HABITAT FOR HUMANITY PHILADELPHIA, INC.
AND SUBSIDIARY

Consolidated Financial Statements and Supplementary Schedules

For the year ended June 30, 2023

(With Independent Auditors' Report thereon)

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
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June 30, 2023

HFA
Certified Public Accountants + Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity Philadelphia, Inc. and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity Philadelphia, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity Philadelphia, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Philadelphia, Inc. and Subsidiary'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 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 Habitat for Humanity Philadelphia, 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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Philadelphia, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Emphasis of Matter

As discussed in Note 29 to the consolidated financial statements, the Organization discovered financial statement errors that caused an overstatement of previously reported net assets without donor restrictions as of June 30, 2022. Our opinion is not modified with respect to this matter.

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 30, 2024
Lakewood, New Jersey

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidated Statement of Financial Position
June 30, 2023

ASSETS		
Current assets:		
Cash and cash equivalents	$	9,736,764
Restricted cash		12,430
Investments		1,033,519
Contributions and campaign pledges receivable, net - current		961,291
Accounts receivable, net		49,987
Mortgage receivable, net - current		153,324
Construction in progress		3,939,468
Prepaid expenses		92,912
Other current assets		50
Total current assets		15,979,745
Non-current assets:		
Contributions and campaign pledges receivable, net of current		684,046
Mortgage receivable, net of current		1,585,370
Completed houses under lease purchase		45,000
Deposits		10,000
Property and equipment, net		1,351,992
Investment in limited liability companies		1,364,889
Intangible asset - affiliate guaranty reserve, net		85,233
Right-of-use lease assets, net of amortization		1,668,453
Total non-current assets		6,794,983
Total assets	$	22,774,728
Current liabilities:		
Accounts payable and accrued expenses	$	542,663
Accrued payroll and payroll taxes		114,908
Accrued vacation		91,537
Accrued interest		1,478
Deferred revenue		1,177,709
Due to limited liability company		20,456
Notes payable - current		796,642
Operating lease liability, current portion		392,779
Financing lease liability, current portion		7,740
Total current liabilities		3,145,912
Long-term liabilities:		
Escrow deposits		117,990
Notes payable, related parties		1,717,999
Notes payable, net of current		1,732,922
Operating lease liability, net of current portion		1,296,906
Financing lease liability, net of current portion		23,456
Total long-term liabilities		4,889,273
Total liabilities		8,035,185
NET ASSETS		
Without donor restrictions		13,445,862
With donor restrictions		1,293,681
Total net assets		14,739,543
Total liabilities and net assets	$	22,774,728

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

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidated Statement of Activities
For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Corporations and foundations	$ 2,328,087	$ 1,254,394	$ 3,582,481
Campaign pledges	12,346	-	12,346
Individuals	886,356	18,040	904,396
Churches and schools	62,729	-	62,729
Government grants	400,000	-	400,000
Sales to homeowners	556,677	-	556,677
ReStore sales	1,695,852	-	1,695,852
Donated materials and services	615,199	-	615,199
Special events	510,980	-	510,980
Amortization of mortgage discount	174,140	-	174,140
Other revenue	123,337	-	123,337
Home repairs	80,738	-	80,738
Net assets released from restrictions	570,746	(570,746)	-
Total revenues and support	8,017,187	701,688	8,718,875
Expenses:			
Program services	6,521,661	-	6,521,661
Management and general	1,497,553	-	1,497,553
Fundraising	1,008,486	-	1,008,486
Total expenses	9,027,699	-	9,027,699
Change in net assets from operations	(1,010,512)	701,688	(308,824)
Non-operating income:			
Investment return, net of related expenses	138,681	-	138,681
Gain on sale of assets	2,500	-	2,500
Total non-operating income	141,181	-	141,181
Changes in net assets	(869,331)	701,688	(167,643)
Net assets, beginning of year, as restated (Note 29)	14,315,193	591,993	14,907,186
Net assets, end of year	$ 13,445,862	$ 1,293,681	$ 14,739,543

