Gorfine Schiller Gardyn
Certified Public Accountants and Consultants
GSG

Habitat for Humanity® of Carroll County

HABITAT FOR HUMANITY OF CARROLL COUNTY, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

HABITAT FOR HUMANITY OF CARROLL COUNTY, INC. AND AFFILIATE
TABLE OF CONTENTS
June 30, 2023 and 2022

GSG Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Carroll County, Inc. and Affiliate
Westminster, Maryland

Opinion

We have audited the consolidated financial statements of Habitat for Humanity of Carroll County, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Habitat for Humanity of Carroll County, Inc. and Affiliate as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Carroll County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Carroll County, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

10045 Red Run Boulevard, Suite 250 • Owings Mills, MD 21117 • T 410-356-5900 • 800-333-0272 • F 410-581-0368
19833 Leitersburg Pike, Suite 2 • Hagerstown, MD 21742 • T 301-739-9000 • F 301-739-8345
www.gsg-cpa.com
Member of Allinial GLOBAL
An association of legally independent firms

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Carroll 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 consolidated 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 Carroll 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.

Hertzbach, Schiller + Gaedge, P.A.

January 4, 2024
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

HABITAT FOR HUMANITY OF CARROLL COUNTY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 331,824	$ 216,993
Cash held in escrow	2,902	15,359
Current portion of mortgages receivable	50,092	41,162
Security deposit	11,119	11,119
Prepaid expenses and other assets	-	506
Costs and estimated earnings in excess of billings on uncompleted contracts	28,500	3,100
Land and lot inventory	-	119,125
Total current assets	424,437	407,364
PROPERTY AND EQUIPMENT, NET	182,619	216,834
OTHER ASSETS		
Right of use asset - operating lease	482,381	-
Mortgages receivable, net	422,900	345,116
Total other assets	905,281	345,116
TOTAL ASSETS	$ 1,512,337	$ 969,314

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

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 20,953	$ 15,286
Current portion lease liability - operating lease	113,947	-
Current portion of notes payable	20,915	16,872
Accrued expenses	10,122	33,466
Escrow deposits	2,535	1,341
Total current liabilities	168,472	66,965
LONG-TERM LIABILITIES		
Deferred rent	-	131,931
Lease liability - operating lease, net of current portion	484,928	-
Notes payable, net of current portion	447,148	285,376
Total long-term liabilities	932,076	417,307
Total liabilities	1,100,548	484,272
NET ASSETS		
Without donor restrictions	228,134	353,647
With donor restrictions	183,655	131,395
Total net assets	411,789	485,042
TOTAL LIABILITIES AND NET ASSETS	$ 1,512,337	$ 969,314

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

HABITAT FOR HUMANITY OF CARROLL COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUE						
Contributions	$ 165,866	$ -	$ 165,866	$ 40,037	$ 96,899	$ 136,936
Grant income	30,500	75,000	105,500	86,982	-	86,982
Sales to homeowners	265,000	-	265,000	-	-	-
Construction contract revenue	28,500	-	28,500	-	-	-
Restore sales	670,839	-	670,839	572,452	-	572,452
Gifts in kind	24,609	-	24,609	13,932	-	13,932
Mortgage discount amortization	25,425	-	25,425	25,048	-	25,048
Interest income	9,111	-	9,111	29	-	29
Employee retention credit refund	80,341	-	80,341	-	-	-
Other income	15,541	-	15,541	12,367	-	12,367
	1,315,732	75,000	1,390,732	750,847	96,899	847,746
NET ASSETS RELEASED FROM RESTRICTIONS	22,740	(22,740)	-	2,163	(2,163)	-
Total support and other revenue	1,338,472	52,260	1,390,732	753,010	94,736	847,746
EXPENSES						
Program services	1,105,715	-	1,105,715	634,175	-	634,175
Management and general	193,656	-	193,656	115,061	-	115,061
Fundraising	164,615	-	164,615	106,658	-	106,658
Total expenses	1,463,985	-	1,463,985	855,895	-	855,895
CHANGES IN NET ASSETS	(125,513)	52,260	(73,253)	(102,885)	94,736	(8,149)
NET ASSETS - Beginning of year	353,647	131,395	485,042	456,532	36,659	493,191
NET ASSETS - End of year	$ 228,134	$ 183,655	$ 411,789	$ 353,647	$ 131,395	$ 485,042

