

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

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

March 31, 2024

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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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)

One GOJO Plaza, Suite 275 | Akron, OH 44311-4439 | P (330) 535-5149 | F (330) 379-3494 | meadenmoore.com

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 27, 2024

STATEMENT OF FINANCIAL POSITION

Habitat for Humanity of Summit County, Inc.

	March 31 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS:			
Cash and cash equivalents	\$ -	\$ 185,765	\$ 185,765
Investments and beneficial interest	4,340,171	-	4,340,171
Receivables:			
Mortgages receivable - net of discount	3,120,815	-	3,120,815
Other receivable - employee retention credit	-	-	-
Grant receivable	349,000	-	349,000
Inventory	129,222	-	129,222
Prepaid expenses and deposits	12,736	-	12,736
Construction in progress - net of discount	45,277	-	45,277
Property and equipment - net	1,935,058	-	1,935,058
Intangible assets	4,312	-	4,312
Land held for resale	595,977	-	595,977
Homes held for resale - net of discount	212,949	-	212,949
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 10,745,517</u>	<u>\$ 185,765</u>	<u>\$ 10,931,282</u>
LIABILITIES:			
Accounts payable	\$ 171,884	\$ -	\$ 171,884
Accrued expenses	110,162	-	110,162
Long-term debt	1,154,938	-	1,154,938
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,436,984	-	1,436,984
NET ASSETS	<u>9,308,533</u>	<u>185,765</u>	<u>9,494,298</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 10,745,517</u>	<u>\$ 185,765</u>	<u>\$ 10,931,282</u>

See accompanying notes.

March 31
2023

Without Donor Restrictions	With Donor Restrictions	Total
\$ 349,141	\$ 122,572	\$ 471,713
3,770,832	-	3,770,832
3,010,094	-	3,010,094
416,345	-	416,345
-	-	-
157,786	-	157,786
11,088	-	11,088
217,055	-	217,055
1,880,026	-	1,880,026
5,062	-	5,062
481,369	-	481,369
26,556	-	26,556
<u>\$ 10,325,354</u>	<u>\$ 122,572</u>	<u>\$ 10,447,926</u>
\$ 71,039	\$ -	\$ 71,039
115,332	-	115,332
<u>1,259,129</u>	<u>-</u>	<u>1,259,129</u>
1,445,500	-	1,445,500
<u>8,879,854</u>	<u>122,572</u>	<u>9,002,426</u>
<u>\$ 10,325,354</u>	<u>\$ 122,572</u>	<u>\$ 10,447,926</u>

STATEMENT OF CHANGES IN NET ASSETS

Habitat for Humanity of Summit County, Inc.

For the Years Ended March 31, 2024 and 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - April 1, 2023	\$ 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	8,879,854	122,572	9,002,426
Change in net assets - 2024	<u>428,679</u>	<u>63,193</u>	<u>491,872</u>
Net Assets - March 31, 2024	<u>\$ 9,308,533</u>	<u>\$ 185,765</u>	<u>\$ 9,494,298</u>

See accompanying notes.

STATEMENT OF ACTIVITIES

Habitat for Humanity of Summit County, Inc.

Years Ended March 31

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE:			
Contributions and grants	\$ 1,405,041	\$ 1,174,187	\$ 2,579,228
Donated goods and services	1,079,953	-	1,079,953
Special events - net	39,971	-	39,971
Mortgages and loans issued to homeowners	941,970	-	941,970
Imputed interest from discounted mortgages	360,184	-	360,184
ReStore income	1,213,730	-	1,213,730
Investment income	430,639	-	430,639
Employee Retention Credit	-	-	-
Other income	19,559	-	19,559
Gain (loss) on sale of asset	(30,223)	-	(30,223)
	5,460,824	1,174,187	6,635,011
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	1,110,994	(1,110,994)	-
	6,571,818	63,193	6,635,011
EXPENSES:			
Program services	5,083,963	-	5,083,963
General and administrative	756,409	-	756,409
Fundraising and development	302,767	-	302,767
	6,143,139	-	6,143,139
Total Expenses	6,143,139	-	6,143,139
Change in Net Assets	\$ 428,679	\$ 63,193	\$ 491,872

See accompanying notes.

