

Chatham Habitat for Humanity, Inc.

FINANCIAL STATEMENTS

June 30, 2024 and 2023

PT CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

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James J. Pappalardo, CPA
Joseph V. Turchetti, CPA

September 19, 2024

To the Board of Directors
Chatham Habitat for Humanity, Inc.
467 West Street
Pittsboro, NC 27312

We are pleased to confirm our understanding of the services we are to provide Chatham Habitat for Humanity, Inc. (the Organization) for the year ended June 30, 2024.

We will audit the financial statements of the Organization, which comprise the statement of financial position as of June 30, 2024, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the Organization's financial statements. Our report will be addressed to the Board of Directors of the Organization. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about

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

In performing an audit in accordance with generally accepted auditing standards 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.

Raleigh, North Carolina
December 6, 2024

FINANCIAL STATEMENTS

CHATHAM HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,706,496	\$ 1,487,318
Restricted cash	53,597	51,632
Investments	58,422	50,019
Current portion of long-term receivable	399,610	412,836
State sales tax refund	22,801	12,024
Resale inventory	123,015	112,658
Land and construction in progress	1,362,317	780,887
Total current assets	<u>3,726,258</u>	<u>2,907,374</u>
Non-current assets:		
Fixed assets, net of depreciation	1,235,180	1,200,790
Other assets	13,059	13,745
Long-term receivables, net of current portion	1,887,244	1,870,563
Total non-current assets	<u>3,135,483</u>	<u>3,085,098</u>
Total assets	<u>\$ 6,861,741</u>	<u>\$ 5,992,472</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 96,951	\$ 26,539
Accrued payroll and liabilities	32,568	20,799
HOA dues and escrow funds	73,824	61,472
Current portion of long-term debt	135,971	131,562
Total current liabilities	<u>339,314</u>	<u>240,372</u>
Long-term liabilities:		
Long-term debt, net of current portion	792,255	945,076
Total non-current liabilities	<u>792,255</u>	<u>945,076</u>
Total liabilities	<u>1,131,569</u>	<u>1,185,448</u>
NET ASSETS		
Without donor restrictions	5,659,451	4,322,550
With donor restrictions	70,721	484,474
Total net assets	<u>5,730,172</u>	<u>4,807,024</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,861,741</u>	<u>\$ 5,992,472</u>

The accompanying notes are an integral part of these financial statements

CHATHAM HABITAT FOR HUMANITY, INC
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues, Gains and Other Support		
Public support:		
Contributions	\$ 1,039,186	\$ 489,128
Grants and allocations	<u>145,125</u>	<u>49,195</u>
Total public support	<u>1,184,311</u>	<u>538,323</u>
Revenue:		
Home sales	460,000	1,008,000
Mortgage discount amortization	161,082	(5,706)
ReStore revenue	750,020	703,271
Interest income	85,269	15,645
Other income	<u>345,829</u>	<u>31,323</u>
Total revenue	<u>1,802,200</u>	<u>1,752,533</u>
Total revenue, gains and other support before net assets released from restrictions	<u>2,986,511</u>	<u>2,290,856</u>
Net assets released from donor restrictions		
Satisfaction of donor's restrictions	<u>484,643</u>	<u>48,002</u>
Total revenue, gains and other support without donor restrictions	<u>3,471,154</u>	<u>2,338,858</u>
Expenses and losses		
Construction	968,686	890,094
ReStore	490,179	465,304
Family financing services	135,578	121,968
Fundraising	200,499	185,880
General and administrative	<u>339,312</u>	<u>288,596</u>
Total expenses	<u>2,134,253</u>	<u>1,951,842</u>
Change in net assets without donor restrictions	<u>\$ 1,336,901</u>	<u>\$ 387,016</u>

