

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2023 AND 2022

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
TABLE OF CONTENTS
JUNE 30, 2023 AND 2022

	<u>Page No.</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28



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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Habitat for Humanity of New Castle County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, 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 10, 2024
Wilmington, Delaware

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,121,752	\$ 2,990,828
Accounts Receivable	29,986	30,985
Grants Receivable	1,024,365	604,126
Prepaid Expenses	48,178	29,701
Inventory	80,228	121,158
Other Investments	1,169,833	2,274
Non-Interest-Bearing Mortgages Receivable (Current Portion)	414,320	344,472
TOTAL CURRENT ASSETS	4,888,662	4,123,544
MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)		
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	7,975,719	6,417,822
Discount on Non-Interest-Bearing Mortgages Receivable	(4,163,294)	(3,262,516)
TOTAL MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)	3,812,425	3,155,306
OTHER ASSETS		
Investments in Endowment Fund	497,047	567,576
Construction in Progress (Net of Accrued Subsidies)	1,103,690	1,416,727
Property and Equipment Used in Operations (Net)	737,749	762,864
Right-of-Use Asset - Operating Leases	964,913	-
Security Deposits	22,874	22,874
TOTAL OTHER ASSETS	3,326,273	2,770,041
TOTAL ASSETS	\$ 12,027,360	\$ 10,048,891
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 113,867	\$ 237,218
Accrued Expenses	48,868	35,911
Deferred Revenue	1,460	2,020
Current Maturities of Operating Lease Liabilities	214,961	-
TOTAL CURRENT LIABILITIES	379,156	275,149
OTHER LIABILITIES		
Operating Lease Liabilities, Net of Current Maturities	749,952	-
TOTAL LIABILITIES	1,129,108	275,149
NET ASSETS		
Without Donor Restrictions	9,740,681	8,575,490
With Donor Restrictions	1,157,571	1,198,252
TOTAL NET ASSETS	10,898,252	9,773,742
TOTAL LIABILITIES AND NET ASSETS	\$ 12,027,360	\$ 10,048,891

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	\$ 1,089,748	\$ 4,565,672
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 Income (Net of Fees)	79,556	-	79,556
	<u>7,736,931</u>	<u>1,089,748</u>	<u>8,826,679</u>
Net Assets Released from Restrictions	<u>1,130,429</u>	<u>(1,130,429)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>8,867,360</u>	<u>(40,681)</u>	<u>8,826,679</u>
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	<u>7,702,169</u>	<u>-</u>	<u>7,702,169</u>
CHANGE IN NET ASSETS	1,165,191	(40,681)	1,124,510
NET ASSETS - Beginning of Year	<u>8,575,490</u>	<u>1,198,252</u>	<u>9,773,742</u>
NET ASSETS - End of Year	<u>\$ 9,740,681</u>	<u>\$ 1,157,571</u>	<u>\$ 10,898,252</u>

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

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

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

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

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

	Program Services				Supporting Services				Total Expenses
	Construction and Home Ownership	Discounts on Mortgage Originations	Home Repair Program	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	
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
Bad Debt Expense	-	-	-	-	-	-	1,256	1,256	1,256
Building Materials and Supplies, Net (Note 16)	1,932,612	-	-	-	1,932,612	-	-	-	1,932,612
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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

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

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,124,510	\$ (468,255)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Bad Debt Expense	1,256	21,032
Depreciation Expense	60,173	64,437
Endowment Fund (Gain) Loss	(43,172)	78,132
(Gains) Losses on Other Investments	(21,930)	656
New Mortgage Discounts Issued	1,175,183	498,442
Mortgage Loan Discount Amortization	(274,405)	(193,192)
Mortgages Received from Home Sales	(2,124,000)	(837,017)
Donated Investments Received	(35,541)	(2,930)
Paycheck Protection Program Loan Forgiveness	-	(237,377)
Construction in Progress Property Disposed via Grant	84,508	-
Changes in Assets and Liabilities		
Mortgages Receivable	496,255	356,569
Accounts Receivable	(257)	(43,591)
Grants Receivable	(420,239)	(604,126)
Prepaid Expenses	(18,477)	8,401
Inventories	40,930	(9,308)
Construction in Progress, Net of Accrued Subsidies	228,529	1,298,686
Right-of-Use Asset - Operating Leases	251,735	-
Accounts Payable	(123,351)	21,405
Accrued Expenses	12,957	(51,367)
Operating Lease Liabilities	(251,735)	-
Deferred Revenue	(560)	2,020
NET CASH FROM OPERATING ACTIVITIES	162,369	(97,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(35,058)	(24,800)
Deposits to Other Investments	(1,152,131)	-
Distributions from Endowment Investments	113,701	-
Distributions from Other Investments	42,043	-
NET CASH FROM INVESTING ACTIVITIES	(1,031,445)	(24,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	-	265,328
Principal Payments on Notes Payable	-	(265,328)
NET CASH FROM FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(869,076)	(122,183)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,990,828	3,113,011
CASH AND CASH EQUIVALENTS - End of Year	\$ 2,121,752	\$ 2,990,828