2023

Without Donor Restrictions	With Donor Restrictions	Total
\$ 505,812	\$ 912,226	\$ 1,418,038
1,058,878	-	1,058,878
67,736	-	67,736
708,730	-	708,730
269,521	-	269,521
1,203,933	-	1,203,933
18,582	-	18,582
416,345	-	416,345
15,983	-	15,983
975	-	975
4,266,495	912,226	5,178,721
984,290	(984,290)	-
5,250,785	(72,064)	5,178,721
4,311,649	-	4,311,649
657,810	-	657,810
243,411	-	243,411
5,212,870	-	5,212,870
\$ 37,915	\$ (72,064)	\$ (34,149)

STATEMENT OF FUNCTIONAL EXPENSES

Habitat for Humanity of Summit County, Inc.

Years Ended March 31

	2024			
	Program Services	General and Administrative	Fundraising and Development	Total
Cost of ReStore sales	\$ 1,073,836	\$ -	\$ -	\$ 1,073,836
Cost of homes	1,585,250	-	-	1,585,250
Discount on mortgages issued, including anticipated discount on construction in progress	590,714	-	-	590,714
Cost of homes - International Tithe	48,149	-	-	48,149
Salaries and wages	1,167,668	348,155	214,568	1,730,391
Payroll taxes	112,783	33,628	20,725	167,136
Employee benefits	159,255	47,484	29,264	236,003
Professional and contract services	40,970	40,964	22,175	104,109
Rent	9,988	9,987	-	19,975
Utilities	50,208	50,208	-	100,416
Repairs and maintenance	43,788	43,787	-	87,575
Equipment expenses	11,945	11,944	-	23,889
Property taxes	1,781	1,781	-	3,562
Depreciation and amortization	37,087	37,087	-	74,174
Office supplies	30,626	30,625	-	61,251
Printing and publications	2,092	2,092	4,184	8,368
Postage	2,741	2,741	-	5,482
Insurance	30,424	30,424	-	60,848
Advertising and marketing	5,926	5,925	11,851	23,702
Transportation and travel	28,729	9,576	-	38,305
Conferences and meetings	1,657	1,657	-	3,314
Bank service charges	14,149	14,148	-	28,297
Interest expense	22,532	22,531	-	45,063
Miscellaneous operating expenses	11,665	11,665	-	23,330
Total Functional Expenses	\$ 5,083,963	\$ 756,409	\$ 302,767	\$ 6,143,139

See accompanying notes.

2023

Program Services	General and Administrative	Fundraising and Development	Total
\$ 1,043,992	\$ -	\$ -	\$ 1,043,992
1,226,892	-	-	1,226,892
530,099	-	-	530,099
45,203	-	-	45,203
922,597	275,084	169,535	1,367,216
86,787	25,877	15,948	128,612
113,665	33,891	20,887	168,443
37,960	37,956	20,546	96,462
19,555	19,554	-	39,109
47,480	47,480	-	94,960
25,543	25,542	-	51,085
14,806	14,806	-	29,612
14,880	14,880	-	29,760
33,691	33,691	-	67,382
37,595	37,595	-	75,190
2,326	2,326	4,653	9,305
1,504	1,503	-	3,007
22,848	22,848	-	45,696
5,921	5,921	11,842	23,684
29,171	9,724	-	38,895
1,429	1,429	-	2,858
12,354	12,353	-	24,707
26,969	26,968	-	53,937
8,382	8,382	-	16,764
<u>\$ 4,311,649</u>	<u>\$ 657,810</u>	<u>\$ 243,411</u>	<u>\$ 5,212,870</u>

STATEMENT OF CASH FLOWS

Habitat for Humanity of Summit County, Inc.

	Years Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors	\$ 3,626,135	\$ 2,537,440
Cash received from sale of merchandise	1,213,730	1,203,933
Interest received	58	211
Cash paid to suppliers and employees	(5,256,500)	(4,544,493)
Interest paid	(43,813)	(52,687)
	(460,390)	(855,596)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of assets	4,463	1,170
Capital expenditures	(127,956)	(114,486)
Net purchases of investment	(138,758)	(3,050,206)
Loan fees	(500)	-
Mortgage and loan payments received	541,384	419,351
	278,633	(2,744,171)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(104,191)	(95,318)
	(285,948)	(3,695,085)
Decrease in Cash, Restricted Cash, and Cash Equivalents	(285,948)	(3,695,085)
Cash, Restricted Cash, and Cash Equivalents - Beginning of the Year	471,713	4,166,798
Cash, Restricted Cash, and Cash Equivalents - End of the Year	\$ 185,765	\$ 471,713

See accompanying notes.