The accompanying notes are an integral part of these financial statements

CHATHAM HABITAT FOR HUMANITY, INC
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions:		
Total revenues and gains	2,986,511	2,290,856
Net assets released from restrictions	484,643	48,002
Total expenses and losses	<u>2,134,253</u>	<u>1,951,842</u>
Change in net assets without donor restrictions	1,336,901	387,016
Net assets with donor restrictions:		
Grants and allocations	70,800	115,839
Investment income, net of investment fees	90	8,818
Net assets released from restrictions	<u>(484,643)</u>	<u>(48,002)</u>
Change in net assets with donor restrictions	<u>(413,753)</u>	<u>76,655</u>
CHANGE IN NET ASSETS	923,148	463,671
NET ASSETS - BEGINNING OF YEAR	<u>4,807,024</u>	<u>4,343,353</u>
NET ASSETS - END OF YEAR	<u>\$ 5,730,172</u>	<u>\$ 4,807,024</u>

The accompanying notes are an integral part of these financial statements

CHATHAM HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024

	Home Sales	ReStore	Family Support	Total Program	Fundraising	Management General	Total
Payroll	\$ 184,198	\$ 258,128	\$ 66,312	\$ 508,638	\$ 110,535	\$ 150,930	\$ 770,103
Payroll taxes	12,315	19,988	5,150	37,453	8,581	10,649	56,683
Employee benefits	31,318	41,773	3,569	76,660	15,444	22,056	114,160
Costs of construction	647,565	-	-	647,565	-	-	647,565
Cost of goods sold - ReStore	-	29,438	-	29,438	-	-	29,438
Printing and production	211	112	115	438	4,627	-	5,065
Information technology	6,384	7,125	6,390	19,899	22,302	19,971	62,172
Advertising	-	-	120	120	7,890	500	8,510
Bank charges	17	30	-	47	20	489	556
Telephone	2,277	4,351	1,857	8,485	894	1,751	11,130
Office expenses	965	-	2,225	3,190	2,408	1,411	7,009
Volunteers and community	2,161	2,343	84	4,588	5,067	1,603	11,258
Conferences and seminars	211	-	1,421	1,632	868	3,057	5,557
Merchant fees	-	19,353	-	19,353	2,102	-	21,455
Employee training	3,318	-	-	3,318	1,000	2,012	6,330
Insurance	32,278	19,136	1,122	52,536	1,780	7,337	61,653
Interest expense	9,224	20,051	-	29,275	-	7,531	36,806
Janitorial	750	4,110	750	5,610	750	525	6,885
Rental expenses	1,600	-	4,900	6,500	1,600	13,386	21,486
Outside services	200	-	1,521	1,721	-	13,987	15,708
Meals and entertainment	20	57	62	139	925	7,382	8,446
Licenses, taxes and fees	2,428	267	56	2,751	56	370	3,177
Travel and vehicle expenses	7,651	8,676	227	16,554	266	3,370	20,190
Staff appreciation	54	380	227	661	172	2,996	3,829
Dues and subscriptions	-	-	70	70	125	9,339	9,534
Occupancy	1,207	12,837	1,330	15,374	1,117	2,781	19,272
Supplies	3,109	3,113	474	6,696	5,171	2,556	14,423
Tools and small equipment	4,488	-	-	4,488	-	-	4,488
Repairs and maintenance:							
Equipment	1,678	1,300	1,480	4,458	1,480	3,657	9,595
Buildings and grounds	313	12,802	313	13,428	313	27,563	41,304
Vehicles	4,108	3,574	-	7,682	-	-	7,682
Contributions	-	-	-	-	5,000	4,000	9,000
Mortgage servicing	-	-	27,670	27,670	-	-	27,670
Miscellaneous expense	525	(399)	20	146	6	1,878	2,030
Depreciation	8,113	21,634	8,113	37,859	-	16,225	54,084
Total expenses	\$ 968,686	\$ 490,179	\$ 135,578	\$ 1,594,442	\$ 200,499	\$ 339,312	\$ 2,134,253

