BLUE RIDGE HABITAT FOR HUMANITY, INC.
AND SUBSIDIARY

Winchester, Virginia

FINANCIAL REPORT

JUNE 30, 2024

C O N T E N T S

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YHBcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Officers and Directors
Blue Ridge Habitat for Humanity, Inc.
Winchester, Virginia

Opinion

We have audited the consolidated financial statements of Blue Ridge Habitat for Humanity, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blue Ridge Habitat for Humanity, Inc. and Subsidiary as of June 30, 2024 and 2023, and the changes in its net assets, functional expenses, 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 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.

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 within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 4, 2025

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position
June 30, 2024 and 2023

Assets	**2024**	**2023**
Cash	$ 792,182	$ 1,432,610
Certificates of deposit	- -	100,975
Investments	8,133	8,049
Grants and other receivables	110,459	6,250
ReStore inventory	58,292	19,048
Construction in progress	856,152	853,403
Property held for development	321,871	191,424
Noninterest-bearing mortgage loans	2,084,830	2,250,221
Discount on noninterest-bearing mortgage loans	(1,022,543)	(1,117,146)
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley	54,805	49,540
Property and equipment, net of accumulated depreciation	3,827,031	3,773,146
Other assets and prepaid expenses	21,839	31,487
Right-of-use assets - operating	- -	18,472
Total assets	$ 7,113,051	$ 7,617,479
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 51,694	$ 52,852
Accrued other expenses	44,638	31,996
Accrued payroll taxes	14,464	5,298
Refundable advances	- -	502,206
Homeowner and tenant deposits	16,440	12,897
Notes payable	2,352,500	2,369,738
Operating lease liabilities	- -	22,751
Total liabilities	2,479,736	2,997,738
Net Assets		
Without donor restrictions	4,522,864	4,593,897
With donor restrictions	110,451	25,844
Total net assets	4,633,315	4,619,741
Total liabilities and net assets	$ 7,113,051	$ 7,617,479

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Activities
For the Years Ended June 30, 2024 and 2023

Changes in net assets without donor restrictions:	2024	2023
Revenues:		
Contributions of cash and other financial assets	$ 835,320	$ 723,799
Contributions of nonfinancial assets	35,772	16,762
ReStore sales, net of operating expenses of $614,793 in 2024 and $519,564 in 2023	(34,187)	103,108
Transfers to homeowners	352,572	1,218,605
Construction repair income	3,319	19,002
Rental income	147,534	85,876
Investment return, net	12,982	8,655
Mortgage loan discount amortization	94,603	554,130
Miscellaneous	4,699	1,695
Gain (loss) on disposal of assets	12,747	(148,969)
Net increase in beneficial interest in assets held	5,265	4,465
Total revenue before releases	1,470,626	2,587,128
Net assets released from restrictions:		
Satisfaction of program restrictions	68,691	92,378
Total revenue without donor restrictions	1,539,317	2,679,506
Expenses:		
Program services	1,298,541	2,467,065
Supporting services:		
Management and general	235,806	159,119
Fundraising	68,503	85,490
Total supporting services	304,309	244,609
Unallocated payments to international organizations:		
SOSI fee	7,500	7,500
Total expenses	1,610,350	2,719,174
Changes in net assets without donor restrictions	(71,033)	(39,668)

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Activities (continued)
For the Years Ended June 30, 2024 and 2023

	2024	2023
Changes in net assets with donor restrictions:		
Revenues:		
Grants and contributions	153,298	106,083
Net assets released from restrictions:		
Satisfaction of program restrictions	(68,691)	(92,378)
Changes in net assets with donor restrictions	84,607	13,705
Changes in total net assets	$ 13,574	$ (25,963)
Net assets, beginning of year		
Without donor restrictions	$ 4,593,897	$ 4,633,565
With donor restrictions	25,844	12,139
Total net assets, beginning of year	$ 4,619,741	$ 4,645,704
Net assets, end of year		
Without donor restrictions	$ 4,522,864	$ 4,593,897
With donor restrictions	110,451	25,844
Total net assets, end of year	$ 4,633,315	$ 4,619,741