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

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the year ended June 30, 2023

	Program Services				Support Services		
	Home Ownership	Critical Home Repair	ReStore	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 1,446,262	$ 312,201	$ 615,163	$ 2,373,626	$ 671,573	$ 707,340	$ 3,752,539
Construction/Repair Costs	589,204	1,104,307	214,818	1,908,330	10,336	618	1,919,284
Professional fees	452,075	1,400	8,276	461,751	193,369	3,600	658,720
Employee benefits	121,582	76,337	46,250	244,169	100,152	76,232	420,554
Mortgage amortization	342,285	-	-	342,285	1,107	-	343,392
Insurance	120,757	97,176	76,419	294,352	32,077	1,519	327,948
Payroll taxes	135,326	384	50,813	186,523	48,654	55,107	290,284
Program expenses	40,880	143	90,985	132,008	38,389	33,200	203,597
Miscellaneous	59,098	3,205	11,876	74,179	80,978	27,157	182,314
Rent	-	7,880	156,277	164,157	-	-	164,157
Depreciation	8,027	4,546	53,170	65,743	29,591	-	95,334
Dues and subscriptions	8,382	699	4,646	13,727	49,863	24,278	87,868
Interest	27,498	-	218	27,716	53,168	-	80,884
Travel	12,299	23,876	37,661	73,836	1,514	388	75,738
Office expense	3,278	140	24,195	27,613	38,921	617	67,151
Bank fees	4	-	35,318	35,322	13,338	7,230	55,891
Tithe	-	-	-	-	55,000	-	55,000
Special event costs	700	-	1,045	1,745	49	52,797	54,591
Utilities	6,420	2,587	24,713	33,720	8,073	-	41,793
Telephone	583	947	5,518	7,048	30,573	-	37,621
Americorps	18,999	4,980	-	23,979	1,299	-	25,278
Printing	6,915	-	2,781	9,695	3,348	12,009	25,052
Training and education	6,315	6,796	1,096	14,207	9,219	937	24,363
Payroll service	-	-	-	-	21,555	-	21,555
Loan origination fee amortization	5,025	-	-	5,025	1,176	-	6,201
Postage and delivery	311	5	60	376	4,232	327	4,934
Campaign	-	-	-	-	-	4,330	4,330
Website	-	-	-	-	-	800	800
Asset amortization	-	-	527	527	-	-	527
Total expenses	$ 3,412,225	$ 1,647,610	$ 1,461,826	$ 6,521,661	$ 1,497,553	$ 1,008,486	$ 9,027,699

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

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidated Statement of Cash Flows
For the year ended June 30, 2023

Cash flows from operating activities:		
Change in net assets	$	(167,643)
Items which did not use cash:		
Depreciation and amortization of property and equipment		95,861
Amortization of right-of-use operating lease assets		67,841
Accretion of discounted right-of-use operating lease liabilities		22,390
Realized loss on investments		244
Unrealized gain on investments		(114,628)
Amortization of mortgage discount		(174,140)
Mortgages receivable discount expense		311,769
Amortization of intangible asset - affiliate guaranty reserve		1,107
Amortization of loan origination fee		6,201
Gain on disposal of property and equipment		(2,500)
Change in present value discount on contributions receivable		24,358
Bad debt recovery		4,469
Working capital changes which (used)/provided cash:		
Accounts receivable		(3,028)
Campaign pledges receivable		(579,899)
Construction in progress		(3,284,413)
Prepaid expenses		(19,786)
Other current assets		(1)
Accounts payable and accrued expenses		185,018
Accrued payroll and payroll taxes		47,585
Accrued vacation		23,367
Accrued interest		1,478
Deferred revenue		787,709
Due to limited liability company		13,637
Escrow deposits		13,439
Lease liability		(68,999)
Net cash flows from operating activities		(2,808,564)
Cash flows from investing activities:		
Issuance of mortgage receivables		(555,678)
Purchase of property and equipment		(292,567)
Proceeds from sale of property and equipment		2,500
Proceeds from mortgage receivables		373,614
Purchase of investments		(68,147)
Sale of investments		31,363
Investment in limited liability companies		1,477
Net cash flows from investing activities		(507,438)
Cash flows from financing activities:		
Payment of debt issuance costs		(20,100)
Issuance of debt		1,340,369
Repayment of notes payable		(1,345,152)
Finance lease payments		(427)
Net cash clows from financing activities		(25,310)
Net increase in cash and cash equivalents		(3,341,312)
Cash and cash equivalents, beginning of year		13,090,506
Cash and cash equivalents, end of year	$	9,749,194
Other Supplementary Information:		
Interest paid	$	80,884
Supplemental disclosure of non-cash activities		
Right-of-use assets obtained in exchange for operating lease liabilities	$	1,736,294
Right-of-use assets obtained in exchange for finance lease liabilities	$	31,623

