**HABITAT FOR HUMANITY METRO MARYLAND, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE
Years Ended June 30, 2024 and 2023**

DELEON & STANG
Strategic Insights. Practical Advice.

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors.

Background

Habitat for Humanity of Montgomery County Maryland, Inc. was formed as a nonprofit corporation under the laws of the State of Maryland on October 29, 1982. In 2006, HFHMM opened its first retail operation that sells usable goods and surplus building materials to the public and operates under the name "ReStore". Currently, there are two ReStores in operation ; one in Rockville Maryland and one in Silver Spring Maryland. In April 2013, the Board of Directors approved a resolution to expand into Prince George's County, Maryland and operate going forward under Habitat for Humanity Metro Maryland, Inc. ("HFHMM").

During FY-2023, HFHMM established Randolph Road, LLC, a Maryland Limited Liability Company, wholly owned by HFHMM for the purpose of building 27 affordable homeownership units at the intersection of Randolph Road and Veirs Mill Road.

Overview

Our vision is a community in which everyone has a decent and affordable place to live. While Montgomery and Prince George's Counties are part of the most affluent, fastest growing communities in the nation, thousands of its residents are living in poverty. Housing costs have sky-rocketed, while income levels for many jobs have remained the same – making the dream of homeownership almost impossible for low-income families. In a spirit of collaboration and fellowship, HFHMM works with individuals, institutions, faith organizations, businesses, and the HFHMM families themselves to build and rehabilitate decent and energy efficient affordable housing for those living in substandard conditions in our community.

Habitat's unique homeownership model and programs offer lower income individuals the opportunity to purchase their own affordable home or preserve their existing affordable home. Our mission is to build strength, stability, self-reliance and affordable homeownership in Montgomery and Prince George's Counties.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

HFHMM is an organization that inspires action to create affordable homeownership opportunities for hard working, lower income families. One of our goals is to increase awareness of the need and value of affordable housing. We study and forecast the impact of our work in the communities we service. In a recent *Habitat Homeowner Study,* conducted by *Habitat for Humanity International,* Habitat homeownership contributes to self-esteem and well-being, improved family mental and physical health, community awareness, and a feeling of neighborhood pride. In addition, HFHMM homeowners pay taxes and are more likely to vote. As a result of an affordable mortgage, Habitat homeowners are able to save more, pursue advanced educational opportunities, and work towards achieving financial stability. By providing a stable home, Habitat homeownership is more likely to prevent the fracturing of families.

Organizational Data, Statistics, and Financial Reporting

For the last 42 years, HFHMM has served 765 families and completed 1,001 projects through constructing or rehabilitating 106 homes and 895 home preservation projects. We have also issued over $15 Million in zero-interest mortgages, spent over $21 million in the local community, and helped over 1,500 people achieve the strength, stability, and self-reliance they need to build d better life for themselves and their families.

From an organizational and financial reporting perspective, HFHMM is a nonprofit corporation that follows accounting principles generally accepted in the United States (GAAP).

- HFHMM operates under a unique business model. In addition to its retail operation, new home construction, and home preservation initiatives, HFHMM acts as the mortgage servicer and lends money to homebuyers at a below market interest rate (0%). HFHMM records the loan receivable not at its face value, but net of the mortgage discounts using interest rates published by Freddie Mac on the date the loan closes. Other non-cash transactions that impact HFHMM's financial reporting represent amortization of deferred gains on home sales, depreciation and amortization of the discount of notes payable. Historically, the result of those non-cash entries in a year with significant home sales results in the statement of activities reflecting significant losses.

Organizational Data, Statistics, and Financial Reporting (Continued)

A reader will notice that for the year ending June 30, 2024:

- The net assets increased by $351,491.
- As of June 30, 2024, mortgage loans receivable, net of discounts included in the statement of financial position were $1,395,082. These mortgage loans receivable have gross or face values of $2,142,083. This compares to notes payable net of discounts of $675,473. These notes payable have gross or face values of $793,576.
- Total combined ReStore sales for the year ending June 30, 2024 were $2,362,940.

HFHMM also retains an equity interest in many of the homes sold to families. Presently, if the home is sold by the homeowner in years 1 through 5, then HFHMM retains 100% equity. HFHMM's equity interest is reduced by 3% in each succeeding year until HFHMM's equity reaches 25%.

To facilitate operating cash flow in the effort to support its mission and goals, HFHMM has the option to assign its mortgages to a bank, whereby HFHMM receives approximately 80% of the value of the mortgage in cash while still guaranteeing 100% of the loan typically for five years. HFHMM has assigned loans under this arrangement.

Since 1982, HFHMM has closed on 105 mortgage loans with its homebuyers, of which 26 are still held by Habitat as of June 30, 2024. We have had only one mortgage foreclosure in our history. Mortgage loan receivables, net, at June 30, 2024 were $1,395,082 (see Note 7).

INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity Metro Maryland, Inc. and Subsidiary
Silver Spring, Maryland

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity Metro Maryland, Inc. (a nonprofit organization) and Subsidiary, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Metro Maryland, Inc. and Subsidiary as of June 30, 2024 and 2023, and the changes in their net assets and their 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity Metro Maryland, Inc. and Subsidiary 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Metro Maryland, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Habitat for Humanity Metro Maryland, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Metro Maryland, Inc. and Subsidiary'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.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
November 22, 2024

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 1,438,310	$ 1,011,842
Investments (See Note 3)	311,748	-
Grants, contributions and contracts receivable	598,893	303,944
Mortgage loans receivable, net of discounts and allowance for credit losses	1,395,082	1,473,153
Inventories	4,978,443	3,621,979
Property and equipment, net of accumulated depreciation and amortization	146,765	195,753
Right of use assets	1,012,411	1,279,796
Other assets	131,030	73,439
Total Assets	$ 10,012,682	$ 7,959,906
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,269,366	$ 505,846
Homeowner escrow deposits	6,509	8,216
Lines of credit	1,045,118	430,089
Lease liabilities (See Note 9)	1,279,235	1,677,317
Notes payable and mortgage note assignments, net of discounts	2,254,252	1,531,727
Total liabilities	5,854,480	4,153,195
Net assets:		
Net assets, without donor restrictions	3,046,895	3,029,322
Net assets, with donor restrictions	1,111,307	777,389
Total net assets	4,158,202	3,806,711
Total Liabilities and Net Assets	$ 10,012,682	$ 7,959,906

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2024 and 2023

	2024	2023
Net assets without donor restrictions		
Revenue and support:		
Contributions, grants and contracts	$ 4,591,166	$ 2,492,641
Home sales	1,215,616	-
ReStore sales	2,362,940	2,643,032
Special events	639,399	520,384
In-kind contributions	10,963	22,396
Imputed mortgage interest income	70,634	68,885
Gain on mortgages	-	48,842
Other revenue	725	3,575
Investment income	19,526	2,886
Net assets released from restriction	307,179	721,277
Total revenue and support without donor restrictions	9,218,148	6,523,918
Expenses:		
Program expenses	7,965,017	4,667,892
Supporting services	1,235,558	983,510
Total expenses	9,200,575	5,651,402
Change in net assets without donor restrictions	17,573	872,516
Net assets with donor restrictions		
Contributions and grants	641,097	354,693
Net assets released from restriction	(307,179)	(721,277)
Change in net assets with donor restrictions	333,918	(366,584)
Change in net assets	351,491	505,932
Net assets, beginning of year	3,806,711	3,300,779
Net assets, end of year	$ 4,158,202	$ 3,806,711

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2024 and 2023

	2024								
	Program Expenses					Supporting Services			
	Affordable Residential Housing	ReStore	Grant to Habitat for Humanity, International	Randolph Road	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries and wages	$ 876,244	$ 841,809	$ -	$ -	$ 1,718,053	$ 423,550	$ 112,063	$ 535,613	$ 2,253,666
Critical repair	1,950,941	-	-	-	1,950,941	-	-	-	1,950,941
Cost of home sales	1,946,851	-	-	-	1,946,851	-	-	-	1,946,851
Rent	64,711	460,313	-	-	525,024	33,686	33,686	67,372	592,396
Mortgage subsidies	315,489	-	-	-	315,489	-	-	-	315,489
Equipment maintenance	16,351	156,951	-	-	173,302	11,374	15,912	27,286	200,588
Professional expenses	22,763	14,646	-	36,251	73,660	24,046	69,168	93,214	166,874
Health benefits	50,553	74,713	-	-	125,266	21,025	16,125	37,150	162,416
Payroll taxes	56,968	66,487	-	-	123,455	29,695	6,962	36,657	160,112
Accounting and audit fees	-	-	-	-	-	-	145,425	145,425	145,425
Printing and publication	5,510	-	-	-	5,510	110,696	3,894	114,590	120,100
Construction	24,544	2,788	-	89,207	116,539	-	-	-	116,539
Rent CAM	-	115,113	-	-	115,113	-	-	-	115,113
Miscellaneous	43,107	36,310	-	705	80,122	9,276	25,198	34,474	114,596
Depreciation and amortization	10,765	91,159	-	-	101,924	715	286	1,001	102,925
Utilities	8,505	72,040	-	-	80,545	4,186	4,410	8,596	89,141
Inventory pickup	-	84,242	-	-	84,242	-	-	-	84,242
Real estate taxes	-	82,635	-	-	82,635	-	-	-	82,635
Insurance	52,539	-	-	-	52,539	19,213	6,785	25,998	78,537
Loan interest	75,220	-	-	-	75,220		-	-	75,220
Special events	70	-	-	-	70	59,204	-	59,204	59,274
Travel	16,432	23,462	-	120	40,014	8,326	10,084	18,410	58,424
Bank fees	-	48,933	-	1,673	50,606	-	3,475	3,475	54,081
Supplies	14,961	6,546	-	-	21,507	7,324	9,243	16,567	38,074
Advertising	-	31,022	-	-	31,022	-	-	-	31,022
HFHI tithe expense	-	-	31,000	-	31,000	-	-	-	31,000
Provision for credit losses	24,914	-	-	-	24,914	-	-	-	24,914
Assignment amortization-interest	10,956	-	-	-	10,956	-	-	-	10,956
Payroll processing	1,564	3,128	-	-	4,692	1,564	1,564	3,128	7,820
Postage and delivery	3,421	-	-	-	3,421	957	444	1,401	4,822
Vista intern	62	-	-	-	62	4,409		4,409	4,471
Dues and fees	-	-	-	-	-	-	1,271	1,271	1,271
Housing stipend	-	700	-	-	700	-	-	-	700
Volunteers	(377)	-	-	-	(377)	317	-	317	(60)
	$ 5,593,064	$ 2,212,997	$ 31,000	$ 127,956	$ 7,965,017	$ 769,563	$ 465,995	$ 1,235,558	$ 9,200,575