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

		Supporting Services				
	Program Services	Management and General	Fundraising	Subtotal	ReStore Program Costs	Total
Accounting	$ - -	$ 29,587	$ - -	$ 29,587	$ - -	$ 29,587
Advertising	810	4,893	1,344	7,047	5,401	12,448
Appreciation costs	1,377	- -	459	1,836	- -	1,836
Auto and hauling	3,956	81	- -	4,037	8,627	12,664
Contract labor	- -	- -	- -	- -	60,035	60,035
Conferences and meetings	730	8,261	- -	8,991	273	9,264
Cost of sales	- -	- -	- -	- -	20,708	20,708
Credit card fees	- -	- -	- -	- -	13,487	13,487
Depreciation and amortization	15,304	5,102	5,101	25,507	76,518	102,025
Dues and licenses	5,028	1,235	- -	6,263	932	7,195
Housing construction, rehabilitation and rental maintenance costs	841,882	- -	- -	841,882	- -	841,882
Insurance	24,500	13,740	2,748	40,988	18,465	59,453
Interest expense	5,479	3,408	3,359	12,246	100,984	113,230
Internet and computer expense	497	12,412	50	12,959	893	13,852
Miscellaneous	1,457	3,218	40	4,715	10,469	15,184
Office supplies	(298)	2,885	- -	2,587	331	2,918
Payroll and benefit expense	340,585	27,125	46,807	414,517	236,827	651,344
Payroll taxes	23,208	1,244	3,213	27,665	15,103	42,768
Printing and postage	152	2,414	- -	2,566	- -	2,566
Professional services	14,691	60,413	1,558	76,662	340	77,002
Property taxes	- -	- -	- -	- -	761	761
Rent expense	2,995	999	998	4,992	14,977	19,969
Repairs and maintenance	5,100	55,023	1,069	61,192	3,101	64,293
Tithes and contributions	5,391	- -	- -	5,391	- -	5,391
Travel	425	2,009	- -	2,434	203	2,637
Utilities and telephone	5,272	1,757	1,757	8,786	26,358	35,144
Total	$ 1,298,541	$ 235,806	$ 68,503	$ 1,602,850	$ 614,793	$ 2,217,643

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Subtotal	ReStore Program Costs	Total
Accounting	$ - -	$ 27,020	$ - -	$ 27,020	$ - -	$ 27,020
Advertising	1,866	18	3,752	5,636	198	5,834
Appreciation costs	500	200	10	710	- -	710
Auto and hauling	4,741	- -	- -	4,741	5,549	10,290
Conferences and meetings	1,154	5,800	99	7,053	60	7,113
Cost of sales	- -	- -	- -	- -	85,714	85,714
Credit card fees	- -	- -	- -	- -	11,418	11,418
Depreciation and amortization	12,896	25,791	12,896	51,583	- -	51,583
Dues and licenses	7,723	3,485	- -	11,208	609	11,817
Housing construction, rehabilitation and rental maintenance costs	1,949,962	- -	- -	1,949,962	- -	1,949,962
Insurance	18,469	9,701	1,940	30,110	14,331	44,441
Internet and computer expense	1,006	4,292	2,274	7,572	391	7,963
Miscellaneous	6,309	3,251	20	9,580	564	10,144
Office supplies	6,275	1,090	152	7,517	1,155	8,672
Payroll and benefit expense	359,339	50,385	52,144	461,868	252,410	714,278
Payroll taxes	23,546	8,397	3,338	35,281	15,294	50,575
Printing and postage	744	- -	- -	744	- -	744
Professional services	33,596	4,328	146	38,070	- -	38,070
Property taxes	8,691	- -	- -	8,691	1,850	10,541
Rent expense	16,633	5,546	5,544	27,723	83,167	110,890
Repairs and maintenance	3,610	2,366	1,183	7,159	6,453	13,612
Tithes and contributions	- -	5,129	- -	5,129	- -	5,129
Travel	771	- -	- -	771	78	849
Utilities and telephone	9,234	2,320	1,992	13,546	40,323	53,869
Total	$ 2,467,065	$ 159,119	$ 85,490	$ 2,711,674	$ 519,564	$ 3,231,238