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

NOTE 1: NATURE OF ORGANIZATION

Habitat for Humanity Philadelphia, Inc. ("Habitat") was incorporated in February 2003 under the laws of the Commonwealth of Pennsylvania as a nonprofit, ecumenical Christian housing ministry affiliated with Habitat for Humanity International, Inc., an organization with affiliates worldwide that seeks to eradicate poverty housing, and to make decent shelter a matter of conscience and action. Through volunteer labor and donations of money and materials, Habitat builds and repairs simple, decent houses with the help of low-income homeowner families. Habitat focuses its efforts in Philadelphia, Pennsylvania.

The houses built by Habitat and its volunteers are sold to partner families at no profit, financed with affordable, no-interest loans. The homeowners' monthly mortgage payments are used to build more houses. In addition to a down payment and the monthly mortgage payment, each homeowner family invests hundreds of hours of their own labor into the building of their house as well as the houses of others.

Habitat operates a retail business (the "ReStore") that accepts donated home goods and building materials that are sold to the public. Proceeds from the ReStore are used by Habitat to build and repair homes. A second ReStore was opened at the end of June 2023.

HFHP Funding Company I, LLC (the "Company") was organized by Habitat's board as a Pennsylvania single member limited liability company on November 8, 2016. The sole purpose of the Company is to engage solely in the activity of acquiring and holding and pledging mortgage loans and related documents originated by Habitat. Mortgage loans are acquired, held and pledged so as to comply with the terms of the note purchase agreement between the Company and financial institution. Habitat is the sole shareholder of the Company.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed (or certain grantor imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Habitat and the Company listed in Note 1 (collectively, the "Organization"). Habitat and the Company have common control, as Habitat for Humanity Philadelphia Inc. is the sole shareholder of the Company. There is also an element of economic interest since the Company holds significant resources that must be used only for purposes of Habitat. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivables. See Note 5 for additional information.

Mortgages Receivable

Mortgages receivable consists of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments, with original maturities ranging from 15 to 51 years. All of the mortgages are related to new construction and the rehabilitation of existing homes rehabilitated by the Organization. These mortgages are shown on the consolidated statement of financial position discounted at the prevailing interest rate for the time value of money provided by Habitat for Humanity International, Inc, which reflect current market conditions. The discount rate for the year ended June 30, 2023 was 7.85%. Amortization revenue is recorded using the straight-line method over the lives of the mortgages.

The Organization maintains a security interest in all the homes they sell and works with delinquent homeowners to identify opportunities for financial budgeting improvement. The Organization has historically experienced great success in educating delinquent homeowners and structuring payment plans to cure delinquencies with a minimal amount of time. For these reasons, management has determined that all mortgage loan receivables are fully collectible as of June 30, 2023. Accordingly, no allowance for loan losses is reported as of June 30, 2023 in the accompanying consolidated financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event- the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets or the notes to financial statements. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Organization. Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Organization separately presents in its statement of activities and changes in net assets or notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (unearned revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Organization follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Contributions and Nonexchange Grants

Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

> **Conditional** – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.
>
> **Unconditional** – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers are met. If funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the consolidated statement of financial position for the amount of funds provided by the donor.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions and Nonexchange Grants (continued)

Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend are substantially met and the promises become unconditional.

