

HABITAT FOR HUMANITY OF SUMMIT COUNTY, INC.
(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Habitat for Humanity of Summit County, Inc.
Akron, Ohio

Opinion

We have audited the financial statements of Habitat for Humanity of Summit County, Inc. ("Organization"), which comprise the Statement of Financial Position as of March 31, 2023 and 2022, and the related Statements of Changes in Net Assets, Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Habitat for Humanity of Summit County, Inc. as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 financial statements.

Meaden & Moore, Ltd.

(A Meaden & Moore Affiliate Company)

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Auditor's Responsibilities for the Audit of the Financial Statements, Continued

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

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

A handwritten signature in blue ink that reads "Meaden & Moore LTD." The signature is written in a cursive, flowing style.

MEADEN & MOORE, LTD.
Akron, Ohio

August 22, 2023

STATEMENT OF FINANCIAL POSITION

Habitat for Humanity of Summit County, Inc.

	March 31 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS:			
Cash and cash equivalents	\$ 349,141	\$ 122,572	\$ 471,713
Investments	3,770,832	-	3,770,832
Receivables:			
Mortgages receivable - net of discount	3,010,094	-	3,010,094
Other receivable - employee retention credit	416,345		416,345
Grant receivable	-	-	-
Inventory	157,786	-	157,786
Prepaid expenses and deposits	11,088	-	11,088
Construction in progress - net of discount	217,055	-	217,055
Land, buildings and equipment - net	1,880,026	-	1,880,026
Intangible assets	5,062	-	5,062
Land held for resale	481,369	-	481,369
Homes held for resale - net of discount	26,556	-	26,556
Total Assets	<u>\$ 10,325,354</u>	<u>\$ 122,572</u>	<u>\$ 10,447,926</u>
LIABILITIES:			
Accounts payable	\$ 71,039	\$ -	\$ 71,039
Accrued expenses	115,332	-	115,332
Long-term debt	1,259,129	-	1,259,129
Total Liabilities	1,445,500	-	1,445,500
NET ASSETS	<u>8,879,854</u>	<u>122,572</u>	<u>9,002,426</u>
Total Liabilities and Net Assets	<u>\$ 10,325,354</u>	<u>\$ 122,572</u>	<u>\$ 10,447,926</u>

See accompanying notes.

March 31 2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,972,162	\$ 194,636	\$ 4,166,798
702,255	-	702,255
2,968,662	-	2,968,662
-	-	-
34,575	-	34,575
160,197	-	160,197
-	-	-
150,625	-	150,625
1,831,867	-	1,831,867
6,312	-	6,312
538,769	-	538,769
-	-	-
<u>\$ 10,365,424</u>	<u>\$ 194,636</u>	<u>\$ 10,560,060</u>
\$ 75,681	\$ -	\$ 75,681
93,357	-	93,357
<u>1,354,447</u>	<u>-</u>	<u>1,354,447</u>
1,523,485	-	1,523,485
<u>8,841,939</u>	<u>194,636</u>	<u>9,036,575</u>
<u>\$ 10,365,424</u>	<u>\$ 194,636</u>	<u>\$ 10,560,060</u>

STATEMENT OF CHANGES IN NET ASSETS

Habitat for Humanity of Summit County, Inc.

For the Years Ended March 31, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - April 1, 2022	\$ 5,341,087	\$ 91,169	\$ 5,432,256
Change in net assets - 2022	<u>3,500,852</u>	<u>103,467</u>	<u>3,604,319</u>
Net Assets - March 31, 2022	8,841,939	194,636	9,036,575
Change in net assets - 2023	<u>37,915</u>	<u>(72,064)</u>	<u>(34,149)</u>
Net Assets - March 31, 2023	<u><u>\$ 8,879,854</u></u>	<u><u>\$ 122,572</u></u>	<u><u>\$ 9,002,426</u></u>

See accompanying notes.

STATEMENT OF ACTIVITIES

Habitat for Humanity of Summit County, Inc.