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ 13,574	$ (25,963)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Noncash contribution of construction costs	(35,218)	(16,162)
Depreciation and amortization	102,025	51,583
Transfers to homeowners, net	714,292	1,593,899
Mortgage loan discount amortization	(94,603)	(555,962)
(Gain) loss on disposal of assets	(12,747)	148,969
Amortization of right-of-use asset	18,472	106,720
Changes in assets and liabilities:		
(Increase) decrease in grants and other receivables	(104,209)	120,284
(Increase) decrease in inventory	(39,244)	38,513
Decrease (increase) in other assets and prepaid expenses	9,648	(6,565)
(Increase) in cost of construction in progress	(681,823)	(1,300,079)
(Decrease) in accounts payable	(1,158)	(90,153)
Increase in accrued other expenses	12,642	8,270
Increase in accrued payroll taxes	9,166	1,478
Increase in homeowner deposits	3,543	2,447
(Decrease) increase in refundable advances	(502,206)	470,486
(Decrease) in operating lease liabilities	(22,751)	(148,031)
Net cash (used in) provided by operating activities	(610,597)	399,734

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Investing Activities		
Purchase of property and equipment	(156,943)	(408,148)
Purchase of property held for development	(130,447)	(7,954)
Purchase of certificate of deposit	(3,085)	(100,975)
Proceeds received from redemption of certificate of deposit	104,060	- -
Purchase of investments	(84)	(207)
Net (increase) in beneficial interest in assets held	(5,265)	(4,465)
Proceeds from sale of property and equipment	13,000	- -
Proceeds from sale of mortgages	- -	603,205
Mortgage payments received	166,171	194,624
Net cash (used in) provided by investing activities	(12,593)	276,080
Cash Flows from Financing Activities		
Proceeds from notes payable	- -	100,000
Payments on notes payable	(17,238)	(19,963)
Net cash (used in) provided by financing activities	(17,238)	80,037
Change in cash and cash equivalents	(640,428)	755,851
Cash and Cash Equivalents		
Beginning of year	1,432,610	676,759
End of year	$ 792,182	$ 1,432,610
Supplemental Disclosures of Noncash Operating, Investing and Financing Activities		
Property purchased through issuance of note payable	$ - -	$ 2,252,500
Right-of-use assets and operating lease liabilities recognized with the adoption of ASC 842	$ - -	$ 125,192
Cash paid for interest	$ 103,745	$ - -

See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Blue Ridge Habitat for Humanity, Inc. and Subsidiary (the "Organization" or "Habitat") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements.

Organization and Principles of Consolidation

Blue Ridge Habitat for Humanity, Inc. is a nonprofit corporation incorporated in Virginia on June 27, 1996. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International) a nondenominational Christian nonprofit organization whose purpose is to create 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, Habitat is primarily and directly responsible for its own operation. The Organization is supported primarily through donor contributions from various individuals and corporate and religious organizations in the community, and local grant programs. The Organization's service area includes the counties of Clarke, Frederick and Shenandoah, and the City of Winchester. Habitat also operates a ReStore in the City of Winchester to help fund future program costs of the Organization.

Millwood Works, LLC (the Subsidiary), was established in 2023 by Blue Ridge Habitat for Humanity, Inc. to hold real estate located in Winchester, Virginia. All material intercompany accounts and transactions are eliminated in consolidation.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements.