Exchange Transactions

The Organization recognizes earned revenues in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

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

  ReStore Sales – Habitat's retail thrift store operation specializes in selling surplus new and used building and home improvement materials, appliances, and furniture to the public. These sales are recorded at a determined transaction price, which varies by item. The Organization recognizes revenue from these sales upon delivery of the goods to the customer, which occurs at the point of the sale. Performance obligations are determined to be the completed sale of each item.

  Sales to Homeowners – Homes are sold to buyers that meet the Organization's qualification guidelines. To determine the transaction price, the recorded sale amount to the homeowner is the appraised value of the home, net of the applicable discount, which reflects the consideration to which the Organization expects to be entitled in exchange for the home. Performance obligations are determined to be the contractual sale and closing of each home, which is considered to be a standalone performance obligation. The Organization recognizes revenue at a point in time, as the buyer does not control the asset until construction is complete and the closing has taken place.

  Home Repairs – The Organization performs home repairs on various client homes. The transaction price depends upon the type of repair work completed. Performance obligations are determined to be the completion of the repairs. The Organization recognizes revenue at the completion of the repair.

All other operating revenue is recognized as services are rendered. Amounts collected in advance of services being provided or events are recorded as unearned revenue.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind

Noncash donations are recorded as contributions at their fair market value at their date of donation. The Organization reports the donations in the net assets without donor restrictions category, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported in the net assets with donor restrictions category. Per FASB ASU 2016-14, absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such services are valued at the rate necessary to replace these services. Services that do not meet the above criteria are not recognized.

Donated ReStore Items

Donations of ReStore items are not valued, nor is an inventory of such items used for financial reporting. This accounting treatment is based on ASC 958, *Contributions Received*, where a major uncertainty about the existence of value may indicate that an item received or given should not be recognized. ASC 845, *Initial Measurement*, also applies that fair value should be regarded as not determinable within reasonable limits if major uncertainties exist about the realizability of the value.

Property and Equipment

Property and equipment are recorded at cost, except for donated assets, which are recorded at their estimated fair market value at the date of donation, with a capitalization policy of $5,000. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Building and improvements	15-32 years
Leasehold improvements	15-30 years
Office equipment	2-10 years
Transportation equipment	2-10 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Accrued Vacation

Employees of the Organization are entitled to compensated absences such as paid vacation and paid sick days off depending on job classification, length of service and other factors. Vacation days earned are accrued annually as an expense. At June 30, 2023, the Organization had accrued vacation totaling $91,537.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Policy

Investments of the Organization are reported at fair market value as of June 30, 2023. Investment return, net of related expenses on the consolidated statement of activities include interest, dividends, realized gains and losses as well as changes in market value of assets held reported as unrealized gains and losses.

Right-of-Use Asset and Lease Liability

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with ASC 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reportable at the lower of the carrying amount of fair value, less costs to sell. The Organization had no assets held for disposal as of June 30, 2023.

Federal and State Income Taxes

Habitat for Humanity Philadelphia, Inc. is a non-profit entity as described in Section 501(c)(3), of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, there is no provision for income taxes.

HFHP Funding Company I, LLC was formed with Habitat for Humanity Philadelphia, Inc. as a single member limited liability company. As a result, the entity is recognized as a disregarded entity for the purpose of the Internal Revenue Code. A disregarded entity is not recognized for tax purposes as an entity separate from its owner.

The Organization is required to file Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service. The Organization follows the income tax standards for uncertain tax positions. This standard had no impact on the Organization's consolidated financial statements. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III).

If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Registered Investment Companies: These are comprised of investments in mutual funds. Shares of mutual funds are valued at quoted market prices which represents the net asset value (NAV) of shares held at year-end.

Intermediate-term Bonds: Valued at fair value based on yields of similar instruments with comparable characteristics. The fair value of such investments are based on observable market information, rather than market quotes.