Years Ended March 31

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE:			
Contributions and grants	\$ 505,812	\$ 912,226	\$ 1,418,038
Donated goods and services	1,058,878	-	1,058,878
Special events - net	67,736	-	67,736
Mortgages and loans issued to homeowners	708,730	-	708,730
Imputed interest from discounted mortgages	269,521	-	269,521
ReStore income	1,203,933	-	1,203,933
Investment income	18,582	-	18,582
Employee Retention Credit	416,345	-	416,345
Paycheck Protection Program	-	-	-
Other income	15,983	-	15,983
Gain on sale of property and equipment	975	-	975
Total Operating Support and Revenue	4,266,495	912,226	5,178,721
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	984,290	(984,290)	-
	5,250,785	(72,064)	5,178,721
EXPENSES:			
Program services	4,311,649	-	4,311,649
General and administrative	657,810	-	657,810
Fundraising and development	243,411	-	243,411
Total Expenses	5,212,870	-	5,212,870
Change in Net Assets	\$ 37,915	\$ (72,064)	\$ (34,149)

See accompanying notes.

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 4,215,974	\$ 778,401	\$ 4,994,375
880,331	-	880,331
40,820	-	40,820
706,250	-	706,250
299,665	-	299,665
1,035,985	-	1,035,985
86	-	86
-	-	-
262,915	-	262,915
10,227	-	10,227
-	-	-
7,452,253	778,401	8,230,654
674,934	(674,934)	-
8,127,187	103,467	8,230,654
3,828,671	-	3,828,671
580,037	-	580,037
217,627	-	217,627
4,626,335	-	4,626,335
\$ 3,500,852	\$ 103,467	\$ 3,604,319

STATEMENT OF FUNCTIONAL EXPENSES

Habitat for Humanity of Summit County, Inc.

Years Ended March 31

	2023			
	Program	General	Fundraising	
	Services	and	and	
		Administrative	Development	Total
Cost of ReStore sales	\$ 1,043,992	\$ -	\$ -	\$ 1,043,992
Cost of homes	1,226,892	-	-	1,226,892
Discount on mortgages issued, including anticipated discount on construction in progress	530,099	-	-	530,099
Cost of homes - International Tithe	45,203	-	-	45,203
Salaries and wages	922,597	275,084	169,535	1,367,216
Payroll taxes	86,787	25,877	15,948	128,612
Employee benefits	113,665	33,891	20,887	168,443
Professional and contract services	37,960	37,956	20,546	96,462
Rent	19,555	19,554	-	39,109
Utilities	47,480	47,480	-	94,960
Repairs and maintenance	25,543	25,542	-	51,085
Equipment expenses	14,806	14,806	-	29,612
Property taxes	14,880	14,880	-	29,760
Depreciation and amortization	33,691	33,691	-	67,382
Office supplies	37,595	37,595	-	75,190
Printing and publications	2,326	2,326	4,653	9,305
Postage	1,504	1,503	-	3,007
Insurance	22,848	22,848	-	45,696
Advertising and marketing	5,921	5,921	11,842	23,684
Transportation and travel	29,171	9,724	-	38,895
Conferences and meetings	1,429	1,429	-	2,858
Bank service charges	12,354	12,353	-	24,707
Interest expense	26,969	26,968	-	53,937
Miscellaneous operating expenses	8,382	8,382	-	16,764
Total Functional Expenses	<u>\$ 4,311,649</u>	<u>\$ 657,810</u>	<u>\$ 243,411</u>	<u>\$ 5,212,870</u>

See accompanying notes.

2022

Program Services	General and Administrative	Fundraising and Development	Total
\$ 881,803	\$ -	\$ -	\$ 881,803
1,346,047	-	-	1,346,047
241,400	-	-	241,400
66,742	-	-	66,742
802,716	239,339	147,506	1,189,561
87,360	26,047	16,053	129,460
104,632	31,198	19,227	155,057
33,242	33,239	17,992	84,473
9,931	9,930	-	19,861
45,305	45,305	-	90,610
29,005	29,004	-	58,009
13,267	13,266	-	26,533
3,571	3,571	-	7,142
29,414	29,413	-	58,827
36,499	36,499	-	72,998
1,045	1,044	2,090	4,179
1,982	1,981	-	3,963
22,832	22,831	-	45,663
7,379	7,379	14,759	29,517
21,760	7,253	-	29,013
508	507	-	1,015
8,388	8,388	-	16,776
26,270	26,270	-	52,540
7,573	7,573	-	15,146
<u>\$ 3,828,671</u>	<u>\$ 580,037</u>	<u>\$ 217,627</u>	<u>\$ 4,626,335</u>

STATEMENT OF CASH FLOWS

Habitat for Humanity of Summit County, Inc.

