389,522)	(274,405)
Mortgages Received from Home Sales	(445,842)	(2,124,000)
Donated Investments Received	-	(35,541)
Construction in Progress Property Disposed via Grant	216,044	84,508
Changes in Assets and Liabilities		
Mortgages Receivable	458,389	496,255
Accounts Receivable	(12,896)	(257)
Grants Receivable	242,811	(634,107)
Prepaid Expenses	39,638	(18,477)
Inventories	(82,120)	40,930
Construction in Progress, Net of Accrued Subsidies	(1,506,819)	228,529
Right-of-Use Asset - Operating Leases	251,001	251,735
Accounts Payable	205,076	(123,351)
Accrued Expenses	(28,152)	12,957
Operating Lease Liabilities	(251,001)	(251,735)
Deferred Revenue	(1,357)	(560)
NET CASH FROM OPERATING ACTIVITIES	(360,351)	162,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(93,113)	(35,058)
Deposits to Other Investments	(152,710)	(1,152,131)
Distributions from Endowment Investments	26,906	113,701
Distributions from Other Investments	100,000	42,043
NET CASH FROM INVESTING ACTIVITIES	(118,917)	(1,031,445)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(479,268)	(869,076)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,121,752	2,990,828
CASH AND CASH EQUIVALENTS - End of Year	$ 1,642,484	$ 2,121,752

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

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.

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.

Changes in Accounting Principles - On July 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016 - 13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. Under the CECL methodology, the allowance for loan losses is assessed on a segmented basis when similar characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables.

Prior to the adoption of Topic 326, the Organization used an incurred loss model to measure an allowance for loan losses.

Adoption of Topic 326 resulted in a cumulative effect adjustment to net assets as of July 1, 2023, in the amount of $(76,589).

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Contributions and Government Appropriations - Continued

The 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 remaining contract commitments from cost-reimbursable grants of approximately $12,000,000. No amounts have been reflected in these financial statements for these commitments because qualifying expenditures have not yet been incurred. No amounts have been received in advance, and therefore have not been recorded in the financial statements.

***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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Contracts with Customers - Continued

Accounts receivables, contract assets, and contract liabilities under Topic 606 are as follows:

Year Ended June 30:		Contract Receivables	Contract Assets	Contract Liabilities
2024	Beginning of Year	$ -	$ -	$ 1,460
	End of Year	-	-	103
2023	Beginning of Year	$ -	$ -	$ 2,020
	End of Year	-	-	1,460

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, 2024 and 2023, were $1,387,757 and $1,730,399, respectively.

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 credit losses 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, 2024 and 2023.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments - Continued

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.

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.

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, 2024 and 2023.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments - Continued

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

	2024			
	Level 1	Level 2	Level 3	Total
Investments in Endowment Fund				
Community Investment Pooled				
Separate Accounts	$ -	$ 527,245	$ -	$ 527,245
Other Investments				
Money Market Funds	100,613	-	-	100,613
Fixed Income Certificates of Deposit	789,129	-	-	789,129
Equity Mutual Funds	216,283	-	-	216,283
Fixed Income Mutual Funds	156,302	-	-	156,302
Total Investments, at Fair Value	$ 1,262,327	$ 527,245	$ -	$ 1,789,572

	2023			
	Level 1	Level 2	Level 3	Total
Investments in Endowment Fund				
Community Investment Pooled				
Separate Accounts	$ -	$ 497,047	$ -	$ 497,047
Other Investments				
Money Market Funds	56,579	-	-	56,579
Fixed Income Certificates of Deposit	787,383	-	-	787,383
Equity Mutual Funds	173,643	-	-	173,643
Fixed Income Mutual Funds	152,228	-	-	152,228
Total Investments, at Fair Value	$ 1,169,833	$ 497,047	$ -	$ 1,666,880

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Credit Losses on Mortgage Receivables - The allowance for credit losses on mortgage receivables is a valuation account that is deducted from the amortized cost of the mortgage receivable to present the net amount expected to be collected. The allowance is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the statement of financial position date. Mortgage losses are charged off against the allowance when the Organization determines the mortgage receivable balance to be uncollectible. Amounts received on previously charged off amounts are recorded as a recovery to the allowance account.

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.