Investment in Limited Liability Companies

The investments in limited liability companies (LLCs) are accounted for under the equity method. Under the equity method, the initial investment was recorded at cost and the Organization's share of the subsequent earnings or losses of the LLCs is recognized as investment income in the accompanying consolidated statement of activities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Asset – Affiliate Guaranty Reserve

The Organization incurred an affiliate guaranty fee in direct relation to the Organization obtaining debt financing through the NMTC program. The cost is amortized over the life of the respective debt agreements using the straight-line method. The accumulated amortization is reported as a direct deduction from the affiliate guaranty reserve. See Note 8 for additional information.

Recently Issued Accounting Pronouncements Implemented in the Current Year

In the current year, the Organization adopted Accounting Standards Update 2016-02, Leases (Topic 842), and subsequent amendments thereto, which requires the Organization to recognize most leases on the consolidated statement of financial position. The Organization adopted the standard under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including

a. Carry over of historical lease determination and lease classification conclusions
b. Carry over of historical initial direct cost balances for existing leases
c. Accounting for lease and non-lease components in contracts in which the Organization is a lessee as a single lease component

Adoption of the leasing standard resulted in the recognition of right-of-use assets of $1,736,294 and operating lease liabilities of $1,736,294 as of July 1, 2022, the date of lease commencement. Additionally, financing right-of-use assets of $31,623 and financing right-of-use liabilities of $31,196 were recognized as of July 1, 2022. These amounts were determined based on the present value of remaining lease payments, discounted using the prime rate as of the date of lease commencement. There was no material impact to the timing of expense or income recognition in the Organization's statement of activities. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures regarding the Organization's leasing activities are presented in Note 19.

Subsequent Events

The Organization has evaluated subsequent events occurring June 30, 2023 through January 30, 2024, which is the date the consolidated financial statements were available to be issued. See Note 19 for additional information.

NOTE 3: CASH

The deposits held by the Organization consisted of demand deposits totaling $9,749,194 as of June 30, 2023.

NOTE 3: CASH (continued)

The following table provides a reconciliation of cash and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

Cash and equivalents	$ 9,736,764
Restricted cash	12,430
Total cash and restricted cash shown in the consolidated statement of cash flows	$ 9,749,194

Restricted cash includes New Market Tax Credits (NMTC) cash.

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash had a bank balance of $9,738,149 at June 30, 2023, of which $1,395,715 was fully insured by depository insurance.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash investments. The Organization limits the amount of credit exposure to any one financial institution and invests cash in accounts with high credit quality. At June 30, 2023, the Organization's cash was held by Santander, Bank of America, First Trust, Fulton, M&T, Customers, US, and PNC Banks. Additionally, the Organization maintains cash and investment balances in a Raymond James brokerage account.

NOTE 4: MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following as of June 30, 2023:

Mortgages receivable	$ 5,766,423
Less: unamortized mortgage discount	(4,027,729)
Total net mortgages receivable	1,738,694
Less: current portion	(153,324)
Long-term portion	$ 1,585,370

The balances due on the mortgages, excluding those that have been leveraged, are scheduled to be received as follows for the years ended June 30:

2024	$ 332,219
2025	294,003
2026	290,237
2027	286,972
2028	279,596
Thereafter	4,283,396
Total	$ 5,766,423

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2023:

Home repair program receivable	$	62,484
Less: allowance for doubtful accounts		(12,497)
Total accounts receivable, net	$	49,987

NOTE 6: INVESTMENTS

Investments at fair value consisted of the following as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Registered investment companies	$ 661,516	$ -	$ -	$ 661,516
Intermediate-term bonds	372,003	-	-	372,003
Total investments at fair value	$ 1,033,519	$ -	$ -	$ 1,033,519

NOTE 7: INVESTMENT IN LIMITED LIABILITY COMPANY

The investments in the limited liability companies on the consolidated statement of financial position include investments from participation in one New Market Tax Credit (NMTC) program. The NMTC program provides funds to eligible organizations for investments in qualified low-income community investment (QLCI). Program compliance requirements include creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met by the CDE over a seven-year period. Details of the transactions follow.