	Years Ended March 31	
	<u>2024</u>	<u>2023</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in Net Assets	\$ 491,872	\$ (34,149)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	72,924	66,132
Amortization of loan fees	1,250	1,250
Mortgage loan discount amortization	(360,184)	(269,521)
Loss on sale of land	30,223	-
Unrealized gain on investments	(258,643)	-
Gain on sale of property and equipment	-	(975)
Donated land	(159,921)	(57,770)
Mortgages and loans issued to homeowners	(941,970)	(708,730)
Discount on mortgages and leases issued	769,502	460,958
Discount on construction in progress	(178,788)	69,141
Interest reinvested	(171,938)	(18,371)
Increase (Decrease) in Cash from Changes in:		
Other receivable - employee retention credit	416,345	(416,345)
Grant receivable	(349,000)	34,575
Inventory	28,564	2,411
Prepaid expenses and deposits	(1,648)	(11,088)
Home and land rehabilitation and construction in progress	361,193	26,579
Homes held for resale	(305,846)	(17,026)
Accounts payable	100,845	(4,642)
Accrued expenses	(5,170)	21,975
	<u>(952,262)</u>	<u>(821,447)</u>
Cash Used in Operating Activities	<u>\$ (460,390)</u>	<u>\$ (855,596)</u>
Supplemental Schedule of Noncash Investing and Financing Activities:		
Mortgage receivable forgiven on home reacquired	<u>\$ 74,549</u>	<u>\$ 84,150</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.

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.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Classification of Net Assets, Continued:

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.

Investments:

Investments are recorded at fair market value based on published market prices. Donated investments are recorded as contributions at their market value on the date of receipt and are classified according to donor restrictions. The difference between the cost and fair market value is recorded as an unrealized gain or loss in the Statement of Activities. Specific identification is used to identify securities sold.

Beneficial Interest:

The Organization is the beneficiary of the investments held at the Akron Community Foundation ("ACF"). The Foundation manages the investments through a pooled investment fund. The valuation of the portion of investments held by ACF is valued based on a percentage of the investments held by the HFHSC.

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.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

1 Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued:

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; and
- * Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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.

	2024			2023
	Total	Current Portion	Long-Term Portion	Total
Mortgage receivable - gross	\$ 7,198,263	\$ 382,405	\$ 6,815,858	\$ 6,880,594
Discount	(4,077,448)	(195,027)	(3,882,421)	(3,870,500)
Mortgage receivable - net	<u>\$ 3,120,815</u>	<u>\$ 187,378</u>	<u>\$ 2,933,437</u>	<u>\$ 3,010,094</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, 2024, 6 homes were transferred to qualified families recognizing \$940,000 of revenue from mortgage transfers. During the year ended March 31, 2023, 5 homes were transferred to qualified families recognizing \$707,000 of revenue from mortgage transfers.

No allowance for credit loss 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 2024 and 2023.

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 credit loss, which were \$349,000 (2024) and \$0 (2023).

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 2024 and 2023, there were 41 and 30 lots totaling \$595,977 and \$481,369, 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, 2024, there were 4 homes held for resale totaling \$434,591 with unamortized discount of \$221,642. At March 31, 2023, there were 2 homes held for resale totaling \$54,196 with unamortized discount of \$27,640.

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 \$98,797 (2024) and \$97,065 (2023). 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>2024</u>	<u>2023</u>
Donated inventory	\$ 121,502	\$ 141,420
Purchased inventory	<u>7,720</u>	<u>16,366</u>
Total Inventory	<u>\$ 129,222</u>	<u>\$ 157,786</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.

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>2024</u>	<u>2023</u>
Homes Under Construction - Beginning of Year	3 \$ 442,969	4 \$ 307,398
Additional costs incurred on beginning homes	- 108,714	- 568,423
Homes started during the year	9 617,658	5 602,283
Homes transferred during the year	<u>(6) (1,076,938)</u>	<u>(6) (1,035,135)</u>
Homes Under Construction - End of Year	<u>6 92,403</u>	<u>3 442,969</u>
Discount	<u>(47,126)</u>	<u>(225,914)</u>
Construction in progress - net	<u>\$ 45,277</u>	<u>\$ 217,055</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:

	2024	2023
Land, buildings and improvements	\$ 2,391,641	\$ 2,372,521
Equipment	47,342	47,342
Office furniture	142,282	138,401
Vehicles	306,384	201,429
	2,887,649	2,759,693
Less: Accumulated depreciation	(952,591)	(879,667)
	\$ 1,935,058	\$ 1,880,026
Depreciation Expense	\$ 72,924	\$ 66,132

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

Class	Years
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. HFHSC 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 on the 2023 Statement of Activities). HFHSC received the amount due during 2024.