To appropriately measure expected credit losses, the Organization disaggregates its loan portfolio into pools of similar risk characteristics based on the collateral type underlying the loan. The Organization's loan portfolio is segmented into the following pool:

- Mortgage loans - collateralized by residential property.

Loans are individually evaluated for estimated credit losses and not included in the collective evaluation when it is determined foreclosure is probable. As a practical expedient, expected credit losses are based on the fair value of the collateral at the reporting date when management determines foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The expected credit loss is measured based on the fair value of the collateral, less costs to sell, as of the reporting date.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2024 and 2023.

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, 2024 and 2023, accrued subsidies on construction in progress were $209,446 and $627,555, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - The Organization, as a lessee, classifies its leasing arrangements as operating leases or finance leases in accordance with ASU 2016-02, *Leases* (Topic 842).

> *Operating Leases* - For operating leases, the Organization is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the statements of financial position. The Organization recognizes a single lease cost, allocated over the lease term on a straight-line basis in the statements of activities. The Organization classifies all cash payments within operating activities in the statements of cash flows.

> *Finance Leases* - For finance leases, the Organization is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the statements of financial position. The Organization recognizes interest on the lease liability separately from the amortization of the right-of-use asset in the statements of activities. The Organization classifies repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statements of cash flows.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less.

The Organization has elected the practical expedient to not separate lease and non-lease components.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - Continued

The federal informational returns of the Organization for the years ended June 30, 2021, 2022, and 2023, 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 auditor's report, which is the date the financial statements were available to be issued.

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 statements of financial position dates.

	2024	2023
Financial Assets as of June 30		
Cash and Cash Equivalents	$ 1,670,637	$ 2,121,752
Accounts Receivable, Net	34,780	29,986
Grants Receivable	995,422	1,238,233
Non-Interest-Bearing Mortgages Receivable, Net	4,238,961	4,226,745
Other Investments	1,262,327	1,169,833
Investments in Endowment Fund	527,245	497,047
Financial Assets as of June 30	8,729,372	9,283,596
Less: Amounts Not Available to be Used Within a Year		
Net Assets with Donor Restrictions to be Used for Specific Purposes	(786,497)	(1,157,571)
Endowment Assets	(527,245)	(497,047)
Operating Reserves Held in Cash Equivalents and Investments	(2,568,882)	(2,770,764)
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	(3,829,291)	(3,812,425)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,017,457	$ 1,045,789

NOTE 3: AVAILABILITY AND LIQUIDITY - CONTINUED

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, invested reserves, 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.

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Subject to Expenditure for Specified Purpose		
Construction of Homes	$ 140,000	$ 346,316
Family Services	646,497	811,255
Total Net Assets with Donor Restrictions	$ 786,497	$ 1,157,571

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:

	2024	2023
Purpose Restrictions Accomplished		
Construction of Homes	$ 311,316	$ 346,316
Family Services	464,214	811,255
Total Releases from Restrictions	$ 775,530	$ 1,157,571

NOTE 5: IN-KIND CONTRIBUTIONS

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included the following:

	2024	2023
Contributions of Assets for Sale at ReStore	$ 1,520,487	$ 1,303,158

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.

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, 2024 and 2023, the Organization had 78 loans outstanding.

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

	2024	2023
Past Due	$ 153,782	$ 115,515
Due in Year 1	409,670	414,320
Due in Year 2	405,087	412,745
Due in Year 3	405,087	408,876
Due in Year 4	405,087	408,876
Due in Year 5	400,239	408,846
Thereafter	6,178,488	6,220,861
	8,357,440	8,390,039
Less: Unamortized Discount	(4,033,789)	(4,163,294)
Less: Allowance for Credit Losses	(84,691)	-
Non-Interest-Bearing Mortgages Receivable	$ 4,238,960	$ 4,226,745

NOTE 6: MORTGAGES RECEIVABLE - CONTINUED

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 is a summary of allowance for credit losses:

	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total
Allowance for Credit Losses - July 1, 2023	$ -	$ -	$ -
Adoption of Topic 326	76,589	-	76,589
Provision for Credit Losses	8,102	-	8,102
Mortgages Charged Off	-	-	-
Recoveries	-	-	-
Allowance for Credit Losses - June 30, 2024	$ 84,691	$ -	$ 84,691
Loan Balances - June 30, 2024	$ 7,601,601	$ 755,839	$ 8,357,440