Contributions

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

In-Kind Contributions

Donated materials and equipment are recorded at their estimated values at date of receipt. Donated use of facilities is recorded at the property's fair rental value. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Many individuals volunteer their time and perform a variety of activities that support the Organization. The value of these contributed services is not recorded as in-kind contributions as the criteria for recognition was not met under the standards. Therefore, no contributed services for volunteer time has been reflected in the financial statements for the years ended June 30, 2024 and 2023.

Investments and Certificates of Deposit

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and internal investment expenses.

Inventory

Substantially all of the items sold in the Organization's ReStore are donated to the Organization. For year-end reporting, donated inventory items held for resale are recorded as in-kind contributions and valued based on subsequent sales. Throughout the year, donated inventory items are only recorded when the sale transaction occurs, which determines the final realization of value. In-kind construction materials are recorded as inventory at fair market value when the materials are not designated to a particular project and to be used at a future date.

Property Held for Development

Held for development properties consists of lots at cost when purchased or fair market value at the date of gift. The lots are valued at lower of specific acquisition and carrying costs or estimated net value.

Property, Equipment and Depreciation

Effective February 2019, the Organization capitalizes all expenditures in excess of $5,000 at cost when purchased or fair market value at the date of gift. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Deferred Revenue and Refundable Advances

Deferred revenue represents amounts received for rent in advance. Additionally, amounts received prior to June 30 for the benefit of events to be held in the following fiscal year have been included in deferred revenue. There was no deferred revenue at June 30, 2024 or 2023. Refundable advances were $0 and $502,206 as of June 30, 2024 and 2023, respectively, and represent grants received with conditions that have not yet been met.

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Income Taxes

Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service. Only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization follows the provisions of FASB ASC 740-10-25. Under these provisions, the Organization must recognize the effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Organization does not believe there are any uncertain tax positions and accordingly, no amounts have been recorded in the financial statements.

Cash and Cash Equivalents

The Organization considers investments with a maturity of three months or less to be cash and cash equivalents.

Grants and Other Receivables

Grants receivable consists of amounts due to Habitat for reimbursement of expenses incurred under various grant programs, and were $110,451 and $6,250 at June 30, 2024 and 2023, respectively. Other receivables were $8 and $0 at June 30, 2024 and 2023, respectively.

Transfers to Homeowners

Transfers to homeowners represent sales to individuals which are recorded at the gross mortgage amount plus the down payment received. Noninterest bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The discount on noninterest bearing mortgage loans for June 30, 2024 and 2023 was 8.02% and 7.85%, respectively. Using a present value basis, this discount will be recognized as mortgage loan discount amortization over the term of the mortgage. The discount on non-interest-bearing mortgage loans was $1,022,543 and $1,117,146 at June 30, 2024 and 2023, respectively. The mortgage loan discount amortization was $94,603 and $554,130 for the years ended June 30, 2024 and 2023, respectively.

Cash Concentrations

Habitat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Habitat believes it is not exposed to any significant credit risk for cash.

Advertising

Habitat expenses the cost of advertising as incurred.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-19, "Revenue from Contracts with Customers (Topic 606)." Topic 606 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)" and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted Topic 606 as of July 1, 2019.

The Organization recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

<u>Nature of Products and Services</u>

ReStore sales are recorded at a point in time when donated inventory is sold. Transfers to homeowners includes revenue from house sales and is recognized at a point in time at the time of the home's closing. Amortization on noninterest bearing mortgages that have been discounted is recognized using the present value method over the term of the mortgage. Rental income is recognized over time in conjunction with the related lease agreement. Fundraising event income includes both exchange transactions as well as contributions and is recognized at a point in time when the event occurs.

<u>Transaction Price</u>

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer.

<u>Contract Balances</u>

The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment. If consideration is received and revenue has not been recognized, a contract liability (deferred revenue) is recorded. The Organization did not recognize a contract liability as of June 30, 2024 or 2023.

The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of June 30, 2024 or 2023.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the statement of activities.