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

HABITAT FOR HUMANITY OF CARROLL COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

	2023			
	Program Services	Management and General	Fundraising	Total
Salaries	$ 231,624	$ 91,316	$ 115,658	$ 438,598
Payroll taxes	17,698	6,318	7,464	31,480
Employee benefits	29,173	12,195	20,821	62,189
Total salaries and related expenses	278,495	109,829	143,943	532,267
Costs of home and lot sales	344,596	-	-	344,596
Costs incurred on construction contracts	28,500	-	-	28,500
Professional fees	8,698	26,094	-	34,792
Habitat International fees	9,500	-	-	9,500
Mortgage receivable discount	135,526	-	-	135,526
Interest expense	-	21,990	-	21,990
Repair projects	9,467	-	-	9,467
Property holding costs	1,282	-	-	1,282
Office expense	3,262	3,261	3,261	9,785
Utilities and telephone	28,710	1,475	1,475	31,661
Printing and publications	712	-	6,404	7,115
Insurance	21,242	9,104	-	30,345
ReStore rent	147,200	-	-	147,200
Office rent	13,660	1,657	1,657	16,973
Information technology	3,396	3,395	3,395	10,185
Other expenses	308	13,255	1,850	15,413
Bank fees and POS system	15,329	3,596	-	18,925
Marketing	1,754	-	2,630	4,384
Depreciation	34,215	-	-	34,215
Repair and maintenance	19,864	-	-	19,864
Total	$ 1,105,715	$ 193,656	$ 164,615	$ 1,463,985

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

HABITAT FOR HUMANITY OF CARROLL COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED
For the Years Ended June 30, 2023 and 2022

	2022			
	Program Services	**Management and General**	**Fundraising**	**Total**
Salaries	$ 264,957	$ 53,483	$ 63,697	$ 382,137
Payroll taxes	19,419	4,132	4,863	28,414
Employee benefits	22,332	5,975	11,220	39,527
Total salaries and related expenses	306,708	63,590	79,780	450,078
Professional fees	7,844	5,312	-	13,156
Habitat International fees	19,000	-	-	19,000
Interest expense	21,172	-	-	21,172
Repair projects	3,037	-	-	3,037
Property holding costs	1,725	-	-	1,725
Office expense	3,682	4,164	4,949	12,795
Utilities and telephone	29,360	-	-	29,360
Printing and publications	364	-	3,276	3,640
Insurance	17,835	7,643	-	25,478
ReStore rent	137,010	-	-	137,010
Office rent	15,601	686	686	16,973
Information technology	3,421	3,421	3,421	10,263
Other expenses	7,476	14,983	8,459	30,919
Bank fees and POS system	-	15,262	-	15,262
Marketing	6,842	-	6,087	12,929
Depreciation	34,216	-	-	34,216
Repair and maintenance	18,882	-	-	18,882
Total	$ 634,175	$ 115,061	$ 106,658	$ 855,895

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

HABITAT FOR HUMANITY OF CARROLL COUNTY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (73,253)	$ (8,149)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	34,215	34,216
Forgiveness of note payable, Paycheck Protection Program	-	(41,800)
Mortgage discount amortization	(25,425)	(25,048)
Amortization of financing costs	413	413
Discount on mortgages receivable	135,526	-
Assumption of mortgage from sale to homeowner	(225,000)	-
Changes in operating assets and liabilities:		
Costs and estimated earnings in excess of billings on uncompleted contracts	(25,400)	-
Lot and land inventory	119,125	-
Prepaid expenses and other assets	506	2,563
Accounts payable	5,667	7,061
Accrued expenses	(23,344)	15,687
Deferred rent	(15,437)	(12,356)
Escrow deposits	1,194	(5,488)
Net cash used in operating activities	(91,213)	(32,901)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	-	(5,718)
Principal payments collected on mortgages receivable	28,185	52,112
Net cash provided by investing activities	28,185	46,394
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(18,398)	(8,621)
Proceeds from new borrowings on notes payable	183,800	-
Net cash provided by (used in) financing activities	165,402	(8,621)
NET CHANGES IN CASH AND CASH EQUIVALENTS	102,374	4,872
CASH AND RESTRICTED CASH - Beginning of year	232,352	227,480
CASH AND RESTRICTED CASH - End of year	$ 334,726	$ 232,352