In November 2021, the Organization invested, along with numerous other nonprofit organizations, in HFHI NMTC Leverage Lender 2021, LLC with 19.3% ownership, to take advantage of NMTC financing. NMTC financing allows an entity to receive a loan or investment capital outside from investors, who will receive new market tax credits to be applied against their federal tax liability.

The Organization invested $1,366,366 in the limited liability companies, the investment was made utilizing the Organization's cash. The Organization secured two 30-year loans in the amount of $1,663,476 and $184,830 payable to HFHI NMTC NMTC Sub-CDE IV,LLC and NMTC Sub-CDE V, LLC, respectively. The loan proceeds will be used solely for the purpose of constructing and selling qualified housing properties to low income residents subject to certain conditions.

The following is a summary of the activity for the year ended June 30, 2023:

Beginning balance	$	1,366,366
Investment activity		(1,477)
Ending balance	$	1,364,889

NOTE 8: INTANGIBLE ASSET – AFFILIATE GUARANTY RESERVE

The Organization incurred guaranty fees related to the loans obtained through the NMTC program. The guaranty fee is amortized over 7 years. As of June 30, 2023, the balance of the intangible asset and accumulated amortization are as follows:

Affiliate guaranty fee	$	92,981
Less: accumulated amortization		(7,748)
Intangible asset - affiliate guaranty reserve, net	$	85,233

Estimated annual amortization of the intangible asset is as followed for the years ended June 30:

2024	$	13,283
2025		13,283
2026		13,283
2027		13,283
2028		12,730
Thereafter		19,372
Total	$	85,233

NOTE 9: CONTRIBUTIONS AND CAMPAIGN PLEDGES RECEIVABLE, NET

Contributions and campaign pledges receivable consisted of the following as of June 30, 2023:

Contributions receivable expected to be collected in:		
Less than one year	$	605,225
One year to five years		735,000
Total contributions receivable		1,340,225
Campaign pledges expected to be collected in:		
Less than one year		423,723
One year to five years		1,100
Total campaign pledges receivable		424,823
Total contributions and campaign pledges receivable		1,765,048
Less: present value discount at a rate of 4%		(34,746)
Less: allowance for uncollectible amounts		(84,965)
Total contributions and campaign pledges receivable, net		1,645,337
Less: current portion		(961,291)
Long-term portion	$	684,046

The five-year campaign ended as of June 30, 2022. The Organization is in the collection phase for all outstanding campaign pledges.

NOTE 10: CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred to build/rehabilitate single family dwellings. Upon completion of construction, these houses will be sold or leased under a lease purchase agreement until clear title can be transferred to the member family. The balance as of June 30, 2023 totaled $3,939,468.

NOTE 11: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

Land	$ 320,982
Buildings and improvements	330,853
Leasehold improvements	579,853
Office equipment	377,314
Transportation equipment	344,391
	1,953,393
Less: accumulated depreciation and amortization	(601,401)
Total property and equipment, net	$ 1,351,992

Depreciation and amortization expense for the year ended June 30, 2023 totaled $95,861.

NOTE 12: COMPLETED HOUSES UNDER LEASE PURCHASE

In some cases, houses completed and available are leased to the future homeowner until final closing and transfer of ownership occur. Prior to the transfer, the future homeowner makes payments, which the Organization holds and applies to defray closing costs. Once a family moves into the home, they are required to make monthly payments, which are applied toward real estate taxes, property taxes, and a down payment to reduce the mortgage they will assume. The balance as of June 30, 2023 totaled $45,000, and is included as a non-current asset on the consolidated statement of financial position.

NOTE 13: DEFERRED REVENUE

Deferred revenue represents payments received in advance of satisfying certain donor-imposed conditions on funding. The balance as of June 30, 2023 totaled $1,177,709 and is presented as deferred revenue on the Organization's consolidated statement of financial position.