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 27, 2024, 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:	2024	2023
Cash and cash equivalents	\$ 185,765	\$ 471,713
Investments and beneficial interest	4,340,171	3,770,832
Mortgage receivable - current portion	187,378	184,829
Other receivable - employee retention credit	-	416,345
Grant receivable	349,000	-
Inventory	129,222	157,786
Net working capital	5,191,536	5,001,505
Less: Amount with donor restriction	(185,765)	(122,572)
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,005,771</u>	<u>\$ 4,878,933</u>

The Organization also has the ability to use available funds on their line-of-credit. As of March 31, 2024, 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 and Beneficial Interest

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.

Cash and Money Market:

These cash funds are valued at principal plus interest at a variable rate (Level 1).

Equities and Mutual Fund:

These securities are valued at quoted market prices in active markets for identical assets (Level 1).

Beneficial Interest:

The investments held at ACF are included in a pool of investments as described in Note 1. The valuation of the portion of investment held by ACF is valued based on a percentage of the investments held by HFHSC. These investments are categorized as Level 2 assets.

The Organization's investments consist of the following:

	2024		2023	
	Cost	Market	Cost	Market
Cash and money market	\$ 108,571	\$ 108,571	\$ -	\$ -
Equity securities	158,154	186,213	-	-
Mutual funds	3,777,856	4,006,307	3,770,832	3,770,832
Beneficial interest	36,947	39,080	-	-
Total	<u>\$ 4,081,528</u>	<u>4,340,171</u>	<u>\$ 3,770,832</u>	<u>3,770,832</u>
Less: Cost		<u>4,081,528</u>		<u>3,770,832</u>
Net Unrealized Gains		<u>\$ 258,643</u>		<u>\$ -</u>

Investment income consist of the following:

	2024	2023
Interest and dividends	\$ 192,452	\$ 18,582
Net unrealized/realized gains	258,701	-
Fees	(20,514)	-
Total Investment Income	<u>\$ 430,639</u>	<u>\$ 18,582</u>

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

3 Investments and Beneficial Interest, Continued

The following table presents the financial instruments carried at fair value, on a recurring basis, as of March 31, 2024:

	Quoted Market Prices In Active Markets (Level 1)	Models With Significant Observable Market Parameters (Level 2)	Unobservable Inputs That Are Not Corroborated By Market Data (Level 3)	Carrying Value in the Statement of Financial Position
Cash and money market	\$ 108,571	\$ -	\$ -	\$ 108,571
Equity securities	186,213	-	-	186,213
Mutual funds	<u>4,006,307</u>	<u>-</u>	<u>-</u>	<u>4,006,307</u>
Total Investments	4,301,091	-	-	4,301,091
Beneficial interest in assets held by ACF	<u>-</u>	<u>39,080</u>	<u>-</u>	<u>39,080</u>
	<u><u>\$ 4,301,091</u></u>	<u><u>\$ 39,080</u></u>	<u><u>\$ -</u></u>	<u><u>4,340,171</u></u>

The following table presents the financial instruments carried at fair value, on a recurring basis, as of March 31, 2023:

	Quoted Market Prices In Active Markets (Level 1)	Models With Significant Observable Market Parameters (Level 2)	Unobservable Inputs That Are Not Corroborated By Market Data (Level 3)	Carrying Value in the Statement of Financial Position
Mutual funds	<u>\$ 3,770,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,770,832</u>

4 Line-of-Credit

The Organization has a line-of-credit with borrowings up to \$500,000 through September 2024. Interest is charged at prime plus 0.75% (9.25% at year-end). There was \$0 outstanding on the line-of-credit at March 31, 2024 and 2023.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

5 Long-Term Debt

	Current Portion	Total	
	<u>2024</u>	<u>2024</u>	<u>2023</u>
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.	\$ 98,188	\$ 674,165	\$ 766,238
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>12,681</u>	<u>480,773</u>	<u>492,891</u>
	<u>\$ 110,869</u>	<u>1,154,938</u>	1,259,129
Less: Current Portion		<u>110,869</u>	<u>106,405</u>
Total Long-Term Portion		<u>\$ 1,044,069</u>	<u>\$ 1,152,724</u>