(Continued)

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)
For the Years Ended June 30, 2024 and 2023

	2023								
	Program Expenses					Supporting Services			
	Affordable Residential Housing	ReStore	Grant to Habitat for Humanity, International	Randolph Road	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries and wages	$ 674,193	$ 791,876	$ -	$ -	$ 1,466,069	$ 322,023	$ 112,242	$ 434,265	$ 1,900,334
Critical repair	1,358,325	-	-	-	1,358,325	-	-	-	1,358,325
Rent	61,774	425,014	-	-	486,788	30,887	30,916	61,803	548,591
Professional expenses	21,816	33,062	-	4,375	59,253	14,569	160,668	175,237	234,490
Payroll taxes	54,553	65,081	-	-	119,634	26,082	9,205	35,287	154,921
Rent CAM	-	121,472	-	-	121,472	-	-	-	121,472
Home weatherization	120,766	-	-	-	120,766	-	-	-	120,766
Health benefits	35,517	59,294	-	-	94,811	9,661	6,396	16,057	110,868
Insurance	60,224	11,586	-	-	71,810	22,776	12,586	35,362	107,172
Equipment maintenance	15,297	56,173	-	-	71,470	14,203	15,959	30,162	101,632
Depreciation and amortization	14,789	82,990	-	-	97,779	1,832	732	2,564	100,343
Equipment	2,285	93,565	-	-	95,850	635	-	635	96,485
Printing and publication	1,247	818	-	342	2,407	86,788	600	87,388	89,795
Real estate taxes	-	70,066	-	-	70,066	-	-	-	70,066
Utilities	7,393	52,127	-	-	59,520	3,697	3,697	7,394	66,914
Miscellaneous	37,352	18,627	-	-	55,979	-	10,559	10,559	66,538
Bank fees	-	55,365	-	1,728	57,093	-	2,301	2,301	59,394
Supplies	18,281	9,806	-	255	28,342	9,031	13,057	22,088	50,430
Facility maintenance	-	44,723	-	-	44,723	-	-	-	44,723
Construction	20,454	-	-	16,313	36,767	-	-	-	36,767
Advertising	-	34,331	-	-	34,331	-	-	-	34,331
Inventory pickup	-	27,544	-	-	27,544	4,527	-	4,527	32,071
Accounting fees	-	-	-	-	-	-	29,150	29,150	29,150
Conference, convention	1,347	793	-	8,178	10,318	330	11,165	11,495	21,813
Loan interest	20,505	-	-	-	20,505	-	-	-	20,505
Volunteers	14,583	-	-	-	14,583	-	-	-	14,583
Retirement plan contributions	4,451	2,859	-	-	7,310	4,712	532	5,244	12,554
Housing stipend	-	5,510	-	-	5,510	4,539	-	4,539	10,049
Team building	8,528	-	-	-	8,528	613	-	613	9,141
Travel	4,828	1,924	-	-	6,752	383	-	383	7,135
Payroll processing	1,330	2,902	-	-	4,232	1,330	1,330	2,660	6,892
HFHI tithe expense	-	-	6,000	-	6,000	-	-	-	6,000
Postage and delivery	2,633	204	-	-	2,837	1,018	433	1,451	4,288
Dues and fees	-	180	-	-	180	-	2,346	2,346	2,526
Vista intern	338	-	-	-	338	-	-	-	338
	$ 2,562,809	$ 2,067,892	$ 6,000	$ 31,191	$ 4,667,892	$ 559,636	$ 423,874	$ 983,510	$ 5,651,402