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: NATURE OF ACTIVITIES

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Reporting - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board’s Accounting Standards Codification (FASB ASC) No. 958, *Not-for-Profit Entities*. Under ASC 958, net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 - In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). The update increased transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and provides additional key disclosures about leasing agreements. During the year ended June 30, 2023, the Organization changed its accounting method for leases as a result of implementing the requirements in Topic 842. The Organization, as a lessee, classified its leasing arrangements as operating leases or finance leases in accordance with 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 adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the reporting period of adoption). A right-of-use operating lease asset and lease liability were recognized in the amount of \$230,491, on July 1, 2022; therefore, no cumulative effect adjustment to net assets was necessary. The Organization does not have any finance leases. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Changes in Accounting Principles - Continued

The Organization has elected the available practical expedients to account for existing operating leases and capital leases as operating leases and finance leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases or capital leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for the leases. Lease payments for short-term leases are recognized on straight-line basis.

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

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

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

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Contributions and Government Appropriations - Continued

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 \$4,500,000. 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 under our government contracts and grants, and therefore have not been recorded in the financial statements.

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

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

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

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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
2023	Beginning of Year	\$ -	\$ -	\$ 2,020
	End of Year	-	-	1,460
2022	Beginning of Year	\$ -	\$ -	-
	End of Year	-	-	2,020

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, 2023 and 2022, were \$1,730,399 and \$2,505,778, 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 doubtful accounts receivable since experience and management's estimation indicate an allowance for such amounts is immaterial.

Pledges and Grants Receivable - Unconditional receivables are recognized as revenues or gains in the period received. Conditional receivables are recognized when the conditions on which they depend are substantially met. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges and grants receivable. There was no allowance for bad debts as of June 30, 2023 and 2022.

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.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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, 2023 and 2022.

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.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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, 2023 and 2022.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2023 and 2022, accrued subsidies on construction in progress were \$627,555 and \$1,445,672, 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.

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.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - Continued

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

The federal informational returns of the Organization for the years ended June 30, 2020, 2021, and 2022, are subject to examination by the tax authorities, generally for three years after they were filed.

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

NOTE 3: AVAILABILITY AND LIQUIDITY

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

	<u>2023</u>	<u>2022</u>
Financial Assets as of June 30		
Cash and Cash Equivalents	\$ 2,121,752	\$ 2,990,828
Accounts Receivable, Net	29,986	30,985
Grants Receivable	1,024,365	604,126
Non-Interest-Bearing Mortgages Receivable, Net	4,226,745	3,499,778
Other Investments	1,169,833	2,274
Investments in Endowment Fund	<u>497,047</u>	<u>567,576</u>
Financial Assets as of June 30	9,069,728	7,695,567
Less: Amounts Not Available to be Used Within a Year		
Net Assets with Donor Restrictions to be Used for Specific Purposes	(1,157,571)	(1,198,252)
Endowment Assets	(497,047)	(567,576)
Operating Reserves Held in Cash Equivalents and Investments	(2,770,764)	(1,238,077)
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	<u>(3,812,425)</u>	<u>(3,155,306)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 831,921</u></u>	<u><u>\$ 1,536,356</u></u>

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose		
Construction of Homes	\$ 346,316	\$ 923,977
Family Services	<u>811,255</u>	<u>274,275</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,157,571</u>	<u>\$ 1,198,252</u>

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

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished		
Construction of Homes	\$ 680,029	\$ 197,382
Family Services	450,400	257,151
COVID Related Expenses	<u>-</u>	<u>25,000</u>
Total Releases from Restrictions	<u>\$ 1,130,429</u>	<u>\$ 479,533</u>

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 5: IN-KIND CONTRIBUTIONS

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	2023	2022
Contributions of Assets for Sale at ReStore	\$ 1,303,158	\$ 1,192,510

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, 2023 and 2022, the Organization had 78 and 70 loans outstanding, respectively.

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

	2023	2022
Past Due	\$ 115,515	\$ 163,445
Due in Year 1	414,320	344,472
Due in Year 2	412,745	339,820
Due in Year 3	408,876	339,047
Due in Year 4	408,876	335,177
Due in Year 5	408,846	335,177
Thereafter	6,220,861	4,905,156
	8,390,039	6,762,294
Less: Unamortized Discount	(4,163,294)	(3,262,516)
Non-Interest-Bearing Mortgages Receivable (Net of Discount)	\$ 4,226,745	\$ 3,499,778

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.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 6: MORTGAGES RECEIVABLE - CONTINUED

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

2023			
Current	30-89 Days Past Due	90 Days or More Past Due	Total
\$ 8,284,204	\$ 13,005	\$ 92,830	\$ 8,390,039
2022			
Current	30-89 Days Past Due	90 Days or More Past Due	Total
\$ 6,610,840	\$ 19,262	\$ 132,192	\$ 6,762,294

