

**DANVILLE - PITTSYLVANIA COUNTY
HABITAT FOR HUMANITY**

FINANCIAL REPORT

June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Danville - Pittsylvania County Habitat for Humanity
Danville, Virginia

Opinion

We have audited the accompanying financial statements of Danville - Pittsylvania County Habitat for Humanity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Danville - Pittsylvania County Habitat for Humanity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; this includes 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 Danville - Pittsylvania Habitat for Humanity's ability to continue as a growing concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Danville-Pittsylvania County Habitat for Humanity'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 Danville-Pittsylvania County Habitat for Humanity'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.

Report on Summarized Comparative Information

We have previously audited Danville - Pittsylvania County Habitat for Humanity's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harris Harvey Neal & Co. LLP

Danville, Virginia
May 20, 2023

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

See Independent Auditors' Report

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 202,642	\$ 288,040
Inventories	1,452	1,806
Prepaid expenses	5,476	3,538
Current portion of noninterest bearing mortgage loans, net of discount	40,626	36,928
Homes under construction	505,118	202,719
Grants receivable	230,307	11,103
Due from VHDA	2,507	2,280
Total current assets	988,128	546,414
NON CURRENT ASSETS		
Capital assets, net	166,426	29,074
Noncurrent portion of noninterest bearing mortgage loans, net of discount	427,973	459,613
Land held for development	122,125	132,156
Receivable for escrow deferment	2,568	2,568
Total non current assets	719,092	623,411
Total assets	\$ 1,707,220	\$ 1,169,825
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 50,269	\$ 3,406
Escrow payable	286	(2,615)
Security deposit	100	600
Deferred grant receivable	230,307	11,103
Total current liabilities	280,962	12,494
Total liabilities	280,962	12,494
NET ASSETS		
Without donor restrictions	1,331,973	1,017,057
With donor restrictions	94,285	140,274
Total net assets	1,426,258	1,157,331
Total liabilities and net assets	\$ 1,707,220	\$ 1,169,825

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

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

See Independent Auditors' Report

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Grants and Other Support:				
Contributions	\$ 18,638	\$ 51,919	\$ 70,557	\$ 112,058
Mortgage discount amortization	40,902	-	40,902	41,611
Grants	15,234	272,999	288,233	90,623
ReStore sales	270,175	-	270,175	262,471
Fundraising events	10,254	-	10,254	3,111
Investment income	134	-	134	23
Gain on sale of assets	4,723	-	4,723	9,186
Rental income	4,900	-	4,900	-
Other income	8,368	-	8,368	5,763
	<u>373,328</u>	<u>324,918</u>	<u>698,246</u>	<u>524,846</u>
Net assets released from restrictions:				
Satisfaction of restrictions	370,907	(370,907)	-	-
Total revenues, grants, and other support	<u>744,235</u>	<u>(45,989)</u>	<u>698,246</u>	<u>524,846</u>
Expenses:				
Program services	327,906	-	327,906	318,629
Total program services	<u>327,906</u>	<u>-</u>	<u>327,906</u>	<u>318,629</u>
Supporting services				
Fundraising	35,867	-	35,867	16,597
Management and general	65,546	-	65,546	62,970
Total supporting services	<u>101,413</u>	<u>-</u>	<u>101,413</u>	<u>79,567</u>
Total expenses	<u>429,319</u>	<u>-</u>	<u>429,319</u>	<u>398,196</u>
Changes in net assets	314,916	(45,989)	268,927	126,650
Net assets, beginning of year	<u>1,017,057</u>	<u>140,274</u>	<u>1,157,331</u>	<u>1,030,681</u>
Net assets, end of year	<u>\$ 1,331,973</u>	<u>\$ 94,285</u>	<u>\$ 1,426,258</u>	<u>\$ 1,157,331</u>

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

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

See Independent Auditors' Report

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 268,927	\$ 126,650
Adjustments to reconcile changes in net assets to net cash (used in) operating activities		
Amortization of mortgage discount	(40,902)	(41,611)
Gain on sale of assets	(4,723)	(9,186)
Depreciation	7,992	7,113
Changes in		
Inventories	354	5,064
Prepaid expenses	(1,938)	922
Homes under construction	(437,712)	(102,256)
Grants receivable	(219,204)	(11,103)
Due from VHDA	(227)	(352)
Land held for development	-	(31)
Receivable for escrow deferment	-	(2,568)
Accounts payable and accruals	46,863	(14,461)
Security deposit	(500)	600
Deferred grants receivable	219,204	11,103
Net cash (used in) operating activities	(161,866)	(30,116)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage payments received	71,745	62,242
Proceeds on the sale of building	4,723	74,450
Net cash provided by investing activities	76,468	136,692
Net increase (decrease) in cash and cash equivalents	(85,398)	106,576
Cash and Cash Equivalents:		
Beginning of year	288,040	181,464
End of year	\$ 202,642	\$ 288,040
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions:		
Land held for development transferred to capital assets	\$ 10,031	\$ -
Homes under construction transferred to capital assets	135,313	-
	\$ 145,344	\$ -