The accompanying notes are an integral part of these financial statements

CHATHAM HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Home Sales	ReStore	Family Support	Total Program	Fundraising	Management General	Total
Payroll	\$ 153,334	\$ 249,196	\$ 59,454	\$ 461,984	\$ 104,568	133,999	\$ 700,551
Payroll taxes	11,775	19,002	4,505	35,282	7,932	10,170	53,384
Employee benefits	30,239	39,459	8,884	78,582	16,883	19,723	115,188
Costs of construction	614,504	-	-	614,504	-	-	614,504
Cost of goods sold - ReStore	-	35,246	-	35,246	-	-	35,246
Printing and production	48	-	82	130	6,607	146	6,883
Information technology	1,978	2,552	4,376	8,906	18,188	14,021	41,115
Advertising	-	-	75	75	8,580	-	8,655
Bank charges	-	220	-	220	-	-	220
Cash over and short	-	(1,423)	-	(1,423)	-	-	(1,423)
Board expenses	-	-	-	-	-	47	47
Telephone	4,301	4,229	2,160	10,690	875	1,873	13,438
Office expenses	495	39	874	1,408	2,222	3,780	7,410
Volunteers and community	1,102	2,076	1,166	4,344	5,155	344	9,843
Conferences and seminars	-	-	295	295	832	793	1,920
Merchant fees	-	19,389	-	19,389	1,323	-	20,712
Insurance	28,272	17,429	3,061	48,762	1,678	7,370	57,810
Interest expense	11,251	19,663	-	30,914	-	8,365	39,279
Janitorial	690	-	690	1,380	690	810	2,880
Equipment rent	1,603	-	1,603	3,206	1,603	(6,669)	(1,860)
Scholarships	-	-	-	-	1,000	-	1,000
Outside services	-	-	538	538	-	13,500	14,038
Meals and entertainment	-	82	86	168	2,997	4,101	7,266
Licenses, taxes and fees	2,563	80	-	2,643	-	127	2,770
Security	89	1,499	89	1,677	89	484	2,250
Staff and recruiting expenses	2,456	378	435	3,269	230	346	3,845
Dues and subscriptions	-	-	-	-	600	6,826	7,426
Occupancy	2,433	10,777	4,292	17,502	992	1,269	19,763
Waste removal	-	3,850	-	3,850	-	1,426	5,276
Supplies	1,432	3,634	303	5,369	933	1,089	7,391
Tools and small equipment	1,397	-	-	1,397	-	-	1,397
Repairs and maintenance:							
Equipment	792	1,011	740	2,543	740	3,191	6,474
Buildings and grounds	675	5,968	531	7,174	531	33,742	41,447
Travel and vehicle expenses	9,588	10,085	1,197	20,870	632	1,974	23,476
Contributions	-	-	-	-	-	4,000	4,000
Mortgage servicing	-	-	18,218	18,218	-	-	18,218
Miscellaneous expense	6	-	150	156	-	8,094	8,250
Depreciation	9,071	20,863	8,164	38,098	-	13,655	51,753
Total expenses	\$ 890,094	\$ 465,304	\$ 121,968	\$ 1,477,366	\$ 185,880	\$ 288,596	\$ 1,951,842

The accompanying notes are an integral part of these financial statements
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CHATHAM HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 923,148	\$ 463,671
Adjustments to reconcile change in net assets from operating activities:		
Depreciation	54,084	51,753
Unrealized (gain) loss on investment	(1,726)	4,162
Effects of changes in operating assets and liabilities:		
State sales tax receivable	(10,777)	(1,899)
Resale inventory	(10,357)	4,463
Land and construction in progress	(581,430)	67,503
Other assets	686	41,793
Mortgages receivable	(3,455)	(45,099)
Accounts payable	70,412	(5,698)
Accrued payroll and liabilities	11,769	(11,940)
HOA dues and escrow funds	63,984	(114)
Net cash provided by operating activities	516,338	568,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment	(6,677)	(11,562)
Purchase of fixed assets	(88,474)	(33,974)
Net cash used by investing activities	(95,151)	(45,536)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(148,412)	(132,871)
Net cash used by investing activities	(148,412)	(132,871)
Increase in cash, cash equivalents and restricted cash	272,775	390,188
Cash, cash equivalents and restricted cash - beginning	1,487,318	1,148,762
Cash, cash equivalents and restricted cash - ending	<u>\$ 1,760,093</u>	<u>\$ 1,538,950</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 36,806</u>	<u>\$ 39,279</u>
Cash and cash equivalents	\$ 1,706,496	\$ 1,487,318
Restricted cash	53,597	51,632
Total cash, cash equivalents and restricted cash	<u>\$ 1,760,093</u>	<u>\$ 1,538,950</u>