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:

	2023	2022
Beginning Balance - July 1	\$ 567,576	\$ 645,708
Withdrawals	(113,701)	-
Investment Income (Loss)	43,172	(78,132)
Ending Balance - June 30	\$ 497,047	\$ 567,576

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, 2023 and 2022. Investment income is reported as increases in net assets without donor restrictions in the statements of activities. Endowment fund gain (loss) consisted of the following for the years ended June 30:

	2023	2022
Realized and Unrealized Gain (Loss)	\$ 36,434	\$ (87,539)
Income Earned	14,726	15,497
Administrative and Investment Fees	(7,988)	(6,090)
Endowment Fund Gain (Loss)	\$ 43,172	\$ (78,132)

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment as of June 30 were as follows:

	2023	2022
Land	\$ 152,523	\$ 152,523
Automobiles	163,200	131,500
Building and Improvements	1,211,892	1,211,892
Equipment, Furniture, and Software	191,077	187,719
	1,718,692	1,683,634
Less: Accumulated Depreciation	980,943	920,770
	\$ 737,749	\$ 762,864

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, 2023 and 2022, 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, 2023 and 2022.

NOTE 10: NOTES PAYABLE

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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:

	<u>Operating Leases</u>
2024	\$ 245,945
2025	186,042
2026	185,512
2027	182,862
2028	182,862
2029	76,193
Total Future Minimum Lease Payments	1,059,416
Less: Amount Representing Imputed Interest	(94,503)
Present Value of Future Minimum Lease Payments	964,913
Less: Current Maturities	(214,961)
Lease Obligations - Net of Current Maturities	\$ 749,952

The following are required lease disclosures as of and for the year ended June 30, 2023:

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

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 estimates an applicable incremental borrowing rate based on information available at the commencement date of the lease agreement.

Rent expense on the facilities and copier was \$280,794 and \$1,636, respectively, for the year ended June 30, 2022.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 12: COMMITMENTS AND CONTINGENCIES

Mortgage Loan Repurchase Commitment - The Organization is required to repurchase any mortgage loan that it had previously sold that becomes 120 days past due. The Organization is notified regularly of delinquent mortgages that are at risk of repurchase. During the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022, contributions to HFHI amounted to \$97,209 and \$90,056, 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, 2023 and 2022, matching contributions of \$18,862 and \$13,857, respectively, were determined based on 2% eligible compensation.

NOTE 15: RESTORE

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

	<u>Years Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Contributed Nonfinancial Assets for Sale at ReStore	\$ 1,303,158	\$ 1,192,510
Merchandise and ReStore Revenues	1,500,223	1,721,158
Less: Merchandise and Cost of Goods Sold	<u>(1,415,533)</u>	<u>(1,267,766)</u>
	1,387,848	1,645,902
Other ReStore Expenses	<u>(1,336,141)</u>	<u>(1,298,733)</u>
Net ReStore Activity	<u>\$ 51,707</u>	<u>\$ 347,169</u>

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 16: HOME CONSTRUCTION COSTS

Following is a summary of home building activity:

	Years Ended June 30	
	2023	2022
Construction in Progress (Net of Accrued Subsidies) - Beginning	\$ 1,416,727	\$ 2,715,413
Cost of Homes Transferred	(2,864,311)	(1,613,821)
Properties Granted to Other Organizations	(84,508)	-
Capitalized Home Development Costs	1,817,665	1,041,363
Decrease (Increase) in Accrued Subsidies on Homes Under Construction	818,117	(726,228)
	<u>\$ 1,103,690</u>	<u>\$ 1,416,727</u>
Construction in Progress (Net of Accrued Subsidies) - Ending		
Homes Under Construction - Beginning	12	15
Homes Transferred to Homeowners	(10)	(7)
Homes Rented	0	0
New Homes Entering Development Stage	4	4
	<u>6</u>	<u>12</u>
Homes Under Construction - Ending		

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

	Years Ended June 30	
	2023	2022
Cost of Homes Transferred	\$ 2,864,311	\$ 1,613,821
Increase (Decrease) in Accrued Subsidies on Homes Under Construction	(818,117)	726,228
Property Maintenance and Construction Administration	236,418	847,474
Allocation of Construction Overhead to Construction in Progress	(350,000)	(245,000)
	<u>\$ 1,932,612</u>	<u>\$ 2,942,523</u>
Total Building Materials and Supplies (Net)		

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 17: SUPPLEMENTAL CASH FLOW DISCLOSURES

The following are required supplemental cash flow disclosures:

	2023	2022
Interest Paid	\$ -	\$ 4,461
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	\$ 986,157	\$ -



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statements of financial position, as of June 30, 2023, 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 10, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses of significant deficiencies may exist that have not been identified.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of New Castle County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

January 10, 2024

Wilmington, Delaware