Significant changes in deferred revenue liability balances during the year ended June 30, 2023 were as follows:

Balance at the beginning of the year	$ 390,000
Revenue recognized	(405,959)
Amounts collected	1,193,668
Balance at the end of the year	$ 1,177,709

Changes in deferred revenue primarily relates to performance under funding agreements and the satisfaction of certain donor-imposed conditions on funding.

NOTE 14: LINE OF CREDIT

The Organization has established a revolving line of credit with Santander Bank in the amount of $750,000 with a financial institution with an interest rate of 1% above the bank's prime rate. The interest rate as of June 30, 2023 was 3%. The line of credit is due and payable in full upon demand by the lender. In November of 2020, the line of credit was increased to $1,000,000. As of June 30, 2023, there was no balance outstanding.

NOTE 15: NOTES PAYABLE, RELATED PARTIES

In November 2021, in connection with the investment in HFHI NMTC Leverage Lender 2021, LLC (see Note 7), the Organization received two notes from HFHI NMTC NMTC Sub-CDE IV,LLC and NMTC Sub-CDE V, LLC (related parties). The Organization is obligated to make semi-annual interest only payments until January 1, 2029 at 0.737931%. Beginning in year 8 through year 30, the Organization is required to make semi-annual payments of principal and interest (at 0.737931%) in an amount to fully amortize the loans by their maturity dates. Both loans mature in November 2051. The balance of the notes payable totaled $1,717,999 (net of unamortized debt issuance costs of $130,307) as of June 30, 2023. The agreement requires a specific solvency and debt service coverage ratio be maintained and measured at fiscal year-end. The Organization was in compliance with these debt covenants as of June 30, 2023.

As set forth in the agreements, the Organization is required to comply with the NMTC requirements, as generally set forth in the Internal Revenue Code ("IRC") Section 45D, including that the Organization maintain a Separate Business (which is aggregated within the Organization's consolidated financial statements) such that the Separate Business will qualify as a qualified low-income community business as defined by IRC Section 45D. Only the Separate Business assets of the Organization were pledged as security under the agreements.

NOTE 16: NOTES PAYABLE

The Organization had the following notes outstanding at June 30, 2023:

On December 5, 2016, the Organization obtained a note payable in the amount of $2,182,243 from PNC Community Development Company, LLC. Proceeds from the loan were $1,478,087. The note includes $680,056 of prepaid interest and $24,100 of loan origination fees. The note is secured by $608,044 of mortgages receivable (net of discount of $1,048,867) as of June 30, 2023 and requires monthly payments ranging from $252 to $6,903 based on a payment schedule that is based on the anticipated amounts to be received from those mortgages receivable. The note matures May 9, 2046.	$ 1,231,497

NOTE 16: NOTES PAYABLE (continued)

On November 29, 2022, the Organization obtained a note payable in the amount of $1,340,000 from Habitat Mortgage Solutions, LLC. The interest rate is 3.75% and interest is to be paid quarterly with monthly ACH. Principal payments required are $750,000 to be repaid as received [from pledged FHLB proceeds] and no later than December 31, 2023. The remaining balance to be repaid from sale of 6 Page Street mortgages. Payment to be made within the quarter in which the mortgages are sold. This note is secured by pledge of full amount of received FHLB award funds ($750,000) and 8 HFHP Mortgages ($550,000 value after 10% discount on 3 year value); 100% LTV. The loan is to be paid in full at maturity. The note matures on December 31, 2024.	$ 1,340,000
Total notes payable	2,571,497
Less: current portion	(796,642)
Less: unamortized loan origination costs	(41,933)
Long-term portion, net	$ 1,732,922

Future minimum principal payments are as follows for the year ending June 30, are as follows:

2024	$ 796,642
2025	638,060
2026	49,522
2027	51,028
2028	52,580
Thereafter	983,665
Total	$ 2,571,497

NOTE 17: TRANSACTION WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

The Organization annually remits a portion of its contributions without donor restrictions, excluding in-kind contributions. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2023, the Organization remitted amounts totaling $55,000.