The Organization made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Recently Adopted Accounting Pronouncement

The Organization adopted ASC 326, Financial Instruments--Credit Losses, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include noninterest-bearing mortgage loans. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the financial statements.

Note 2. Liquidity and Availability of Funds

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date are as follows:

	2024	2023
Financial assets, at year-end:		
Cash	$ 792,182	$ 1,432,610
Certificate of deposit	- -	100,975
Investments	8,133	8,049
Grants and other receivables	110,459	6,250
Beneficial interest in assets held	54,805	49,540
Noninterest-bearing mortgage loans	2,084,830	2,250,221
Financial assets at year end	3,050,409	3,847,645
Less those unavailable for general expenditure within one year, due to:		
Noninterest bearing mortgage loans and other note receivable with liquidity greater than one year	1,963,970	2,117,210
Beneficial interest in assets held	54,805	49,540
Donor-imposed restrictions	- -	25,844
Financial assets not available to be used within one year	2,018,775	2,192,594
Financial assets available to meet cash needs for general expenditures within one year	$ 1,031,634	$ 1,655,051

In February 2019, the Organization adopted a liquidity policy that states a minimum amount of operating funds must be sufficient to maintain ongoing operations and programs for a period of not less than 3 months of average recurring operating expenses. The policy is reviewed every fiscal year at a minimum, or sooner, if warranted and may be changed upon approval from the Board of Directors. The Organization intends for operating funds to be used and replenished on a recurring monthly basis by contributions, ReStore sales, and monthly mortgage receivable payments to meet cash needs for general expenditures. During the years ended June 30, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

Note 3. Construction in Progress

Construction in progress as of June 30, 2024 and 2023, consists of costs to date of houses under construction, including acquisition cost, land and sitework.

Note 4. Noninterest-Bearing Mortgage Loans

Habitat sells homes to low-income families under various terms, including zero to low interest loans, ensuring families have an affordable mortgage payment. These notes are all payable to Habitat over payment terms as determined between each individual participant and Habitat. Generally, these notes carry a term of 15-30 years. At June 30, 2024, Habitat had 37 loans outstanding with a gross value of $2,084,830. At June 30, 2023, Habitat had 39 loans outstanding with a gross value of $2,250,221. Habitat is a secured creditor and the fair market value of the home is in excess of the related mortgage note balances. The following schedule summarizes the payment status of the mortgage loans at June 30, 2024 and 2023:

	2024		2023	
	Number of Loans	Loan Amount	Number of Loans	Loan Amount
Current	28	$ 1,504,959	30	$ 1,462,699
1-30 days past due	5	340,198	5	583,755
31-60 days past due	4	239,673	1	33,833
61-90 days past due	- -	- -	- -	- -
More than 90 days past due	- -	- -	3	169,934
Total	37	$ 2,084,830	39	$ 2,250,221

Allowance for credit losses

The allowance for credit losses is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectible loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in delinquency level or term as well as for changes in environmental conditions.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Organization uses the aging method to determine the allowance for credit losses. The key risk characteristic for consumer loans is the unemployment rate.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Organization.

Troubled Debt Restructurings (TDRs): A loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is a TDR. The allowance for credit losses on a TDR is measured using the same method as all other loans held for investment, except that the original interest rate is used to discount the expected cash flows, not the rate specified within the restructuring.

The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the financial statements thus no allowance was included.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023, were available for the following purposes:

	2024	2023
Subject to expenditure for a specific purpose:		
Shenandoah repair	$ - -	$ 1,066
General repair program	- -	14,078
Clarke County repair	- -	10,700
Time restricted	110,451	- -
Total assets with donor restrictions	$ 110,451	$ 25,844

During the year ended June 30, 2024 and 2023, $68,691 and $92,378 of net assets were released from donor restrictions by incurring expenses satisfying the donors' restricted purposes or by the occurrence of other events specified by the donors. During the year ended June 30, 2024, amounts released from restriction consisted of $7,683 for the Shenandoah repair program, $21,505 for the Clarke County repair program, and $39,503 for the General repair program. During the year ended June 30, 2023, amounts released from restriction consisted of $1,650 for the Shenandoah repair program, $28,315 for the Clarke County repair program, and $62,413 for the General repair program.