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

NOTE A – NATURE OF ORGANIZATION

Habitat for Humanity of Carroll County, Inc. (Habitat) is a Maryland not-for-profit corporation organized to bring people together to build homes, communities and hope in Carroll County, Maryland. Habitat is an affiliate of Habitat for Humanity International, Inc. Although Habitat for Humanity International, Inc. assists with information resources, training, publications, and in other ways, Habitat is primarily responsible for its own operations.

HFHCC Funding Company I, LLC (Funding) is a Maryland limited-liability company formed in 2016 to hold certain real estate investment portfolios and related activities. Funding is 100% owned by Habitat.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The accompanying financial statements are consolidated and include the accounts of Habitat and Funding (together, the Organization). All significant intercompany transactions have been eliminated in consolidation.

2. Basis of Presentation

The consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America (U.S. GAAP). Preparation is in accordance with the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets whose use is limited by donor- imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other asset or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions whose restrictions are satisfied in the same year as contributed are reported as net assets without donor restrictions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. Cash and Cash Equivalents

The Organization considers all cash in banks and investments with maturities of less than ninety days to be cash and cash equivalents. The Organization does not have any cash equivalents at June 30, 2023 and 2022. At times throughout the year, the Organization may have funds on deposit with financial institutions in excess of federally insured amounts. The Organization has not experienced any losses on such accounts and considers this to be a normal business risk.

4. Cash Held in Escrow

The Organization currently services several mortgages on the homes it has sold. Included in this account are amounts received from homeowners for insurance and property taxes on these homes. This account is offset by a related liability, escrow deposits.

5. Consolidated Statements of Cash Flows

Cash and restricted cash on the consolidated statements of cash flows includes amounts included in cash and cash held in escrow on the consolidated statements of financial position.

6. Accounts, Notes, and Mortgages Receivable

Accounts and notes receivable are stated at the amount management expects to collect from outstanding balances. Management considers accounts, notes and mortgages receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made. Notes receivable are extended to program participants who need repairs on their existing homes, but are unable to pay for the full cost of the repair. These notes are unsecured.

Payments on participant mortgages receivable become delinquent if they are fifteen days past due. Habitat charges a late fee of 5% of the mortgage payment. If mortgages become more than thirty days overdue, Habitat will contact the participant by letter and phone and require the participant to meet with Habitat staff. If mortgages become ninety days or more overdue, Habitat will involve a collection attorney who will send a notice of default to the participant giving them thirty days to cure the default. If the default is not cured, Habitat's attorney initiates foreclosure proceedings which will result in the forced sale of the property to satisfy the participant's debt to Habitat.

7. Construction in Progress and Land and Lot Inventory

Construction in progress consists of costs incurred for homes currently under construction and the associated land. All costs are capitalized until the home is completed and transferred to the homeowner.

Land and lot inventory consists of land, stated at cost if purchased or fair value if donated, and development costs to prepare land for use as a future home site. Land may also be sold outright, without a home being built. Once home construction begins, land costs are transferred to construction in progress.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. Construction in Progress and Land and Lot Inventory - Continued

The construction in progress and land and lot inventory are valued at the lower of historical cost or net realizable value. No impairment costs are included in the consolidated statements of activities for the years ending June 30, 2023 and 2022. When homes are sold the related costs and impairments are removed by recording costs of home sales.