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

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

See Independent Auditors' Report

	Program Services	Support Services			Totals	
		Fundraising	Management and General	Total Support Services	2023	2022
Salaries and wages	\$ 149,511	\$ 19,575	\$ 25,747	\$ 45,322	\$ 194,833	\$ 195,334
Payroll taxes	10,773	1,411	1,855	3,266	14,039	16,796
Totals salaries and related benefits expenses	160,284	20,986	27,602	48,588	208,872	212,130
Advertising	158	2,042	-	2,042	2,200	7,446
Affiliate tithe	11,845	-	-	-	11,845	10,795
Bank fees and other service charges	(6)	-	30	30	24	204
Costs of building homes	354	-	-	-	354	5,005
Dues/fees	3,312	3,252	10,564	13,816	17,128	16,056
Family support	700	-	-	-	700	-
Insurance	15,073	-	2,974	2,974	18,047	3,618
Legal and accounting	860	-	13,404	13,404	14,264	11,641
Office supplies	647	1,196	1,880	3,076	3,723	4,714
Rental expense	1,205	904	904	1,808	3,013	2,950
Repairs and maintenance	2,580	-	-	-	2,580	2,325
ReStore Expenses:						
Advertising expense	6,232	-	-	-	6,232	5,547
Debit/credit sales expense	4,845	-	-	-	4,845	5,011
Dues/fees	1,304	-	-	-	1,304	5,840
Insurance	14,877	-	-	-	14,877	1,853
Merchandise purchased for resale	-	-	-	-	-	106
Office supplies	3,310	-	-	-	3,310	3,290
Rental expense	27,115	-	-	-	27,115	26,550
Repairs and maintenance	12,998	-	-	-	12,998	13,204
Taxes and licenses	15,817	-	-	-	15,817	13,815
Transport and delivery	5,156	-	-	-	5,156	696
Utilities	16,890	-	-	-	16,890	15,053
Vehicle expense	6,479	-	-	-	6,479	6,099
Volunteer appreciation	687	-	-	-	687	66
Miscellaneous	-	-	-	-	-	250
Taxes, fees, and licenses	-	-	-	-	-	31
Utilities	1,433	826	4,911	5,737	7,170	8,597
Vehicle expense	1,063	-	-	-	1,063	229
Volunteer management	792	-	-	-	792	167
Miscellaneous	7,181	6,661	-	6,661	13,842	7,795
	323,191	35,867	62,269	98,136	421,327	391,083
Depreciation	4,715	-	3,277	3,277	7,992	7,113
Total expenses as presented on Statement of Activities and Changes in Net Assets	\$ 327,906	\$ 35,867	\$ 65,546	\$ 101,413	\$ 429,319	\$ 398,196

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

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Nature of Activities

The Danville - Pittsylvania County Habitat for Humanity (the Organization) was organized and incorporated under the laws of the Commonwealth of Virginia as a not-for-profit organization in June 1991. The Organization is a local affiliate of Habitat for Humanity International, Inc., (Habitat) a nondenominational Christian not-for-profit 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 assists with information, resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. The Organization receives its support principally through contributions, grants, sale of completed houses, and net proceeds from its ReStore operations. The ReStore accepts donations of building materials, appliances, furniture, and household items which are sold to the general public to help support the administrative and operating expenses of the Organization.

Note 2. Summary of Significant Accounting Policies

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization prepares its financial statements in accordance with the Financial Accounting Standards Board (FASB), *Accounting Standards Codification (ASC) Topic 958 Not-For-Profit Entities*. The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions net assets and with donor restriction net assets. A description of net asset categories follows:

Without Donor Restrictions Net Assets - Represent resources that are not subject to any donor-imposed restrictions and which the Organization's Board of Directors has discretionary control in using to carry out operations of the Organization in accordance with its bylaws. An increase in net assets without donor restrictions represents the excess of total revenue without donor restrictions, gains, and other support over program and administrative expenses; whereas a decrease in net assets without donor restrictions represents the excess of program and administrative expenses over revenue without donor restrictions, gains, and other support.