Note 6. Contributions of Nonfinancial Assets

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

	2024	2023
Construction services	$ 35,218	$ 16,162
Professional services and other	554	600
	$ 35,772	$ 16,762

The estimated fair value of construction services at date of receipt for the years ended June 30, 2024 and 2023 was $35,218 and $16,162, respectively, and represents the value of the services based on invoiced amounts from the contractor. Contributed construction services are used for programmatic purposes.

The estimated fair value of professional services and other for the years ended June 30, 2024 and 2023 was $554 and $600, respectively, and represents the value of the services determined by the donor. Contributed professional services are used for program and fundraising purposes.

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization does not have a policy to monetize any contributed financial assets received.

Note 7. Fair Value Measurements

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued for Level 3 inputs are based on significant unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 - Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

The asset 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended June 30, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Corporate Common Stock

The fair value of corporate stock is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers, and are classified within level 1.

Insured Cash Deposits

Insured cash deposits are carried at cost, which approximates fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers, and are classified within level 1.

Certificates of Deposit

Certificates of Deposit are valued using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within level 2.

Beneficial Interest in Assets Held

The fair value for the beneficial interest is measured using the fair value of the assets reported by the Community Foundation of the Northern Shenandoah Valley. The Organization considers the measurement of its beneficial interest to be a Level 3 measurement within the fair value measurement hierarchy, because even though the measurement is based on the unadjusted fair value of the beneficial interest held by the Foundation, the investments are not held in accounts owned by Habitat. See Note 9 for reconciliation of Level 3 balances.

The carrying amounts of the Organization's financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The following table presents the balance of financial assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	2024			
	Balance as of June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Insured cash deposits	$ 7,751	$ 7,751	$ - -	$ - -
Corporate common stock	382	382	- -	- -
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley	54,805	- -	- -	54,805
	$ 62,938	$ 8,133	$ - -	$ 54,805

	2023			
	Balance as of June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Insured cash deposits	$ 7,157	$ 7,157	$ - -	$ - -
Corporate common stock	892	892	- -	- -
Certificate of deposit	100,975	- -	100,975	- -
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley	49,540	- -	- -	49,540
	$ 158,564	$ 8,049	$ 100,975	$ 49,540

Note 8. Investments and Certificates of Deposit

Investments consist primarily of insured cash deposits and corporate common stock and certificates of deposit, and are reported at fair value as follows:

	2024		
	Cost	Observable Fair Market Value	Unrealized (Depreciation)
Insured cash deposits	$ 7,751	$ 7,751	$ - -
Corporate common stock	521	382	(139)
	$ 8,272	$ 8,133	$ (139)

	2023		
	Cost	Observable Fair Market Value	Unrealized Appreciation
Insured cash deposits	$ 7,157	$ 7,157	$ - -
Corporate common stock	521	892	371
Certificates of deposit	100,975	100,975	- -
	$ 108,653	$ 109,024	$ 371

The following schedule summarizes the investment return in the consolidated statements of activities for the years ended June 30, 2024 and 2023:

	2024	2023
Interest and dividend income	$ 12,982	$ 8,655

Note 9. Beneficial Interest in Assets Held

During fiscal year 2018, the Organization created an agency endowed fund, the assets of which are not in possession of the Organization but are held by the Community Foundation of the Northern Shenandoah Valley. The Organization has granted the Foundation variance power which gives the Foundation's board of directors the power to use the fund for other purposes in certain circumstances. The fund is subject to the Foundation's investment and spending policies which prohibits the spending rate to exceed 4%. The distribution is based on the rolling 20 quarter, five-year average of the market value of the portfolio. The Organization reports the fair value of the fund as beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley and any distributions received as investment income. There were no distributions for the years ended June 30, 2024 and 2023. Changes in the value of the fund are reported as net increase or decrease in beneficial interest in assets held in the consolidated statement of activities.