Maturities of long-term debt are as follows:

	Total
2025	\$ 110,869
2026	115,523
2027	120,375
2028	125,434
2029	130,709
Thereafter	<u>552,028</u>
Total	<u>\$ 1,154,938</u>

6 Leases

The Organization has various lease agreements for office equipment and a truck through March 2028. Based on the terms of these agreements, these leases did not fall under ASC 842 or the impact of this guidance was not material.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

6 Leases, Continued

Rent expense was \$21,064 (2024) and \$52,175 (2023). Minimum lease payments due under the operating lease obligations are due as follows:

2025	\$	18,895
2026		18,895
2027		11,445
2028		<u>761</u>
Total	\$	<u>49,996</u>

7 Net Assets with Donor Restrictions

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

Donor restricted by purpose:	<u>2024</u>	<u>2023</u>
Neighborhood Network Revitalization	\$ 85,347	\$ 47,941
Operating support for Adopt a House	66,753	58,746
Other	<u>33,665</u>	<u>15,885</u>
	<u>\$ 185,765</u>	<u>\$ 122,572</u>

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

Satisfaction of Purpose Restrictions:	<u>2024</u>	<u>2023</u>
Neighborhood Network Revitalization	\$ 50,671	\$ 26,446
Operating support for Adopt a House	1,058,103	945,928
Other	<u>2,220</u>	<u>11,916</u>
	<u>\$ 1,110,994</u>	<u>\$ 984,290</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 \$33,149 (2024) and \$30,203 (2023). 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 \$1,500 (2024) and \$2,500 (2023).

International assesses an affiliate branding fee to all of the affiliates. HFHSC's branding fees amounted to \$15,000 in 2024 and 2023.

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 \$16,000 (2024) and \$15,500 (2023) per employee, whichever is less. The Organization's contributions to the Plan were \$27,939 (2024) and \$21,384 (2023).

10 Conditional Grants

HFHSC had a conditional grant with the City of Akron ("City") under the HOME Program. This grant allowed up to \$90,000 of revenue for new construction homes and sale to qualified low income families in the City of Akron in 2023. Revenue is recognized as conditions are met. HFHSC has recognized \$50,000 (2024) and \$40,000 (2023) of revenue from this grant. HFHSC has completed this project and received the full amount of this award as of March 31, 2024.

HFHSC 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 \$31,000 (2024) and \$58,200 (2023) of revenue has been recognized under this grant.

HFHSC was awarded a \$100,000 grant from the City of Akron CDC in 2022. A total of approximately \$79,300 (2024) and \$20,700 (2023) of revenue has been recognized under this grant.

In 2020, HFHSC was awarded a grant from Northeast Ohio Medical University for approximately \$21,000 to develop and conduct events for ADRD and dementia friendly communities. A total of \$7,026 was recognized under this grant in 2024 and 2023.

HFHSC was awarded a \$50,000 grant from the City of Akron CDC in 2024 for the Removal of Blinn Street. All conditions were met during 2024, and \$50,000 has been recognized under this grant as of March 31, 2024.

HFHSC was awarded a \$2,000 grant from the Summit County Public Health in 2024 for the Neighborhood Up-M Walk Audits. All conditions were met during 2024, and \$2,000 has been recognized under this grant as of March 31, 2024.

HFHSC was awarded a \$74,700 American Rescue Act Plan ("ARPA") grant from the City of Akron in 2024 for the Neighborhood Network Boss Park, and for the Neighborhood Network UA Mural & Salary Reimbursement. All conditions were met during 2024, and \$74,700 has been recognized under this grant as of March 31, 2024.

HFHSC was awarded a \$300,000 HOME grant from the City of Akron in 2024 for the Silver Maple Ridge home construction project. This project will begin in fiscal year 2025 and, therefore, no revenue has been recognized as of March 31, 2024.

HFHSC was awarded a \$747,500 ARPA grant from the Greater Cleveland Habitat for Humanity in 2024 for new home construction. A total of approximately \$299,000 of revenue has been recognized under the grant as of March 31, 2024.

NOTES TO FINANCIAL STATEMENTS

Habitat for Humanity of Summit County, Inc.

10 Conditional Grants, Continued

HFHSC was awarded a \$24,500 from Summit County Public Health in 2024 for critical home repairs, safety material distribution and coordination, general landscaping assistance and solar power security light installation, and public space improvements. A total of \$18,000 was recognized in revenue as of March 31, 2024.