With Donor Restrictions Net Assets - Represent resources that are subject to donor-imposed restrictions that can be met either by actions of the Organization and/or the passage of time. Net assets with donor restrictions at June 30, 2023 are related to grants received to be used for designated purposes as specified in the grant agreements. Net assets with donor restrictions were \$94,285 and \$140,274 at June 30, 2023 and 2022, respectively.

Expiration of donor - imposed restrictions:

The expiration of donor - imposed restriction(s) of a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates:

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

Revenue recognition:

Contributions of cash or other assets are recognized when the cash is received or when ownership of donated assets are transferred to the Organization. Donated capital assets are recorded at estimated fair value on the date of donation. Unconditional promises to give are recorded as made. Contributed support is unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support.

Contributed services:

The Organization receives a substantial amount of services donated by volunteers in carrying out the activities of the Organization. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services are provided by individuals possessing those skills, and the service would typically need to be purchased if not donated or if the services enhance or create an asset. Although the Organization utilized the services of outside volunteers, no amounts have been reported in these financial statements for donated services since they do not meet the criteria for recognition under generally accepted accounting principles.

Functional expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Cash and cash equivalents:

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments which are readily convertible into cash to be cash equivalents.

Restricted cash:

Restricted cash consists primarily of amounts received from homeowners, for whom the Organization holds the mortgage, for real estate taxes, and insurance. Amounts are held in escrow until such time as tax payments or insurance premiums become due.

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Mortgage loans receivable:

The Organization sells homes to program participants in exchange for noninterest bearing mortgage notes. Interest is imputed on the mortgage notes as required by accounting principles generally accepted in the United States of America. The notes are secured by a deed of trust on the purchased home and are payable to the Organization over terms of up to thirty (30) years. Mortgage notes receivable are reported on the Statements of Financial Position, net of the unamortized mortgage discount.

The discount is recorded at the date of sale of the home as the difference between the face value of the mortgage loan and the present value of the loan. Loan discounts are amortized on a straight line basis over the life of the loan. Loans that become more than ninety (90) days past due are subject to having foreclosure proceedings started. It is anticipated that all mortgages are ultimately collectible even if foreclosure becomes necessary and accordingly, there is no provision for uncollectible mortgages.

Inventory:

Purchased inventory is carried at cost and is accounted for on a specific identification basis. Purchased inventory generally consists of land held for development, construction in progress, and building materials for homes. Donated inventory used in home construction is recorded at estimated fair value as permitted by accounting principles generally accepted in the United States of America. For ReStore operations, contributed inventory is not recorded due to the uncertainty of its value and in accordance with FASB (ASC) 958-605-25, *Not-for-Profit Entities - Revenue Recognition*.

Property and equipment:

Property and equipment acquisitions in excess of \$500 are recorded at cost if purchased, or fair value at date of gift if contributed. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Classification	Estimated Useful Life in Years
Buildings and Improvements	15 - 40
Equipment and Other	5 - 10

Commitments and contingencies:

Contracts with government agencies require the fulfillment of certain conditions. Failure to fulfill the conditions could result in the return of funds to the agencies or the suspension of future funds. Although that is a possibility, the Board of Directors deems the contingencies remote.

Advertising:

The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2023 and 2022 was \$8,432 and \$12,993, respectively.

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred revenue:

Recognition of revenue from grants, support, and fund-raising events relating to future periods is deferred until the period in which the related event takes place.

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 letter granted to Habitat International. There is no unrelated business income which would be subject to taxation; and therefore, there is no provision for income taxes. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organizations' Federal Exempt Organization Tax Returns (Form 990) for fiscal years ended in 2022, 2021, and 2020 are open to examination by the IRS and generally remain open for three years after they are filed.

Comparative financial information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Fair value measurements:

Assets and liabilities are measured at fair value, which is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, standards established a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly; and Level 3 inputs are unobservable in which there is little or no market data, which requires the Organization to develop its own assumptions. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 3. Mortgage Receivables

The Organization's program related noninterest bearing notes are summarized below. The Organization has no interest bearing notes.

The following summary shows the gross note balance outstanding, the unamortized portion of the discount, and the net principal balances.