8. Property and Equipment

The Organization depreciates property and equipment greater than $1,000 on a straight line basis over the estimated useful life of the asset. Property and equipment are stated at cost or estimated fair market value, if donated. Property and equipment are depreciated over lives ranging from 5 to 20 years. Expenditures for maintenance, repairs and renewals are charged to expense as incurred.

9. Revenue Recognition

Revenue is received from various sources. Contributions received are recorded in the year received, unless a formal pledge was made, in which case, the revenue is recognized in the year in which the pledge is made. All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Revenue from sales of property is recognized in the year in which the property settlement takes place.

Revenue from construction contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. The Organization has two uncompleted construction contracts as of June 30, 2023. The contracts total $490,000, and costs are estimated to be $490,000, for a zero gross profit. Costs incurred as of June 30, 2023 under these contracts was $28,500, and therefore $28,500 of revenue has been recognized, represented by the asset "Costs and estimated earnings in excess of billings on uncompleted contracts" on the accompanying consolidated statement of financial position.

10. Sales to Homeowners

Sales to homeowners represent the revenues realized from the sale of constructed homes and are recorded at the gross mortgage amount plus the cash down payment, if any, received. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgage. Utilizing the straight-line method, amortization of the discounts on mortgages are recognized as income over the term of the mortgage.

11. Donated Restore Items

Donations of ReStore items are not valued, nor is an inventory of such items used for financial reporting. Restore sales revenue is recognized when the donated item is sold to a customer.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. Gifts In Kind

Contributions of noncash assets are recorded at their estimated fair value in the period received. Contributions of services that would create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair value in the period received. The value associated with the use of facilities is recorded at the estimated fair value in the period received.

13. Functional Expenses

The Organization's operating costs have been allocated between program, management and general and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one function. Expenses that are allocated include compensation and benefits, which are allocated based on estimates of time and effort; rent and telephone which are allocated based on square footage; and other non-direct expenses, which are allocated based on management's estimate of the individual expense item.

14. Income Taxes

Habitat is exempt from federal and state income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Habitat has been classified as a publicly supported entity, which is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Habitat did not have any net unrelated business income for the years ended June 30, 2023 and 2022. Accordingly, there has been no provision for income tax in these financial statements.

Funding is a single-member LLC, with Habitat being its sole member. Therefore, no provision or liability for income taxes is reflected in these financial statements. The activities of Funding are included with the tax filings of Habitat since Funding is not required to file a separate tax return.

In accordance with the provisions of the Financial Accounting Standards Codification topic, *Accounting for Income Taxes*, the Organization recognizes or discloses any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under the topic.

15. Reclassifications

Certain reclassifications have been made to the prior financial statements to conform to the current year presentation.

16. Use of Estimates

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

17. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 4, 2024, the date the consolidated financial statements were available to be issued.

18. Change in Accounting Principle

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Accounting for Leases (Topic 842), which requires that all leases greater than twelve months be presented on the balance sheet. The Organization adopted ASC 842 effective July 1, 2022, using the modified retrospective method. Using this method, the new standard is applied only to the most current period presented and the cumulative effect of applying the new standard to existing lease agreements is recognized at the date of initial application. Under this adoption method, reporting periods beginning after July 1, 2022 are presented under the new standard, while prior period amounts are not adjusted. The Organization has elected a package of practical expedients permitted in ASC 842. Accordingly, the Organization accounted for its existing leases without reassessing whether the contract contains a lease under ASC 842 and without reassessing whether classification of the leases would be different in accordance with ASC 842.

The adoption of ASC 842 resulted in the recording of an initial lease liability for operating leases of $704,407 at July 1, 2022 which represents the present value of the remaining lease payments discounted using the Company's incremental borrowing rate of 4.52%, and a right of use asset for operating leases of $572,476, which is the initial lease liability reduced by the balance in deferred rent at July 1, 2022.

NOTE C – MORTGAGES RECEIVABLE

The Organization constructs and sells homes to individuals under non-interest bearing mortgages. The individuals are required to make mortgage payments for 30 years. Each mortgage receivable is secured by the home sold.