	Years Ended March 31	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors	\$ 2,537,440	\$ 5,790,108
Cash received from sale of merchandise	1,203,933	1,035,985
Interest received	211	5
Cash paid to suppliers and employees	(4,544,493)	(3,920,433)
Interest paid	<u>(52,687)</u>	<u>(51,040)</u>
Cash Provided by (Used in) Operating Activities	(855,596)	2,854,625
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of property and equipment	1,170	-
Capital expenditures	(114,486)	(62,596)
Net purchases of investment	(3,050,206)	-
Loan fees	-	(1,000)
Mortgage and loan payments received	<u>419,351</u>	<u>561,597</u>
Cash Provided by (Used in) Investing Activities	(2,744,171)	498,001
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	<u>(95,318)</u>	<u>(100,046)</u>
Increase (Decrease) in Cash and Cash Equivalents	(3,695,085)	3,252,580
Cash and Cash Equivalents - Beginning of the Year	<u>4,166,798</u>	<u>914,218</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 471,713</u>	<u>\$ 4,166,798</u>

See accompanying notes.

	Years Ended March 31	
	<u>2023</u>	<u>2022</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in Net Assets	\$ (34,149)	\$ 3,604,319
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	66,132	57,327
Amortization of loan fees	1,250	1,500
Mortgage loan discount amortization	(269,521)	(299,665)
Gain on sale of property and equipment	(975)	-
Donated land	(57,770)	(101,070)
Mortgages and loans issued to homeowners	(708,730)	(706,250)
Discount on mortgages and leases issued	460,958	338,816
Discount on construction in progress	69,141	(97,416)
Interest reinvested	(18,371)	(81)
Increase (Decrease) in Cash from Changes in:		
Other receivable - employee retention credit	(416,345)	-
Grant receivable	34,575	(34,575)
Inventory	2,411	4,370
Prepaid expenses and deposits	(11,088)	10,236
Home and land rehabilitation and construction in progress	26,579	272,092
Homes held for resale	(17,026)	95,848
Accounts payable	(4,642)	(11,386)
Refundable advance	-	(262,915)
Accrued expenses	<u>21,975</u>	<u>(16,525)</u>
 Total Adjustments	 <u>(821,447)</u>	 <u>(749,694)</u>
 Cash Provided by (Used in) Operating Activities	 <u>\$ (855,596)</u>	 <u>\$ 2,854,625</u>
Supplemental Schedule of Noncash Investing and Financing Activities:		
Mortgage receivable forgiven on home reacquired	<u>\$ 84,150</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies

Nature of the Organization:

Habitat for Humanity of Summit County, Inc. ("HFHSC" or "Organization"), a non-profit organization, is an affiliate of Habitat for Humanity International, Inc. ("International"), an ecumenical Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and make decent shelter a matter of conscience with people everywhere. Although International assists with information resources, training, publications, prayer support and in other ways, HFHSC is primarily and directly responsible for its own operations.

HFHSC, through its many volunteers, constructs affordable housing and transfers the homes to qualified families by providing non-interest bearing mortgage loans. HFHSC is primarily responsible for the legal, organizational, fundraising, family selection and nurture, financial and construction aspects of the work.

The Organization provides all homeowners in their program with financial and homeowner education classes on a variety of subjects in order to help ensure responsible and successful homeownership through the program, thereby minimizing the number of foreclosures produced.

HFHSC operates several other programs including a home repair program ("Aging in Place home repairs") included in modifications to help aging homeowners remain in their homes longer.

HFHSC also builds to unify a voice to renew the community through their Neighborhood Network Mission. They engage in neighborhood organizations, block clubs, faith communities, social service agencies and business to build relationships and the community. They repair homes for qualifying households, install lights and complete vacant lot clean up and general landscaping assistance.

The Organization also operates a retail store under the name Habitat ReStore ("ReStore"). The store is open to the public and accepts donations of new and gently used building materials, furniture, and appliances that are sold to the public or used in the construction of Habitat homes. All revenue from the sale of items are used toward the expansion of the home building and repairing programs.

Use of Estimates:

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

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Classification of Net Assets:

In accordance with U.S. GAAP, contributions are classified as without donor restrictions or with donor restrictions based on donor specifications.