HABITAT FOR HUMANITY METRO MARYLAND, 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	$ 351,491	$ 505,932
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donated investment securities	(10,963)	
Realized and unrealized gain on investments	(321)	-
Provision for credit losses	24,914	-
Depreciation and amortization	102,925	100,343
Amortization of right of use assets	267,385	496,050
Amortization of discount on notes payable	10,956	14,290
Accretion of discount on mortgage loans receivable, net	(70,634)	(68,885)
Gain on mortgages	-	(48,842)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(307,592)	(215,750)
Inventories	(1,356,464)	(1,675,352)
Other assets	(57,591)	29,055
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	763,520	210,185
Homeowner escrow deposits	(1,707)	42,567
Lease liabilities	(374,622)	(619,331)
Net cash used in operating activities	(658,703)	(1,229,738)
Cash Flows From Investing Activities:		
Investment purchases	(300,464)	-
Payments received on mortgage loans, net of issuance	136,434	187,429
Purchases of property and equipment	(53,937)	-
Net cash (used in) provided by investing activities	(217,967)	187,429
Cash Flows From Financing Activities:		
Proceeds from lines of credit	615,029	225,289
Repayments, finance lease liabilities	(23,460)	-
Proceeds from notes payable, net of repayments	711,569	71,287
Net cash provided by financing activities	1,303,138	296,576
Net increase (decrease) in cash and cash equivalents	426,468	(745,733)
Cash and cash equivalents at beginning of year	1,011,842	1,757,575
Cash and cash equivalents at end of year	$ 1,438,310	$ 1,011,842
Supplemental Cash Flow Information:		
Cash paid for interest	$ 71,563	$ 6,215

NOTE 1 - ORGANIZATION

Habitat for Humanity of Montgomery County Maryland, Inc. (Habitat or Organization) is a nonprofit corporation that was formed under the laws of the State of Maryland on October 29, 1982, for the purpose of constructing and rehabilitating affordable housing for qualified lower-income families. Habitat also has a retail operation that sells donated reusable and surplus building materials to the public. In April 2013, Habitat's Board of Directors approved a resolution to operate as Habitat for Humanity Metro Maryland, Inc., to better represent Habitat's service area which has expanded to one additional county in Maryland.

During fiscal year 2023, the Organization established Randolph Road, LLC, a Limited Liability Company, wholly owned by the Organization for the purpose of building 27 affordable homeownership units near the intersection of Randolph Road and Veirs Mill Road.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated 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 the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The accounts of the Randolph Road, LLC (a Limited Liability Company) ("the Company") are consolidated in these financial statements. The Company is a wholly-owned subsidiary of Humanity Metro Maryland, Inc. All significant inter-company transactions are eliminated in consolidation. The entities are collectively referred to in the notes to the consolidated financial statements as "Habitat" or "the Organization", except where "Habitat" is used to contextually represent only the entity described in Note 1 above.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Habitat complies with the Not-for-Profit Entities Revenue Recognition Subtopic and the Not-For-Profit Entities Presentation of Financial Statements Subtopic of the FASB Accounting Standards Codification. Under the provisions of these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. These standards require a consolidated statement of financial position, a consolidated statement of activities, and a consolidated statement of cash flows. Accordingly, the net assets of Habitat and the changes therein, are classified and reported as follows:

Net assets without donor restriction – This category is used to record activity that has not been restricted by a donor or funding source.

Net assets with donor restriction – This classification is used to record contributions that have been specifically restricted by time or purpose of the donor. Restricted contributions are recorded as revenue when the donor has made a gift rather than when the cash is actually received. Once the restriction has been satisfied, a reclassification is made from net assets with donor restriction to net assets without donor restriction. Net assets with donor restrictions at June 30, 2024 and 2023 were $1,111,307 and $777,389, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, money market accounts, and short-term investments purchased with original maturities of three months or less, if any. The Organization maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation. Habitat's cash deposits may exceed the Federal Deposit Insurance Corporation limits at various times throughout the fiscal year.

Grants, Contributions and Contracts Receivable

Habitat is funded through various grants, cost reimbursements, and performance-based contracts. Habitat accounts for the grants and contracts as exchange transactions. Revenue is recognized as an increase in the consolidated statements of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent grant and contract revenue exceeds payment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the accompanying consolidated statements of financial position. Donated securities are recorded at the fair value on the date of the gift. Investment income or loss is reflected in the accompanying consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law. Unrealized gains and losses are included in the consolidated statements of activities as a component investment income. Investments in certificates of deposits are recorded at cost plus accrued interest which approximates fair value.

Equity and fixed income securities are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

The fair values of marketable securities are determined by utilizing quoted market prices on active markets (Level 1 inputs) for identical securities.

Inventories

Inventories consist of construction-in-progress, developed lots available for construction, and ReStore (thrift store) inventory. Construction-in-progress represents the costs incurred on housing units under construction. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor, fringe benefits, and allocated overhead. Assets are moved from inventory to construction-in progress when construction begins. Assets under construction are classified as construction in progress until completed and transferred to the homeowner. Real estate taxes are capitalized during the construction period. ReStore inventory is carried at fair value and estimated using historical turnover in lieu of a physical count.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Receivable