Generally, homes sold have a fair market value at the date of sale that exceeds the contract sales price. In consideration for receiving a non-interest bearing mortgage, the purchasers sign a second mortgage that requires payment only in the event of default on the primary mortgage or upon sale of the home. These second mortgages are forgiven ratably over a period of 30 years. At June 30, 2023 and 2022, there were ten and nine second mortgages, respectively.

Because these second mortgages are "silent" and require payment only in the event of default, a reserve is established against each one. At June 30, 2023 and 2022, the second mortgages totaled $416,872 and $358,856, respectively. Reserves in the same amount were established in each of the years. The net effect is as follows:

	2023	2022
Silent second mortgages	$ 416,872	$ 358,856
Silent second mortgage reserves	(416,872)	(358,856)
Silent second mortgages, net	$ -	$ -

NOTE C – MORTGAGES RECEIVABLE - Continued

The mortgages receivable are presented in the consolidated statements of financial position as follows:

	2023	2022
Gross repayments due under the mortgages	$ 1,158,876	$ 962,062
Discount representing imputed interest	(685,884)	(575,784)
Mortgages receivable, net	$ 472,992	$ 386,278

Discounts on mortgages are amortized on a straight-line basis over the life of the mortgage.

Future minimum repayments on mortgages receivable are as follows for the years ended June 30:

2024	$ 50,092
2025	50,092
2026	50,092
2027	50,092
2028	50,092
Thereafter	908,416
	$ 1,158,876

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation as of June 30, 2023 and 2022 are as follows:

	2023	2022
Furniture and equipment	$ 46,582	$ 46,582
Leasehold improvements	203,298	203,298
Truck	22,872	22,872
	272,752	272,752
Accumulated depreciation	$ (90,133)	$ (55,918)
	$ 182,619	$ 216,834

Depreciation expense was $34,215 and $34,216 for the years ended June 30, 2023 and 2022, respectively.

NOTE E – NOTES PAYABLE

In order to obtain funding for new homes and other program services, in February 2016, Funding assigned $353,806 of secured homeowner mortgages to a financial institution. Although these mortgages were assigned to the financial institution as collateral for a loan, Habitat still holds and services these homeowner mortgages. The assignment was for a discounted price of $240,750, resulting in a discount of $113,056. The discount is being amortized over the term of the note using a 3% discount rate stated in the note agreement. Amortization of the discount is recorded as interest expense in the consolidated statements of functional expenses. For the years ended June 30, 2023 and 2022, this expense was $5,896 and $6,106, respectively. The note matures in March 2045 and requires monthly payments of $1,083 through April 2038 and $778 thereafter. The note is secured by three existing homeowner mortgage loans. The balance of the net mortgages receivable secured by the note at June 30, 2023 and 2022 was $103,400 and $106,245, respectively.

In January 2018, the Organization entered into a business loan agreement with another financial institution. Under this agreement, the Organization may borrow up to $400,000 (increased to $500,000 in August 2022). Advances are based on homes completed by the Organization for low to moderate income residents. Also in January 2018, the Organization requested its first advance against this agreement for $93,250. The advance is payable in monthly installments of principal and interest of $425 through December 2046 and a final payment of $774 in January 2047. The interest rate is 3.41% and the advance is unsecured. Interest expense on this note was $2,840 and $2,916 for the years ended June 30, 2023 and 2022, respectively. In October 2022, the Organization requested its second advance against this agreement for $183,800. The advance is payable in monthly installments of principal and interest of $1,092 through March 2045. The interest rate is 4.52% and the advance is unsecured. Interest expense on this note was $4,949 for the year ended June 30, 2023.

In March 2020, the Organization entered into a promissory note of $17,500 to finance the purchase of a truck. The note is payable in monthly installments of principal and interest of $398 through February 2024 and a final payment of $371 in March 2024. The interest rate is 4.25% and the note is secured by the truck. Interest expense on this note was $253 and $441 for the years ended June 30, 2023 and 2022, respectively.