The activity in the beneficial interest is as follows:

	2024	2023
Beginning value	$ 49,540	$ 45,075
Change in value	5,265	4,465
Ending value	$ 54,805	$ 49,540

Note 10. Property and Equipment

Property and equipment at June 30, 2024 and 2023, consisted of the following:

	2024	2023	Depreciable Lives
Rental properties	$ 1,189,178	$ 1,189,178	27.5 years
Office equipment, furniture and fixtures	39,297	39,297	5-7 years
Leasehold improvements	209,603	52,660	5-27.5 years
Vehicles and equipment	122,450	148,250	5-7 years
Buildings	2,147,143	2,147,143	40 years
Land	513,505	513,505	
	4,221,176	4,090,033	
Less accumulated depreciation	394,145	316,887	
Net property and equipment	$ 3,827,031	$ 3,773,146	

Note 11. Notes Payable

On June 9, 2021, Habitat was approved a $55,250 three-year loan from Isuzu Finance of America, Inc for the purchase of a truck. The interest rate on the loan was 1.99% with monthly payments of $1,582 beginning in July 2021, expiring on June 24, 2024. As of June 30, 2024 the note was paid in full. The balance on the note was $17,238 at June 30, 2023.

On December 20, 2022, Habitat was approved a $100,000 loan from Habitat Mortgage Solutions, LLC (HMS) for the development of a new property. The loan term is the earlier of closing construction or 2 years. One 180-day extension may be granted subject to approval by HMS. The interest rate on the loan is 1%. The payment terms are interest only, payable in four quarterly installments on the last day of each quarter, with principal due at maturity. Future maturities of the note payable during the upcoming fiscal years are: 2025, $100,000.

On June 29, 2023, Millwood Works, LLC entered into a $2,252,500 seven-year loan agreement for the purchase of a building. The interest rate on the loan is 4.89%. Payments on the loan begin on July 29, 2023 with twelve (12) monthly payments of interest only. After the interest only period, there will be seventy-one (71) consecutive payments of principal and interest beginning on July 29, 2024, in an estimated monthly payment amount of $13,117 and one principal and interest payment of $1,947,202 on June 29, 2030. The balance on the note was $2,252,500 at June 30, 2024 and 2023.

Maturities on the note payable at June 30, 2024, consist of the following:

2025	$ 46,774
2026	49,146
2027	51,639
2028	53,972
2029	56,996
Thereafter	1,993,973
	$ 2,252,500

Note 12. Retirement Plan

Habitat maintains a Simple IRA plan for full-time employees meeting certain eligibility requirements. In addition to participant salary deferrals, Habitat may make a discretionary matching contribution equal to a uniform percentage. For the years ended June 30, 2024 and 2023, Habitat matched salary deferrals up to 3% of the participant's annual gross compensation. The contributions for the years ended June 30, 2024 and 2023 were $14,033 and $13,637, respectively.

Note 13. Functional Allocation of Expenses and Fundraising Expenses

The costs of providing the various programs, supporting services and fundraising activities have been summarized on a functional basis in the consolidated statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; and occupancy costs, which are allocated on a square footage basis.

Note 14. ReStore Operations

Habitat operates a ReStore to sell donated construction items. For the years ended June 30, 2024 and 2023, the ReStore generated product sales, net of sales taxes of $580,606 and $622,672, and incurred expenses of $614,793 and $519,564, respectively.

Substantially most of the items sold in the ReStore are donated to the Organization. For year-end reporting, donated inventory items held for resale are recorded as in-kind contributions and valued based on subsequent sales. Throughout the year, donated inventory items are only recorded upon sale and final realization of value. As of June 30, 2024 and 2023, ReStore inventory, was $58,292 and $19,048, respectively.