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

2024				
Current	0-30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
$ 8,203,658	$ 10,471	$ 12,514	$ 130,797	$ 8,357,440

2023				
Current	0-30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
$ 8,274,524	$ 9,680	$ 13,005	$ 92,830	$ 8,390,039

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:

	2024	2023
Beginning Balance - July 1	$ 497,047	$ 567,576
Withdrawals	(26,906)	(113,701)
Investment Income	57,104	43,172
Ending Balance - June 30	$ 527,245	$ 497,047

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, 2024 and 2023. Investment income is reported as increases in net assets without donor restrictions in the statements of activities. Endowment fund gain consisted of the following for the years ended June 30:

	2024	2023
Realized and Unrealized Gains	$ 52,244	$ 36,434
Income Earned	12,212	14,726
Administrative and Investment Fees	(7,352)	(7,988)
Endowment Fund Gain	$ 57,104	$ 43,172

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment as of June 30 were as follows:

	2024	2023
Land	$ 152,523	$ 152,523
Automobiles	163,200	163,200
Building and Improvements	1,263,362	1,211,893
Equipment, Furniture, and Software	232,720	191,076
	1,811,805	1,718,692
Less: Accumulated Depreciation	1,035,367	980,943
	$ 776,438	$ 737,749

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 a variable rate (9.00% and 4.50% as of June 30, 2024 and 2023, respectively) 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, 2024 and 2023.

NOTE 10: NOTES PAYABLE

Subsequent to June 30, 2024, the Organization entered into a New Markets Tax Credit (NMTC) financing transaction to raise capital for the construction and/or rehabilitation of single-family and multi-family homes, as applicable, for sale to low-income persons in low-income communities in qualifying census tracts. NMTC financing allows an entity to receive a loan or investment in capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. On October 22, 2024, Harbor Community Fund XLIII LLC and HFHI NMTC SUB-CDE VII, LLC loaned $1,029,000 and $882,000, respectively, to the Organization. Both loans have a 30-year maturity. Specific repayment terms for each loan is as follows:

> *Harbor Community Fund XLIII LLC* - From October 22, 2024, through the maturity date, interest accrues and compounds on a quarterly basis at 1.387889%. Interest is calculated based on the loan amount, to the extent outstanding, and is calculated based upon a 360-day year comprised of 12 months of 30 days each. The Organization will make semi-annual payments partially in advance and partially in arrears of all accrued and unpaid interest commencing on December 5, 2024, and on each June 5 and December 5 thereafter through and including October 22, 2031. The Organization will also make an interest only payment on October 22, 2031, for all accrued and unpaid interest calculated from July 1, 2031, through and including October 22, 2031. From October 22, 2024 through and including December 31, 2031 (including the payment on October 22, 2031), interest is due and payable at 0.718376%. Interest payable is calculated based on the loan amount. All interest accrued at 1.387889% which is not paid on the applicable payment date is assessed to, and becomes a part of the loan amount. During the period January 1, 2032, through the maturity date, interest is due and payable on the loan amount at 1.387889%. Commencing on January 1, 2032, and on each June 5 and December 5 thereafter until the maturity date (each a payment date), semi-annual payments are due in an amount sufficient to fully amortize the remaining principal balance of the loan over the remaining term.

> *HFHI NMTC SUB-CDE VII, LLC* - Per annum interest is 0.718376%. The Organization will make semi-annual payments of all accrued and unpaid interest from October 22, 2024, through October 22, 2031. Thereafter, the Organization will make semi-annual payments in an amount sufficient to fully amortize the remaining principal balance of the loan over the remaining term.

NOTE 10: NOTES PAYABLE - CONTINUED

The Organization must meet an annual solvency ratio of not less than 1.1 to 1.0 of total assets compared to total debt and an annual debt service coverage ratio of not less than 1.10 to 1.00 in connection with the above promissory notes.

NOTE 11: LEASE COMMITMENTS AS LESSEE

The Organization leases various facilities and a copier under noncancelable operating leases which expire in various years through November 30, 2028.