Assets, liabilities, revenue and gains are presented under these classifications. Designations by the Board, while separately stated, are considered without donor restriction.

Grants and contributions received with donor-imposed restrictions are recorded as without donor restriction if the restrictions are expected to be met within the same period. This policy is also followed for investment income received with donor-imposed restrictions.

No endowment funds, as defined by FASB ASC 958, are held by the Organization.

Cash and Cash Equivalents:

For the purposes of the Statement of Cash Flows, HFHSC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Temporarily uninvested cash in investment accounts is considered an investment rather than a cash equivalent. At times during the year, HFHSC maintained funds on deposit at its banks in excess of FDIC insurance limits.

Mortgage Receivable and Discount:

As homes are transferred to qualified families, HFHSC allows qualified families to purchase homes subject to mortgages which bear no interest. These mortgages are for terms of 15 to 30 years. The discount of the mortgages is required to reflect economic benefit of the zero-interest-mortgage to the qualified families. The discount recorded has been estimated based on the prevailing interest, as determined by International, in the period of origination and payment terms defined in the mortgage. A portion of the discount is amortized on a straight-line basis as interest income each year the mortgage is outstanding.

Mortgages are issued based upon the appraised value of the home and the buyer's qualifications. These may include a "silent second" mortgage which represents the difference between total construction costs and the sales price of the property. The "silent second" mortgage is also non-interest bearing and payments are deferred until foreclosure, sale, transfer of title or full payment or refinance of the house or the first mortgage.

	2023			2022
	Total	Current Portion	Long-Term Portion	Total
Mortgage receivable - gross	\$ 6,880,594	\$ 377,203	\$ 6,503,391	\$ 6,675,365
Discount	(3,870,500)	(192,374)	(3,678,126)	(3,706,703)
Mortgage receivable - net	<u>\$ 3,010,094</u>	<u>\$ 184,829</u>	<u>\$ 2,825,265</u>	<u>\$ 2,968,662</u>

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Mortgage Receivable and Discount, Continued:

During the year ended March 31, 2023, 5 homes were transferred to qualified families recognizing \$707,000 of revenue from mortgage transfers. During the year ended March 31, 2022, 7 homes were transferred to qualified families recognizing \$705,000 of revenue from mortgage transfers.

No allowance for bad debts is recorded because HFHSC feels all costs would be recovered through the resale of the house in the event of foreclosure. There was 1 mortgage in foreclosure in 2023 and no mortgages in foreclosure in 2022.

Grants Receivable:

Grants receivable consist of unconditional promises by other Organizations, which are recorded at net realizable value. Management anticipates amounts will be collectible within one year.

Grants receivable are net of allowance for doubtful accounts, which were \$0 in 2023 and 2022.

Fair Value Measurements:

As defined in FASB ASC 820, "Fair Value Measurements", fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable firm inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the examination of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted market 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 assets 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.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued:

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

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Investments:

Investments are comprised of money market funds (referred to as cash and cash equivalents) and mutual funds. Investments whose values are based on quoted market prices in active markets are classified within Level 1. These investments generally include equity securities traded on a national securities exchange, U.S. government and corporate securities, and money market securities.

Land Held for Resale:

Property and land donated to HFHSC for the purpose of resale is recorded at the locality's assessed value for property tax purposes, which approximates fair market value. The Organization buys land that they may or may not build on and occasionally sells the land outright. Therefore, it is considered an investment.

In 2023 and 2022, there were 30 and 31 lots totaling \$481,369 and \$538,769, respectively.

Land held for resale are measured at fair value, which are classified as Level 2.

Homes Held for Resale:

Homes held for resale are carried on the books as assets at the mortgage value or cost, less the unamortized discount. At March 31, 2023, there were 2 homes held for resale totaling \$54,196 with unamortized discount of \$27,640. At March 31, 2022, there was no home held for resale.

Homes held for resale are measured at fair value, which are classified as Level 2.

Escrow Liability:

The Organization collects escrow amounts from qualified families for the payment of taxes and insurance. These amounts are held in escrow pending the payment of expenses relating to the funds received.

Funds held in escrow at year-end were \$97,065 (2023) and \$75,056 (2022). These amounts are included in accrued expenses.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Inventories:

Inventories consist of purchased and donated raw materials used in the construction of partner family homes. The value of in-kind donations included in inventory are recorded at an estimated fair market value, as determined by management, at the time of receipt.