In December 2016, the Organization entered into a lease agreement under a seven-year operating lease with an escalation clause expiring December 1, 2023. The lease was terminated in August 2023 as the Organization relocated to the office building purchased as noted in Note 11. The lease contained a provision to offer the Organization a rent-free period from lease commencement through April 1, 2017. The incentive portion of this four-month period along with the escalation clause is required to be amortized as rent expense over the life of the lease term. During fiscal year 2018, Habitat amended the lease agreement for additional space under two separate amendments which resulted in increased monthly rent. Lease payments were $12,550 at July 1, 2019 and increased to $13,350, $14,250, $14,750 and $15,250 by the end of the fiscal year 2020, 2021, 2022, and 2023, respectively and $15,250 for the fiscal year 2024 prior to the lease termination. Rent expense allocated to the ReStore for the years ended June 30, 2024 and 2023 was $14,977 and $83,167, respectively after consolidation.

Note 15. Transactions with Habitat for Humanity International

Habitat annually remits a portion of its undesignated contributions and required annual U.S. Stewardship and Organizational Sustainability Initiative (US-SOSI) fee to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world and fund Habitat for Humanity International's operational costs. For the years ended June 30, 2024 and 2023 Habitat remitted $7,500 each year to Habitat for Humanity International.

Note 16. Commitments and Contingencies

Habitat is contingently liable as guarantor on four mortgages and has agreed to repurchase any of the obligations in the event that the homeowner is delinquent for more than 90 days on any payment. The combined amount of the outstanding mortgage obligations as of June 30, 2024 and 2023 is approximately $145,000 and $151,000, respectively. The mortgages are secured by real estate and the Organization does not believe any significant losses will be absorbed by the Organization.

Note 17. Operating Leases

In addition, as described in Note 14, Habitat leased warehouse space to conduct its ReStore operations. During the year ended June 30, 2018, Habitat renovated a portion of the space to allow for all Habitat employees to be in one location. Rent expense is allocated between the ReStore and affiliate operations.

Rent expense, not allocated to the ReStore, for the years ended June 30, 2024 and 2023 was $4,992 and $27,723, respectively. As of June 30, 2023, the Organization's weighted average discount rate for its operating lease was 4.89%, and the lease was terminated during the year ended June 30, 2024.

Note 18. Related Parties

A board member is an employee of a local bank where the Organization maintains several accounts. Another board member is also an employee of a different local bank where the Organization does not have any accounts, however, the Organization sold five of their mortgages and this bank purchased all five mortgages. An agreement was signed between the local bank and the Organization on August 22, 2022 to purchase the mortgages based on the transaction price of 80% of the outstanding principal amount. The total purchase price was $603,205. This resulted in a loss of $148,969, which is included in the consolidated statements of activities for the year ended June 30, 2023. Revenue from the unamortized mortgage discount of $452,820 on the mortgages was recognized for the year ended June 30, 2023.

Note 19. Line of Credit

On September 28, 2021, Habitat obtained an unsecured line of credit with a bank for $150,000. Interest is payable monthly at the Wall Street Journal Prime Rate plus 0.50% with a minimum rate of 4.0% (8.75% at June 30, 2023). The credit line was increased to $250,000 in March 2022. The line of credit matured on March 28, 2024 and Habitat is currently in the process of obtaining a renewal. As of June 30, 2024 and 2023, the balance outstanding was zero.

Note 20. Subsequent Events

Habitat sold three houses subsequent to year end. The first house sold on November 1, 2024 for $302,000. The second and third houses sold on December 20, 2024 for $302,000 each.

Habitat purchased one lot subsequent to year end in the amount of $2,000 on August 29, 2024.

Subsequent events were evaluated through February 4, 2025, which is the date the financial statements were available to be issued. The Organization has determined there are no additional subsequent events that require recognition or disclosure.