The accompanying notes are an integral part of these financial statements

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – ORGANIZATION AND ACTIVITIES

Chatham Habitat for Humanity, Inc. (CHFHH) is a nonprofit corporation organized under the laws of the State of North Carolina. CHFHH'S purpose is to create self-help opportunities for families to own affordable homes, improve their lives, and strengthen their communities. Families selected for a Habitat-constructed home must provide 350 hours of "sweat-equity" on their home or on another Habitat project, to compete their eligibility. Upon moving into the home, the family begins paying for the home under the terms of a 20 or 30 year, interest-free, financing arrangement. The sale price of each home is at the appraised value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of CHFHH are prepared on the accrual basis of accounting, whereby, revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to generally accepted accounting principles (GAAP).

Classification of Net Assets

The net assets of CHFHH and changes therein, are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally received or pledged. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (CONTINUED)

In-kind contributions other than merchandise inventory are recorded based on their estimated value on the date of receipt. CHFH's program is furthered through the contribution of time by a significant number of unpaid volunteers. In accordance with generally accepted accounting principles, the value of these volunteer services is not reflected in the accompanying financial statements.

Sales to homeowners of acquired properties are recorded at the contract sales price. Sales to homeowners of constructed properties which are financed through CHFH are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at various rates based upon prevailing market rates at the inception of the mortgages to account for the time value of money. A discount is an expense in the first year of a mortgage and is recaptured as income as the discounts are amortized. Discounts are amortized using the straight-line method over the lives of the mortgages.

Allocation of Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, estimates have been made by management in allocating certain costs such as compensation, utilities, office expenses, etc., which have been distributed among the program and support services benefited.

Concentrations of Credit Risk

CHFH maintains cash in several commercial banks located in Pittsboro, North Carolina. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specific limits. Balances in excess of FDIC limits are uninsured. At times throughout its operations, CHFH carries cash balances in excess of FDIC limits.

Income Taxes

CHFH is exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code. The State of North Carolina has granted a similar exemption. Therefore, no income taxes are reflected in these financial statements.

CHFH accounts for uncertainty in income taxes using a recognition threshold of more likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has determined that there were no tax uncertainties that met the recognition threshold for the year ended June 30, 2024, which is filed on a year 2023 form 990

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

For the purposes of reporting cash flows, cash includes cash-on-hand, money market accounts, short-term investments with maturities less than 90 days, and amounts on deposit with banks.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with United States of America generally accepted accounting principles 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.

Property and Equipment

Property and equipment is carried at cost and adjusted for impairments of value. CHFH capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, and donated assets are recorded at fair market value at the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which vary between 3 and 39 years. Depreciation expense for the years ended June 30, 2024 and 2023 was \$54,084 and \$51,753.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives, ranging between 3 and 39 years. Upon disposition, the cost and related accumulated depreciation accounts are relieved and any related gain or loss is included in operations.

Advertising Costs

CHFH charges the costs of advertising to expense, as incurred. Advertising expenses for the years ended June 30, 2024 and 2023 were \$8,510 and \$8,655.

Fair Value of Financial Instruments

The carrying amount of cash, resale inventory, other assets and accounts payable and accrued liabilities approximate fair value due to the short duration of these instruments. Investments are described in Note 6. Their fair value is defined as the amount at which the instrument would be exchanged in a current transaction between willing parties.

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Restricted Cash

Restricted cash includes escrow funds collected from homeowners for payment of their property taxes and homeowner's insurance, funds collected for homeowner association dues, and any other restricted donations requiring segregation of funds. The funds received from the escrow payments are shown as both an asset and liability, on the financial statements. The homeowner's escrow deposits are each required to be held in separate bank accounts.