ReStore inventories consist of 100% contributed inventory. The International guidelines historically have recommended that no valuation be placed on goods received from the public for processing and sale, other than the related revenue at the time of sale to the public for their internal reporting. However, for generally accepted accounting principles, it is acknowledged that this inventory does have some value and more current guidance have outlined approaches that may be considered. Management calculates an estimated value of inventory based on a retail value method incorporating inventory turnover and retail value assumptions. Inventory consists of:

	<u>2023</u>	<u>2022</u>
Donated inventory	\$ 141,420	\$ 142,143
Purchased inventory	<u>16,366</u>	<u>18,054</u>
Total Inventory	<u>\$ 157,786</u>	<u>\$ 160,197</u>

Revenue Recognition:

Contributions and grants are recognized when awarded as with or without donor restrictions in accordance with donor specifications. When a restriction expires through accomplishment of purpose or passage of time, the with donor restricted net assets are reclassified to without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

In 2022, the Organization received a one-time philanthropic gift of \$3,500,000, which is included without donor restricted contributions and grants on the Statement of Activities.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions (see Note 10).

Donated Goods and Services and Donated Land:

HFHSC receives various donated goods and services each year. The value of in-kind donations are recorded at an estimated fair market value, as determined by management, at the time of receipt of the goods or services. No amount is recorded if no objective basis is available to measure the value of the good or service, as determined by management. Donations made to the ReStore are also valued at an estimated fair market value which is equal to total ReStore sales. Donated land is included in contributions and grants revenue. All other in-kind donations are included in donated goods and services.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Construction in Progress:

Costs incurred relating to homes under construction at the end of each year are recorded as construction in progress. Construction costs include the cost of materials and labor purchased by HFHSC. Donated materials are recorded based on their estimated value at the time of receipt. No amounts have been recorded in construction in progress for donated services, in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the construction of the homes.

	<u>2023</u>	<u>2022</u>
Homes Under Construction - Beginning of Year	4 \$ 307,398	6 \$ 498,410
Additional costs incurred on beginning homes	- 568,423	- 496,782
Homes started during the year	5 602,283	4 307,398
Homes transferred during the year	<u>(6) (1,035,135)</u>	<u>(6) (995,192)</u>
Homes Under Construction - End of Year	<u>3 442,969</u>	<u>4 307,398</u>
Discount	<u>(225,914)</u>	<u>(156,773)</u>
Construction in progress - net	<u>\$ 217,055</u>	<u>\$ 150,625</u>

Anticipated Discount on Future Home Builds:

Discounts are recognized on homes that HFHSC has committed to build for qualified families as costs are incurred. The value of construction in progress is discounted by the average discounted value of mortgages issued (51%).

Property and Equipment:

Property and equipment purchased by HFHSC are carried at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to expense as incurred. Additions and betterments over \$1,000 are capitalized.

The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued:

	<u>2023</u>	<u>2022</u>
Land, buildings and improvements	\$ 2,372,521	\$ 2,332,726
Equipment	47,342	21,342
Office furniture	138,401	124,063
Vehicles	<u>201,429</u>	<u>171,539</u>
	2,759,693	2,649,670
Less: Accumulated depreciation	<u>(879,667)</u>	<u>(817,803)</u>
	<u>\$ 1,880,026</u>	<u>\$ 1,831,867</u>
Depreciation Expense	<u>\$ 66,132</u>	<u>\$ 57,327</u>

The Organization primarily follows the straight-line method of depreciation utilizing the following lives:

<u>Class</u>	<u>Years</u>
Buildings and improvements	5 - 39
Equipment	5 - 10
Office furniture	3 - 10
Vehicles	5

Employee Retention Credits:

The Employee Retention Credit (“ERC”) was created under the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) enacted March 27, 2020, to encourage businesses to retain employees on their payroll. The taxpayer Certainty and Disaster Tax Relief Act of 2020 (“Relief Act”), enacted December 27, 2020, amended and extended the ERC for the first, second and third quarters of 2021.

The Organization determined they were eligible for the ERC for second quarter 2020, and the first and third quarters of 2021. The Organization filed the necessary amended payroll tax returns to claim the credits. The Organization was awaiting the refund due in the amount of \$416,345 as of March 31, 2023 (included in “Other Income” on the Statement of Activities). Subsequent to year-end, the Organization received the amount due.