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the Habitat for Humanity International Accounting Manual, when a house is sold and title transferred to a homeowner, revenue is recorded for the house price and a mortgage loan receivable, discounted to the present value of cash payments to be received over the term of the note (see Note 3), is set up. At the same time, construction in progress inventory cost for the house is transferred to program services expense. Habitat obtains a note and deed of trust on the property from the homebuyer. In addition, Habitat retains a second lien on the property in the event the lower of cost or fair market value is greater than the sales price of the home. The homeowner will pay off the second lien to Habitat only if the home is sold prior to paying off the first mortgage. Habitat orders an appraisal of the home when it is completed, and the property cannot have a combined first and second note that is higher than the appraised value. Habitat also retains an equity interest in property. If the home is sold in years 1 through 5, Habitat retains a 100% equity interest. Habitat's equity interest is reduced by 3% each succeeding year until HHFHMM reaches 25% which it maintains in perpetuity. The mortgage loan receivable is reduced by monthly payments made by the homebuyer, usually over a 20 to 30 year period. Habitat has a collection policy in force, which requires collection action at a regular interval beginning with 15 days delinquency. Defaults over 90 days are subject to possible foreclosure if the default is not cured. At June 30, 2024 and 2023, no amounts were more than 30 days delinquent.

Credit Losses

The Organization measures expected credit losses on grants, contracts and mortgage loans receivable, based on historical experience, current conditions, and reasonable and supportable forecasts. At June 30, 2024 the allowance for credit losses related to grants and contracts receivable was $12,643. At June 30, 2024 the allowance for credit losses related to mortgage loans receivable was $12,271.

Property and Equipment

Property and equipment purchased with a cost basis greater than $1,000 are recorded at cost when acquired and depreciated using the straight-line method over three to ten years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments*, which replaced the current incurred loss impairment model with a methodology that reflected expected credit losses. Under the new methodology, Organization's will measure expected credit losses on financial instruments held at amortized cost, including trade receivables, based on historical experience, current conditions, and reasonable and supportable forecasts. The Organization adopted the new guidance effective July 1, 2023. Adoption of the new standard resulted in changes to the Organization's accounting policy and disclosures related to its allowance for expected credit losses and related receivables. The impact of adopting this standard on its consolidated financial statements was not material and no cumulative transition adjustment was required.

In-Kind Contributions

Habitat receives donations of land, products, and services from individual and corporate donors. As further discussed in Note 5, these contributions are recorded at their estimated fair market value at their date of donation.

Contributions of services are recognized in the consolidated financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Otherwise, volunteer services are not recorded in the consolidated financial statements as these contributions do not meet the requirements to be recorded as revenue and expense.

Revenue Recognition - Exchange Transactions

Program revenues are recognized when control of the promised services is transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. To do this, the Organization performs the following five steps as outlined in ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Organization satisfies a performance obligation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Exchange Transactions (Continued)

Revenue Types:

Sale of Homes – The Organization builds and sells houses to lower-income individuals. Such revenues are recognized at the date of closing for the house as this is the point in time the Organization has determined to satisfy their performance obligation.

ReStore – The Organization sells various donated and purchased goods to individuals through their ReStore location. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation.

Sale of Mortgages – The Organization sells existing mortgages to a third-party bank. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation. This excludes non-sale mortgage transfers described further in Note 7.

Significant Judgments:

Determining whether variable consideration (if applicable) should be reflected in the contract's transaction price may require judgment as to the probability that a significant reversal of such consideration will not occur when the variable consideration is resolved.

Practical Expedients:

The Organization applies certain practical expedients in its adoption and application of ASC 606, as follows:

The Organization does not evaluate a contract for a significant financing component if payment is expected to be received within one year or less from the transfer of the promised services to the client.

The Organization generally expenses costs incurred to obtain a contract when the amortization period would have been one year or less.

Sales and Use Tax:

At times, the Organization collects and remits sales and use taxes. These taxes are reported on a net basis in the accompanying consolidated statements of activities, and therefore do not impact reported amounts of revenue and expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Support and Revenue

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

Grant income that does not meet the criteria of an exchange transaction is recognized under the criteria described above for contributions. Grantors may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursement, and return of funds as an adjustment to revenue in the year of the amendment. No such changes occurred during the years ended June 30, 2024 and 2023.

Allocation of Costs

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related costs are allocated based upon the proportionate share of hours worked amongst each function. All other costs are charged directly to the appropriate functional category.

Advertising

Habitat expenses the costs of advertising as they are incurred.

Income Taxes

Habitat is exempt from Federal income taxes through the group exemption of Habitat for Humanity International under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Randolph Road LLC is a limited liability company, with Habitat as its sole member. Accordingly, no provision has been made for federal income taxes on income recognized, because these taxes are the personal responsibility of the member.

Habitat has determined that there are no uncertain tax positions required to be disclosed under the Income Taxes Topic of the FASB Accounting Standards Codification.

Habitat's tax returns are subject to audit for three years after filling, hence Habitat's returns for tax years 2021 onwards are open to tax examination.

Subsequent Events

Management has evaluated the financial statements for subsequent events requiring accrual or disclosure through the date the financial statements were available to be issued, except as disclosed in Note 12.