In January 2021, the Organization entered into a promissory note of $15,500 to lease a truck. The note is payable in monthly installments of principal and interest of $293 through February 2026. The interest rate is 5.07% and the note is secured by a truck. Interest expense on this note was $527 and $674 for the years ended June 30, 2023 and 2022, respectively.

The Organization incurred financing costs of $12,050 related to the above notes. The Organization has recorded the costs as a deferred charge against long-term debt in the consolidated statements of financial position and is amortizing them over the respective lives of the notes. Amortization costs totaled $413 for each of the years ended June 30, 2023 and 2022 and those costs were recorded as a component of interest expense in the consolidated statements of functional expenses.

NOTE E – NOTES PAYABLE - Continued

The balance of the notes payable at June 30 was:

	2023	2022
Note related to assigned mortgages	$ 200,396	$ 204,221
Business loan agreement	264,913	85,583
Truck notes	11,799	21,903
Total outstanding debt	477,108	311,707
Less financing costs, net of amortization	(9,045)	(9,459)
Less current maturities	(20,915)	(16,872)
Long-term portion	$ 447,148	$ 285,376

Aggregate maturities of all notes payable are as follows for the years ended June 30:

2024	$ 20,915
2025	18,569
2026	18,120
2027	16,398
2028	16,999
Thereafter	386,107
Total outstanding debt	$ 477,108

NOTE F – CONTRIBUTED SERVICES, PROPERTY AND FACILITIES

A substantial number of unpaid volunteers have made significant contributions of their time towards the establishment, development and operation of the Organization. No amounts have been recognized in the accompanying consolidated statements of activities because the criteria for recognition of such volunteer effort, under accounting principles generally accepted in the United States of America, have not been satisfied.

During the years ended June 30, 2023 and 2022, the Organization received donated office space valued at $13,932 for each year. The value of these donated facilities was recorded by the Organization as both a contribution and an expense. In addition, $10,677 of building materials from various sources were donated during the year ended June 30, 2023.

NOTE G – OPERATING LEASE

The Organization leases a building for its Restore location included in the right of use asset and liability for operating leases which began in January 2021 and expires in January 2028. The lease provides for basic annual rent of $111,600 for the first year with annual increases of 3% of the previous year's basic rental, plus additional rent of 18,703 per year.

NOTE G – OPERATING LEASE - Continued

The minimum annual lease payments under this lease for years ending June 30:

2024	$ 138,694
2025	142,269
2026	145,989
2027	149,813
Thereafter	88,741
Total future minimum lease payments	665,506
Amount representing interest	66,631
Present value of minimum lease payments	598,875
Less: current maturities	113,947
	$ 484,928

NOTE H – TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization remits a stewardship and organizational sustainability fee to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. The Organization also submits an annual tithe to Habitat for Humanity International. For the years ended June 30, 2023 and 2022, the Organization contributed $9,500 and $19,000, respectively, to Habitat for Humanity International. This amount is included in program services expense in the consolidated statements of activities.

NOTE I – DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Future build - Taneytown	$ 78,581	$ 79,020
Future home repair	105,074	52,375
Total	$ 183,655	$ 131,395

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

	2023	2022
Future build - Taneytown	$ 439	$ -
Future home repair	22,301	2,163
Total	$ 22,740	$ 2,163

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 331,824	$ 216,993
Current portion of net mortgages receivable	50,092	41,162
Financial assets, end of year	381,916	258,155
Less those unavailable for general expenditure within one year, due to:		
Net assets restricted by donors	183,655	131,395
Total	$ 198,261	$ 126,760

As part of its liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization applies for grants to cover specific programs and other expenses and considers undesignated contributions and fundraising campaigns to cover general mission and operating expenses. The Organization also has the business loan described in Note E available to meet cash needs related to the homes it completes as part of its mission.

NOTE K – EMPLOYEE RETENTION CREDIT REFUND

The Organization met certain conditions to apply for and claim tax credits in accordance with the Employee Retention Tax Credit. During the year ended June 30, 2023, the Organization determined eligibility for and filed returns to claim a credit of $80,341 for which the Organization requested a refund. In June 2023, the Organization received the full amount of the refund.