Functional Expense Allocations:

Expenses are charged to functional areas based on specific-identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expense, time spent by employees and square footage of space used for various programs.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Functional Expense Allocations, Continued:

In addition, the ReStore program's primary goal is to raise money for HFHSC through sales revenue, while also reducing the amount of building materials deposited into landfills. Individuals, as well as construction companies, donate new or used unwanted building materials, keeping them from landfills; and local contractors and do-it-yourselfers then have the option to purchase materials and products at a reduced cost. Revenue from the home repair program and deconstruction projects are reinvested into program services. All revenues go back to HFHSC to support home building programs.

Program Services:

HFHSC strives to eliminate sub-standard housing through life-skill and homeowner education programs, neighborhood development and raising awareness of housing issues and solutions. HFHSC constructs affordable housing, provides homeowner education to its partner families and transfers the homes to qualified families at cost by providing non-interest bearing mortgage loans.

The success of the Organization is ensured by family educational programs, volunteer participation and support of the donor community. These homes serve as catalysts for comprehensive neighborhood development projects in neighborhoods in need.

General and Administrative:

Expenses incurred in the day-to-day operations of HFHSC.

Fundraising and Development:

Expenses incurred in raising additional funds for HFHSC.

Income Tax Status:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption granted by International and operates as a public charity. The Organization is required to operate in conformity with the Code to maintain its tax-exempt status.

Accounting for Uncertainty in Income Taxes:

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken certain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. The Organization would recognize interest and penalties accrued, if any, related to unrecognized tax uncertainties in income tax expense. Management has analyzed tax positions taken and has concluded that there are no material uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Subsequent Events:

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

Subsequent events have been evaluated through August 22, 2023, which is the date the financial statements were available to be issued.

2 Liquidity and Availability

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization receives support without donor restrictions; such support has historically represented some of the annual program funding needs. Sales from the ReStore are unrestricted and used for general expenditures as they are received.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The table below presents financial assets available for general expenditures within one year.

Financial Assets at Year-End:	2023	2022
Cash and cash equivalents	\$ 471,713	\$ 4,166,798
Investments	3,770,832	702,255
Mortgage receivable - current portion	184,829	185,388
Other receivable - employee retention credit	416,345	-
Grant receivable	-	34,575
Inventory	157,786	160,197
Net working capital	5,001,505	5,249,213
Less: Amount with donor restriction	(122,572)	(194,636)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 4,878,933	\$ 5,054,577

The Organization also has the ability to use available funds on their line-of-credit. As of March 31, 2023, the unused portion of the line-of-credit amounted to \$500,000.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

3 Investments

	2023		2022	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ -	\$ -	\$ 201,135	\$ 201,135
Mutual funds - Government	<u>3,770,832</u>	<u>3,770,832</u>	<u>501,120</u>	<u>501,120</u>
Total	<u>\$ 3,770,832</u>	<u>3,770,832</u>	<u>\$ 702,255</u>	<u>702,255</u>
Less: Cost		<u>3,770,832</u>		<u>702,255</u>
Net Unrealized Gains (Losses) on Marketable Securities		<u>\$ -</u>		<u>\$ -</u>

4 Line-of-Credit

The Organization has a line-of-credit with borrowings up to \$500,000 through September 2023. Interest is charged at prime plus 0.75% (8.75% at year-end). There was \$0 outstanding on the line-of-credit at March 31, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

5 Long-Term Debt

	Current Portion	Total	
	2023	2023	2022
Note payable with Habitat Mortgage Solutions, LLC in the amount of \$1,000,000. Principal and interest payments are due quarterly in the amount of \$30,906. The note bears interest at 4.31% and matures in November 2029. The note is secured by certain mortgage receivables.	\$ 94,068	\$ 766,238	\$ 854,447
Emergency Injury Disaster Loan with the Small Business Administration (SBA) on April 22, 2020, amounting to \$500,000. Principal and interest payments are due monthly in the amount of \$2,136. The note bears interest at 2.75% and matures in April 2051. This note is collateralized by all assets of the Organization.	<u>12,337</u>	<u>492,891</u>	500,000
	<u>\$ 106,405</u>	1,259,129	1,354,447
Less: Current Portion		<u>106,405</u>	102,123
Total Long-Term Portion		<u>\$ 1,152,724</u>	<u>\$ 1,252,324</u>

Maturities of long-term debt are as follows:

	Total
2024	\$ 106,405
2025	110,869
2026	115,523
2027	120,375
2028	125,434
Thereafter	<u>680,523</u>
Total	<u>\$ 1,259,129</u>

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

6 Leases

The Organization has various lease agreements for office equipment and a truck through July 2026. Based on the terms of these agreements, these leases did not fall under ASC 842 or the impact of this new guidance was not material.