NOTE 3 - INVESTMENTS

Investments and investment income consist of the following at June 30, 2024:

Investments:	
Equities	$ 11,333
Certificates of deposit at cost	300,415
	$ 311,748
Investment income:	
Interest and dividends	$ 19,205
Realized and unrealized gains	321
	$ 19,526

There were no investments at June 30, 2023.

NOTE 4 - INVENTORIES

Inventories consist of the following components at June 30, 2024 and 2023:

	2024	2023
Homes under construction or renovation	$ 3,323,183	$ 2,349,560
Developed lots available for construction	1,265,031	837,935
ReStore inventory	390,229	434,484
	$ 4,978,443	$ 3,621,979

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2024	2023
Equipment-construction	$ 5,264	$ 7,064
Equipment-office	38,078	104,444
ReStore leasehold improvements	927,808	886,021
Vehicles	93,248	117,504
Leasehold improvements	5,956	21,488
	1,070,354	1,136,521
Accumulated depreciation and amortization	(923,589)	(940,768)
	$ 146,765	$ 195,753

During the year ended June 30, 2024, Habitat disposed of fully depreciated property and equipment totaling $120,104. Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was $102,925 and $100,343, respectively.

NOTE 6 - IN-KIND CONTRIBUTIONS

During the years ended June 30, 2024 and 2023, Habitat received in-kind contributions of various goods and services. All in-kind contributions were utilized by Habitat's affordable residential housing program. All donated materials and services were provided without donor restriction. All in-kind contributions are valued using retail prices for similar items. In-kind contributions for the years ended June 30, 2024 and 2023 were as follows:

	2024	
	Revenue Recognized	Programs/Activities
Donated investment securities	$ 10,963	Affordable Residential Housing
Monetized in-kind	$ 10,963	

	2023	
	Revenue Recognized	Programs/Activities
Materials	$ 2,396	Management and General
Professional fees	20,000	Affordable Residential Housing, ReStore, Fundraising, Management and General
Utilized in-kind	$ 22,396	

NOTE 7 - MORTGAGE LOANS RECEIVABLE

For each property sold, Habitat lends money to the homebuyer at a below-market interest rate (generally zero percent). The receivable is recorded at the face value and discounted to reflect the present value of the receivable using rates between 1.53% and 1.79% based upon rates published by Freddie Mac at the origination date for each mortgage. The amount of the discount is charged to program expenses when the mortgage loans are issued. No mortgage loans were issued during the fiscal year 2024, accordingly, no discount was charged to program expense for the year ended June 30, 2024 and 2023. The discount is accreted to income over the life of the note. The amount of discount accreted to income in 2024 and 2023 was $70,634 and $68,885, respectively. Mortgage loans receivable at consist of the following at June 30:

	2024	2023
Mortgage loans receivable	$ 2,142,083	$ 2,278,517
Less: mortgage discount	(734,730)	(805,364)
Less: Allowance for credit losses	(12,271)	-
	$ 1,395,082	$ 1,473,153

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NOTE 8 - LOANS AND LINES OF CREDIT

Notes Payable

On January 6, 2003, Habitat entered into an agreement with OBA Federal Savings Bank (First National Bank) for four separate notes payable of $80,000 each, totaling $320,000. The notes are collateralized by the homes funded by those notes payable. Each note payable matures on October 1, 2023, carries a zero percent interest rate, and is repayable in 240 equal monthly payments of approximately $333. During 2016, Habitat repaid one of these notes payable in full. There was no balance outstanding at June 30, 2024. The principal balance outstanding on these notes at June 30, 2024 and 2023 was $713. At June 30, 2024 and 2023, these notes payable are included in the consolidated statements of financial position at discounted values of approximately $0 and $347, respectively, which represents the present value of the remaining monthly payments at the consolidated statements of financial position date. Interest expense imputed on these notes for the years ended June 30, 2024 and 2023 was $64 and $1,371, respectively.

In September 2019, Habitat executed a note payable in the amount of $45,623 to fund the purchase of a truck. The note charges zero percent interest and requires payments monthly payments of $631 for a period of 6 years. At June 30, 2024 and 2023, the principal balance outstanding on this note payable was $8,832 and $16,403, respectively.

In November 2020, Habitat executed a temporary loan with the City of Takoma Park. The loan was used to fund the purchase and rehabilitation of two residential properties in Takoma Park. The loan charges zero interest. There was no outstanding balance on this loan as of June 30, 2024 and 2023 was $200,000. The loan was forgiven upon sale of the related properties in December of 2023.

In June 2020, Habitat received a $150,000 Economic Injury Disaster Loan ("note") through the Small Business Administration. The note requires monthly payments of $641 which commence twelve months from the execution of the note. The note matures in 2050 and charges interest at 2.75%. At June 30, 2024 and 2023, the principal balance outstanding was $147,043 for both.

NOTE 8 - **LOANS AND LINES OF CREDIT** (Continued)

Notes Payable (Continued)

In August 2021, Habitat received a construction loan with the National Housing Trust which allows for borrowings up to $490,000 to facilitate the renovation of real property in Takoma Park, Maryland. The loan charges interest of 3% during the course of construction and is payable in full upon completion of the related construction project. The outstanding balance on this loan at June 30, 2023 was $462,940. This loan was paid in full as of December 1, 2023.