Forgivable Mortgages

To assist participants whose annual incomes do not meet certain levels in qualifying for the purchase of a home, some homes are sold to those participants at an amount below fair market value. In these cases, revenue for the transfer of the home is recorded at full fair market value and the difference between the fair market value and the sales price is recorded as an equity lien. Per written contracts, at the end of the first mortgage term the full amount will be indefinitely deferred. Should the homeowner, at any point, dispose of the home through sale or title transfer, the entire forgivable mortgage is due. CHFH approved a total of \$96,907 and \$227,087 in equity liens for the years ended June 30, 2024 and 2023. For the years ended June 30, 2024 and 2023, CHFH did not receive any repayments.

Non-Interest Bearing Mortgage Loans Receivable

Mortgage loans receivable consists of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Accounting principles generally accepted in the United States require that receivables that are contractual rights to receive money in the future at a fixed or determinable date be recorded at the present value of the consideration given in the exchange. The Organization follows this method of accounting for its mortgages using effective interest rates supplied by Habitat for Humanity International (HFHI).

Land, Construction in Progress and Land Held for Development

Land, construction in progress, and land held for development is stated at cost if purchased, or appraised value at date of donation, if donated. Land and construction costs are recognized as program service expense in the period that the property is transferred to the homeowner. All direct material, labor and equipment costs, and indirect costs related to home construction, such as indirect labor, supplies and tools, are recorded on the statement of financial position as Construction in Progress.

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists primarily of donations. Donated items are valued at fair market value, which, due to the quick turnover of inventory, is typically based on the subsequent 60 days of sales.

Mortgage Loans Receivable

Mortgage loans receivable consists of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage, ranging between 20 and 30 years. Accounting principles generally accepted in the United States require that receivables that are contractual rights to receive money in the future at a fixed or determinable date, be recorded at the present value of the consideration given in the exchange. CHFH follows this method of accounting for its mortgages using effective interest rates supplied by Habitat for Humanity International. The rate used for the years ending June 30, 2024 and 2023 was 8.02% and 7.85%.

Retirement Plan

CHFH maintains a 401(k) plan for the benefit of its employees. For the years ended June 30, 2024 and 2023, CHFH made contributions of \$18,664 and \$19,242.

Beneficial Interest in Pooled Funds

CHFH has established a non-endowed pooled investment fund for the purpose of distributing scholarships. The fund is administered by the Triangle Community Foundation Philanthropic Services (the "Fund"). The fund consists of cash, money market, fixed income, and debt securities. The interest in the Fund is reported at fair value based on available market prices and data. For the years ended June 30, 2024 and 2023, CHFH held investments in the Fund of \$58,422 and \$50,019.

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 3 – MORTGAGE LOANS RECEIVABLE

Homebuyers enter into a non-interest bearing equity agreement, with CHFH, at the time the mortgage is signed. Homebuyers purchase houses at fair value and as required under GAAP, CHFH discounts the mortgage receivable. Homebuyers earn the equity over the life of their mortgages, typically 20-30 years or as the mortgages are repaid. If the homebuyers default on their mortgages, CHFH retains all or a portion of the equity in the house. If homebuyers wish to dispose of their property, CHFH retains the right of first refusal. Homebuyers' equity agreements are included in the deeds of trust on their property as restrictive covenants.

CHFH participates in the North Carolina Housing Finance Agency program. The program provides interest free loans to CHFH for each home sale. The homeowner remits payments each month as part of their monthly mortgage obligation.

Some mortgages contain a second equity lien representing the difference in equity at the time of sale. The second lien is only due upon the homeowner's sale of the home. The balances owed to CHFH at June 30, 2024 and 2023 were \$1,485,799 and \$1,388,892.

	<u>2024</u>	<u>2023</u>
Non-interest bearing mortgage loans receivable	\$ 4,749,310	\$ 4,901,231
Less - unamortized discount	<u>(2,462,456)</u>	<u>(2,617,832)</u>
Net present value	2,286,854	2,283,399
Less - amount due within one year	<u>(399,610)</u>	<u>(412,836)</u>
Long-term receivables	<u>\$ 1,887,244</u>	<u>\$ 1,870,563</u>

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. Loans are evaluated for impairment on an individual basis. At June 30, 2024 and 2023, an allowance for bad debt related to mortgages receivable has not been established due to the terms and conditions of the equity agreements. At June 30, 2023, CHFH had 1 mortgagor, totaling \$7,330 in excess of 90 days in arrears. There were no balances in excess of 90 days at June 30, 2024.