Rent expense was \$52,175 (2023) and \$32,927 (2022). Minimum lease payments due under the operating lease obligations are due as follows:

2024	\$ 20,848
2025	17,880
2026	<u>4,470</u>
Total	<u>\$ 43,198</u>

7 Net Assets with Donor Restrictions

Net assets with donor restrictions at March 31 consist of the following:

Donor restricted by purpose:	<u>2023</u>	<u>2022</u>
Neighborhood Network Revitalization	\$ 47,941	\$ 23,587
Operating support for Adopt a House	58,746	170,748
Other	<u>15,885</u>	<u>301</u>
	<u>\$ 122,572</u>	<u>\$ 194,636</u>

Net assets released from net assets with donor restrictions are as follows:

Satisfaction of Purpose Restrictions:	<u>2023</u>	<u>2022</u>
Neighborhood Network Revitalization	\$ 26,446	\$ 46,438
Operating support for Adopt a House	945,928	627,797
Other	<u>11,916</u>	<u>699</u>
	<u>\$ 984,290</u>	<u>\$ 674,934</u>

8 Related Party Transactions

HFHSC is an affiliate of International. As an affiliate, HFHSC is encouraged to contribute (tithe) a portion of its revenues to International for use in carrying out its mission around the world.

HFHSC tithes to International amounted to \$30,203 (2023) and \$51,742 (2022). HFHSC is affiliated with Habitat for Humanity of Ohio ("HFHSC Ohio"). Through the affiliation, HFHSC is encouraged to support Habitat for Humanity of Ohio in carrying out its mission throughout the state.

HFHSC contributions to HFHSC Ohio amounted to \$2,500 (2023) and \$2,500 (2022).

International assesses an affiliate branding fee to all of the affiliates. HFHSC's branding fees amounted to \$15,000 in 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

9 Retirement Plan

The Organization has a Simple IRA plan covering substantially all employees. The Organization matches employees' contributions of up to 3% of compensation or \$15,500 (2023) and \$14,000 (2022) per employee, whichever is less. The Organization's contributions to the Plan were \$21,384 (2023) and \$20,428 (2022).

10 Conditional Grants

HFHSC had a conditional grant with the City of Akron ("City") under the HOME Program. This grant allowed up to \$340,000 of revenue for new construction homes and sale to qualified low income families in the City of Akron in 2021. Revenue is recognized as conditions are met. HFHSC has recognized \$40,000 (2023) and \$200,000 (2022) of revenue from this grant.

HFHSC had a second conditional grant with the Summit County Land Reutilization Corporation ("SCLRC"). A total of \$0 (2023) and \$0 (2022) was contingent upon deconstruction services as assigned by SCLRC. HFHSC has recognized revenue of \$0 (2023) and \$13,880 (2022).

HFHSC was awarded a \$40,000 Community Development Block Grant from the City of Akron in 2021. HFHSC has recognized revenue of \$0 (2023) and \$40,000 (2022).

The Organization was awarded a capacity build reimbursement grant of \$141,180 in 2022. The Organization will receive the funds over the three-year period for salary reimbursement for the build or repair of homes. A total of approximately \$58,200 (2023) and \$70,000 (2022) of revenue has been recognized under this grant.

HFHSC was awarded a \$100,000 grant from the City of Akron CDC in 2022. HFHSC has recognized revenue of \$20,738 (2023) and \$0 (2022).

11 Paycheck Protection Program

In March 2021, the Organization received loan proceeds in the amount of \$262,915, under the second round of the Paycheck Protection Program ("PPP"), established as part of the 2021 Consolidated Appropriations Act. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels throughout the covered period. In August 2021, the Organization received full forgiveness of the PPP loan and accrued interest based on qualifying expenses.

Therefore, all the conditions of the grant were met during the 2022 fiscal year, and the Organization has recognized these funds as revenue on the 2022 Statement of Activities.