In November 2022, Randolph Road, LLC received a construction loan with Sandy Spring Bank which allows for borrowings up to $6,092,000 to facilitate the construction of real property in Montgomery County, Maryland. Habitat for Humanity Metro Maryland, Inc. is a guarantor of the loan. The loan charges interest during the course of construction and is payable in full upon completion of the related construction project. At June 30, 2024 and 2023, the principal balance outstanding on this note payable was $480,728 and 0, respectively.

In April 2024, Habitat executed two notes payable in the total amount of $950,000 with Montgomery County, Maryland to purchase ten townhome properties located in Montgomery Village, Maryland. The loans charge zero interest and is payable in full on June 1, 2027. At June 30, 2024 the principal balance outstanding on this note payable was $942,176.

Secured Borrowing—Nonsale Transfer of Mortgage Loans Receivable

Habitat transfers mortgage loans receivable to financial institutions in accordance with the Transfer and Servicing Topic of the FASB Accounting Standards Codification, under separate transfer and servicing agreements. As of June 30, 2020, Habitat had transferred 61 mortgage loans receivable. All mortgage loans receivable were transferred with full recourse at present value and Habitat continued to service these loans and remits payments to the transferees. Habitat retains full responsibility for defaults or delinquencies. Accordingly, the transfers are accounted for as a secured borrowing and included in notes payable in the accompanying consolidated statements of financial position. Then, Habitat amended 41 mortgage assignments in August 2020, which removed recourse provisions after a five year period if mortgages are in good standing and at the time the recourse provisions expire, Habitat no longer retains full responsibility for defaults or delinquencies. Accordingly, the transfers were accounted for as sold loans and related assets and liabilities were extinguished. The amendments resulted in a reduction of net mortgage loans receivable by $3,860,382, a reduction of notes payable by $5,064,371 and a related gain of $1,203,991.

NOTE 8 - <u>LOANS AND LINES OF CREDIT</u> (Continued)

<u>Secured Borrowing—Nonsale Transfer of Mortgage Loans Receivable</u> (Continued)

Then, in February 2022, Habitat amended 13 more mortgage assignments, removing the recourse provisions from existing assigned mortgages after a five year period if mortgages are in good standing. The transfers were accounted for as sold loans and related assets and liabilities are extinguished. The amendments resulted in a reduction of net mortgage loans receivable by $1,264,198, a reduction of notes payable by $1,942,022 and a related gain of $677,824.

As of June 30, 2024, total recourse mortgage loans receivable transferred have a face and present value of $793,576 and $675,473, respectively. As of June 30, 2023, total recourse mortgage loans receivable transferred have a face and present value of $834,407 and $704,690 respectively.

Future maturities of notes payable and transferred mortgage loans net of discounts are as follows:

<u>Years ending June 30:</u>		
2025	$	40,907
2026		35,182
2027		976,689
2028		35,117
2029		35,733
Thereafter		1,130,624
	$	2,254,252

NOTE 8 - <u>LOANS AND LINES OF CREDIT</u> (Continued)

Lines of Credit

Habitat has a $400,000 line of credit with Sandy Spring Bank. The line of credit bears interest at 8.5%. Interest only payments are due on the first of each month with principal and accrued interest due on January 1st annually, on which date the line of credit is renewable. There was no outstanding balance on this line of credit at June 30, 2024 and 2023.

During 2016, Habitat executed a $400,000 line of credit with Old Line Bank (WesBanco Bank). The line of credit bears interest at the greater of 1% above the Prime Index (5.25% at June 30, 2021) or 4.5%. Interest-only payments are due each month. The line of credit renews annually. There was no outstanding balance on this line of credit at both June 30, 2024 and 2023, the line of credit was closed.

Habitat has a $100,000 line of credit with Eagle Bank. The line of credit bears interest at 1.5% above the Prime index with a floor of 5.5%. Interest only payments are due on the first of each month with principal and accrued interest due on November 1st, annually, on which date the line of credit is renewable. There was no outstanding balance on this line of credit at both June 30, 2024 and 2023.

In September 2019, Habitat executed a line of credit with Sandy Spring Bank in the amount of $1,500,000 for construction related projects only. The line of credit bears interest at the Prime index. Interest payments on outstanding borrowings are due monthly. The line of credit renews annually. The outstanding balance on this line of credit at June 30, 2024 and 2023 was $201,534 and $264,866, respectively.

During 2022, Habitat executed a line of credit with Sandy Spring Bank in the amount of $500,000 that was then increased to $1,000,000 in 2024. The line of credit bears interest at the Prime index. Interest payments on outstanding borrowings are due monthly. The line of credit renews annually. The line of credit is restricted for use in connection with Habitat's home preservation program. The outstanding balance on this line of credit at June 30, 2024 and 2023 was $843,584 and $165,223, respectively.