	Gross Balance Due	Unamortized Mortgage Discount	June 30, 2023 Net Mortgage Receivables	June 30, 2022 Net Mortgage Receivables
Noninterest bearing notes				
Current	\$ 81,528	\$ (40,902)	\$ 40,626	\$ 36,928
Noncurrent	1,008,150	(580,177)	427,973	459,613
Total	<u>\$ 1,089,678</u>	<u>\$ (621,079)</u>	<u>\$ 468,599</u>	<u>\$ 496,541</u>

Note 4. Property and Equipment

A summary of property and equipment at June 30, 2023 and 2022 was as follows:

	June 30, 2022	Additions	Deletions	June 30, 2023
Depreciable Assets:				
Buildings	\$ -	\$ 135,313	\$ -	\$ 135,313
Leasehold improvements	35,712	-	-	35,712
Computer equipment	10,182	-	-	10,182
Vehicles	30,708	-	2,294	28,414
	76,602	135,313	2,294	209,621
Accumulated depreciation	(47,528)	(7,992)	(2,294)	(53,226)
Net	<u>29,074</u>	<u>127,321</u>	<u>-</u>	<u>156,395</u>
Nondepreciable Assets:				
Land	-	10,031	-	10,031
Total nondepreciable assets	<u>-</u>	<u>10,031</u>	<u>-</u>	<u>10,031</u>
Total capital assets, net	<u>\$ 29,074</u>	<u>\$ 137,352</u>	<u>\$ -</u>	<u>\$ 166,426</u>

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$7,992 and \$7,113, respectively.

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 5. Fair Value Measurements

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used by the Organization for assets measured at fair value:

The Organization's assets, which are measured at fair value for financial reporting purposes consist of two types of assets, in which the majority of such assets is real estate. The Organization uses property valuations established by local governmental units for real estate taxation purposes as the measure of value. A similar approach is taken for building products in such that the value has been established by the donors of products who are principally in the trade or business of selling such items to the general public.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the 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 following table sets forth by level within the fair value hierarchy the Organization's assets and liabilities measured on a recurring basis:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
<u>June 30, 2023</u>				
Land	\$ -	\$ 122,125	\$ -	\$ 122,125
Building Products	-	1,452	-	1,452
Total	<u>\$ -</u>	<u>\$ 123,577</u>	<u>\$ -</u>	<u>\$ 123,577</u>
<u>June 30, 2022</u>				
Land	\$ -	\$ 132,156	\$ -	\$ 132,156
Building Products	-	1,806	-	1,806
Total	<u>\$ -</u>	<u>\$ 133,962</u>	<u>\$ -</u>	<u>\$ 133,962</u>

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 5. Fair Value Measurements (Continued)

The following table sets forth a summary of changes in the fair value of level 2 assets for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Balance - beginning of year	\$ 133,962	\$ 138,995
Unrealized gains	-	-
Asset additions	-	-
Asset removals	<u>(10,385)</u>	<u>(5,033)</u>
Balance - end of year	<u>\$ 123,577</u>	<u>\$ 133,962</u>

Note 6. Significant Concentrations

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. These matters include the following:

Contributions

For the years ended June 30, 2023 and 2022, approximately 35% and 29% of total grants and contributions were received from one (1) donor.

Mortgage Loans Receivable

For the years ended June 30, 2023 and 2022, approximately 27.45% and 42.45% of total assets consisted of both the current and non-current noninterest-bearing mortgage loans held by the Organization.

Note 7. Lease Commitments

In February 2015, a lease was signed for the ReStore operations in Danville. The initial term of the lease was \$17,000 for the first year of the lease and \$24,000 for the second year of the lease. Rent is payable in twelve installments, with each installment due no later than the fifth day of each month.

The Organization shall also pay to Landlord during the third, fourth, and fifth lease years, and any subsequent holdover periods, without any deduction or setoff, a percentage increase in rent that will correlate to any increase in gross revenue for the immediately previous year when compared to two years prior ("percentage increase"). Percentage increase will be an amount calculated by multiplying the annual sales percentage increase in gross revenue from two years prior to the previous year by the combined amount of previous rent and percentage increase for the previous year, up to a maximum combined previous rent and percentage increase of \$50,000 (\$5 per square foot). If gross revenue declines, rent will be the same as the previous year.

DANVILLE - PITTSYLVANIA COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Lease Commitments (Continued)

There are no future minimum lease payment commitments under lease.

Lease expense was \$30,128 and \$29,500 for the years ended June 30, 2023 and 2022, respectively.

Note 8. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, payroll taxes, professional services, office expenses, and other, which are allocated on the basis of estimates of time and effort.

Note 9. Subsequent Events – Management Review

The Organization must disclose the date through which subsequent events have been evaluated in accordance with the requirements of the Financial Accounting Standards Board. In regard to these financial statements and the notes to these financial statements, the Organization has evaluated all subsequent events through May 20, 2024, the date the Organization's financial statements are available to be issued.

Note 10. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the Statements of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of such date.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 245,775	\$ 327,248
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for use of specific grant requirements	<u>94,285</u>	<u>140,274</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 151,490</u>	<u>\$ 186,974</u>