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 267,648	\$ 267,648
Buildings	1,459,709	1,382,747
Office furniture and equipment	30,639	30,639
Software	9,987	9,987
Machinery and equipment	150,795	139,283
Vehicles	<u>123,133</u>	<u>123,133</u>
Total	\$ 2,041,911	\$ 1,953,437
Less: Accumulated Depreciation	<u>(806,731)</u>	<u>(752,647)</u>
Property and equipment, net	<u>\$ 1,235,180</u>	<u>\$ 1,200,790</u>

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Vehicle financing, monthly payments of \$594 including interest at 5.14% maturing 2026, collateralized by vehicle	\$ -	\$ 20,293
Habitat for Humanity International, quarterly payments of \$41,255, including interest at 3.31%, maturing 2030, collateralized by real estate	<u>928,226</u>	<u>1,056,345</u>
	<u>\$ 928,226</u>	<u>\$ 1,076,638</u>
Future maturities of long term debt are:		
2024	135,971	
2025	140,528	
2026	145,237	
2027	150,105	
2028	155,135	
Thereafter	<u>201,250</u>	
Total	<u>\$ 928,226</u>	

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with guidance on fair value measurements for financial instruments, fair value is defined as the price that CHFH would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between 1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs), and 2) inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of CHFH's financial instruments.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2: Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and

Level 3: Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The beneficial interest in pooled funds, described above in Note 2, consisted entirely of a Level 3 investment. This investment is comprised of a Funds-of-Funds and its pricing is determined by obtaining the fair market value of the portfolios of the various fund managers, converting these amounts to a unit price, and then assigning the unit pricing to all investors.

For the years ended June 30, 2024 and 2023, there were not any transfers in or out of the Level 3 investments.

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – RESTRICTIONS ON ASSETS

Net assets with donor restrictions consisted of the following unexpended amounts of cash received from donors and grantors:

	<u>2024</u>	<u>2023</u>
Construction	\$ 11,974	\$ 352,854
ReStore	-	14,019
Covid mortgage relief	-	17,600
Electric vehicle charging	-	(1,650)
Scholarships	5,150	50,019
HOA escrows	<u>53,597</u>	<u>51,632</u>
Total temporarily restricted	<u>\$ 70,721</u>	<u>\$ 484,474</u>

Net assets with donor restrictions, were released from restrictions by CHFH incurring expenses satisfying the restricted purpose of the donation or grant. For the years ended June 30, 2024 and 2023 net assets released from restrictions were \$484,463 and \$48,002.

NOTE 8 – CONTRIBUTION TO HABITAT FOR HUMANITY INTERNATIONAL, INC.

For the years ended June 30, 2024 and 2023, CHFH contributed \$4,000 to HFHI.

NOTE 9 – SUBSEQUENT EVENTS

Management evaluated subsequent events through December 6, 2024, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2024, but prior to December 6, 2024 that provided additional evidence about conditions that existed at June 30, 2024, have been recognized in the financial statements for the year ended June 30, 2024.

CHATHAM HABITAT FOR HUMANITY, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 10 – LIQUIDITY

CHFHH's financial assets available within one year of the balance sheet date, for general expenditure are as follows:

Cash and cash equivalents	\$ 1,706,496
Investments	58,422
Sales tax refund	22,801
Current portion of long-term receivable	399,610
Resale inventory	123,015
Accounts payable and accrued expenses	(129,519)
Current portion of long-term debt	(135,971)
Assets with donor restrictions	<u>(70,721)</u>
	<u>\$ 1,974,133</u>

None of the financial assets are subject to donor or other contractual restrictions, that make them unavailable for general expenditures within one year of the consolidated statements of financial position. CHFHH has a goal to maintain financial assets to meet its normal operating expenses and it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.