NOTE 9 - LEASE COMMITMENTS

In October 2015, Habitat entered into a lease for 22,125 square feet of retail space in Rockville, Maryland. The space will be used to facilitate Habitat's Rockville Maryland ReStore location. The lease commenced in November 2015. The lease is a ten-year operating lease with a monthly base rent of $20,742, which is subject to an annual 2.5% increase. Terms of the agreement provide a rent abatement for an eight month period beginning November 2015. In addition, Habitat received a $442,500 improvement allowance. Rent adjustments, abatement, and the improvement allowance are recognized as an adjustment to rent expense on a straight-line basis over the lease term. Habitat executed a lease amendment to reduce and defer rent payments for July, August and September 2020. The deferred amounts were payable over a six month period commencing April 1, 2021.

In March 2014, Habitat entered into a lease for 15,000 square feet of retail space in Silver Spring, Maryland to facilitate a second Restore location. The lease commenced in August 2014. The lease is a ten-year operating lease with a monthly base rent of $17,070, which is subject to an annual 2.5% increase. Terms of the agreement provide a rent abatement for the months of September, October and November 2014. In addition, Habitat received a $200,000 improvement allowance. Rent adjustments, abatement, and the improvement allowance are recognized as an adjustment to rent expense on a straight-line basis over the lease term. Effective July 1, 2018, the lease was amended to grant Habitat a lease abatement of $60,000 for a 2 year period. In addition, the amendment extended the lease for one additional year, at the same previous rate. The lease as amended expires July 2025. In 2020, Habitat executed a second lease amendment to defer rent payments for May and June 2020. The deferred amounts were payable over a twelve month period commencing January 1, 2021 and the lease was extended for four additional months to November 2025.

In February 2016, Habitat entered into a lease for office space in Silver Spring, Maryland. The lease commenced in February 2016. The lease is for a period of ten years and six months. The lease requires monthly base rent of $9,561, which is subject to an annual 2.5% increase. Terms of the agreement provide a 50% rent abatement for the first twelve months of occupancy. The rent abatement is recognized as an adjustment to rent expense on a straight-line basis over the lease term. Habitat executed a lease amendment to defer rent payments for May and June 2020. The deferred amounts were payable over a twenty four month period commencing July 2020.

Habitat maintains a lease for commercial vehicles. This lease, which commenced May 2022, requires monthly payments of $1,955.

NOTE 9 - LEASE COMMITMENTS (Continued)

The consolidated statements of financial position as of June 30, 2024 and 2023, presents right of use assets of $1,012,411 and $1,279,796 and lease liabilities of $1,279,235 and $1,677,317. Lease cost is recognized on a straight-line basis over the term of the lease.

As of June 30, 2024, the average remaining lease term was 4 years months, and the weighted-average discount rate applied was remaining lease term was 2.5%.

Future minimum payments required under these leases are as follows:

Years ending June 30:	Operating lease liabilities	Finance lease liabilities	Total
2025	$ 700,036	$ 23,460	$ 723,496
2026	476,638	23,460	500,098
2027	24,477	23,460	47,937
2028	-	23,460	23,460
2029	-	19,550	19,550
	1,201,151	113,390	1,314,541
Less: imputed interest	(28,055)	(7,251)	(35,306)
	$ 1,173,096	$ 106,139	$ 1,279,235

NOTE 10 - RETIREMENT PLAN

Habitat has a defined contribution plan in which all employees at least 21 years of age are eligible to participate. Employees may enter the plan after three consecutive calendar months of employment in which the individual is credited with at least 83-1/3 hours of service per month. Employees are 100% vested in voluntary contributions. Habitat may make a matching contribution, which is determined annually by the Board of Directors. Matching contributions are vested after 36 months of service. Habitat's contributions to the plan for the years ended June 30, 2024 and 2023 totaled $22,795 and $12,554, respectively.

NOTE 11 - LIQUIDITY AND FUNDS AVAILIBLE

The following table reflects Habitat's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, funds that are purpose or time restricted beyond one year, endowments and accumulated earnings net of appropriations within one year and board designated endowments. If present, board designations could be drawn upon if the Board of Directors approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2024 and 2023 are as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 1,438,310	$ 1,011,842
Investments	311,748	-
Grants and contracts receivable	598,893	303,944
Gross mortgage loans receivable due in one year	127,902	138,925
Subtotal	2,476,853	1,454,711
Less those unavailable for general expenditure within one year, due to:		
Mortgage assignment obligations	(87,799)	(96,269)
Net assets with donor restrictions	(1,111,307)	(777,389)
Subtotal	(1,199,106)	(873,658)
Financial assets available to meet cash needs for general expenditures within on year:	$ 1,277,747	$ 581,053

Habitat has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 12 - SUBSEQUENT EVENT

Habitat amended its a lease for office space in Silver Spring, Maryland. The lease amendment commenced September 2024 and extends the existing lease term by a period of eleven years. In addition, Habitat will relocate to a new suite within the same building. The lease as amended requires monthly base rent of $19,500, which is subject to an annual 2.5% increase. Terms of the agreement provide a six month rent abatement during the first year.