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

	Operating Leases
2025	$ 307,470
2026	306,940
2027	263,814
2028	182,862
2029	76,193
Total Future Minimum Lease Payments	1,137,279
Less: Amount Representing Imputed Interest	(80,923)
Present Value of Future Minimum Lease Payments	1,056,356
Less: Current Maturities	(272,142)
Lease Obligations - Net of Current Maturities	$ 784,214

The following are required lease disclosures as of and for the years ended June 30:

	2024	2023
Cash Paid for Amounts in the Measurement of Lease Liabilities Operating Cash Flows for Operating Leases	$ 286,421	$ 270,517
Operating Lease Cost	$ 286,421	$ 270,517
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ 342,444	$ 986,157
Weighted-Average Remaining Lease Term - Operating Leases	3.89 Years	5.10 Years
Weighted-Average Discount Rate - Operating Leases	0.41%	0.26%

NOTE 11: LEASE COMMITMENTS AS LESSEE - CONTINUED

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization utilizes a risk-free rate in lieu of determining an incremental borrowing rate at the commencement date in deciding the present value of lease payments. The Organization has applied the risk-free option to all classes of assets.

NOTE 12: COMMITMENTS AND CONTINGENCIES

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, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023, contributions to HFHI totaled $113,060 and $97,209, 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, 2024 and 2023, matching contributions of $21,902 and $18,862 respectively, were determined based on 2% eligible compensation.

NOTE 15: RESTORE

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

	Years Ended June 30	
	2024	2023
Contributed Nonfinancial Assets for Sale at ReStore	$ 1,520,487	$ 1,303,158
Merchandise and ReStore Revenues	1,539,935	1,500,223
Less: Merchandise and Cost of Goods Sold	(1,549,987)	(1,415,533)
	1,510,435	1,387,848
Other ReStore Expenses	(1,328,244)	(1,336,141)
Net ReStore Activity	$ 182,191	$ 51,707

NOTE 16: HOME CONSTRUCTION COSTS

Following is a summary of home building activity:

	Years Ended June 30	
	2024	2023
Construction in Progress (Net of Accrued Subsidies) - Beginning	$ 1,103,690	$ 1,416,727
Cost of Homes Transferred	(1,125,171)	(2,864,311)
Properties Granted to Other Organizations	(216,044)	(84,508)
Capitalized Home Development Costs	2,213,881	1,817,665
Decrease in Accrued Subsidies on Homes Under Construction	418,109	818,117
Construction in Progress (Net of Accrued Subsidies) - Ending	$ 2,394,465	$ 1,103,690
Homes Under Construction - Beginning	7	12
Homes Transferred to Homeowners	(4)	(10)
Homes Rented	(2)	0
New Homes Entering Development Stage	9	5
Homes Under Construction - Ending	10	7

NOTE 16: HOME CONSTRUCTION COSTS - CONTINUED

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

	Years Ended June 30	
	2024	2023
Cost of Homes Transferred	$ 1,125,171	$ 2,864,311
Decrease in Accrued Subsidies on Homes Under Construction	(418,109)	(818,117)
Property Maintenance and Construction Administration	268,846	236,418
Allocation of Construction Overhead to Construction in Progress	(140,000)	(350,000)
Total Building Materials and Supplies (Net)	$ 835,908	$ 1,932,612

NOTE 17: SUPPLEMENTAL CASH FLOW DISCLOSURES

The following are required supplemental cash flow disclosures:

	2024	2023
Noncash Investing and Financing Activities		
New Lease Assets and Lease Liabilities from Implementation of ASC 842	$ -	$ 230,491
New Lease Assets and Lease Liabilities from Leases Entered into During the Year	$ 342,444	$ 986,157

NOTE 18: RESTATEMENT

During the year ended June 30, 2024, management determined that grants receivable and contributions and grant revenue were understated by $213,868 as of and for the year ended June 30, 2023, due to an unrecorded receivable for revenue related to reimbursable costs incurred during the year ended June 30, 2023.

Unrestricted net assets and total net assets as of June 30, 2023, have increased by $213,868 from $9,740,681 and $10,898,252, respectively, to $9,954,549 and $11,112,120, respectively.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statement of financial position, as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2025.

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.

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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 23, 2025
Wilmington, Delaware