NOTE 18: PENSION PLAN

The Organization has a 403(b) plan where employees may make payroll deductions, which may be tax deferred in accordance with the Internal Revenue Code. The Organization provides an employer matching contribution of 3% of the employees' salary. The annual contribution for the year ended June 30, 2023 totaled $73,477.

NOTE 19: LEASES

The Organization enters into leases in the normal course of business primarily for ReStore locations and copiers. The Organization's leases have remaining terms ranging from 2.5 to 7 years, some of which include renewal or termination options to extend the lease for up to 5 years. The Organization's leases do not include residual value guarantees or covenants.

The Organization includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Organization will exercise the option. The Organization has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Organization's statement of financial position.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term.

The Organization uses the prime rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known.

Right-of-use assets and lease liabilities by lease type, and the associated statement of financial position classifications, are as follows:

	Consolidated Statement of Financial Position Classification		June 30, 2023
Right-of-use assets:			
Operating leases	Right-of-use lease assets, net of amortization	$	1,668,453
Financing lease	Property and equipment, net		31,096
Total right-of-use assets		$	1,699,549
Lease Liabilities:			
Operating leases	Operating lease liability, current portion	$	392,779
Operating leases	Operating lease liability, net of current portion		1,296,906
Financing lease	Financing lease liability, current portion		7,740
Financing lease	Financing lease liability, net of current portion		23,456
Total lease liabilities		$	1,720,881

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

Weighted Average Remaining Lease Term	
Operating leases	6.44 years
Financing lease	4.92 years

Weighted Average Discount Rate	
Operating leases	7.88%
Financing lease	8.25%

NOTE 19: LEASES (continued)

Future undiscounted lease payments for operating and financing leases with initial terms of one year or more as of June 30, 2023 are as follows:

Year Ending December 31:	Operating	Financing	Total
2024	$ 392,779	$ 7,740	$ 400,519
2025	392,779	7,740	400,519
2026	323,779	7,740	331,519
2027	254,779	7,740	262,519
2028	254,779	7,095	261,874
Thereafter	594,485	-	594,485
Total lease payments	2,213,380	38,055	2,251,435
Less: imputed interest	(523,695)	(6,859)	(530,554)
Present value of lease liabilities	$1,689,685	$ 31,196	$ 1,720,881

The following summarizes the line items in the consolidated statement of activities which include the components of lease expense for the year ended June 30, 2023:

Lease Cost	Consolidated Statement of Activity Classification	June 30, 2023
Rent (a)	Program services	$ 164,157
Asset amortization	Program services	$ 527
Interest on lease liabilities	Management and general	$ 218

(a) Includes short-term costs of approximately $63,000 for the year ended June 30, 2023.

The Organization entered into two new leases subsequent to year end. The first lease is for timeclocks from Paycom which is a month to month lease beginning in October 2023. The second lease was for 40th St. Garage. This lease is from January 1, 2024 through December 31, 2024.

NOTE 20: DONATED MATERIALS AND SERVICES

The Organization was the recipient of donated services and materials, which consisted of the following as of June 30, 2023:

Donated Item	2023	Usage	Restriction	Technique
Professional services	$ 178,406	To provide repair services for current or future Habitat for Humanity Philadelphia homeowners	Home repairs	Value of services provided using donor's typical service rate provided by the City of Philadelphia
Legal services	243,657	Management and general	None	Value of services provided using donor's typical billing rate
Materials and supplies	178,992	To complete home rehabilitation and repairs for current or future Habitat for Humanity Philadelphia homeowners	Home rehabilitations & repairs	Estimated value of item provided by the City of Philadelphia
Auction gifts	14,144	Special events	Auction	Actual value of item gifted as noted on receipt, tag, etc.
Total donated materials and services	$ 615,199			

NOTE 21: SPECIAL EVENT REVENUE

Gross receipts from fundraising events recorded by the Organization consist of exchange revenue and contribution revenue. In accordance with FASB ASU 2014-09, the Organization is required to separately present the components of this revenue.

NOTE 21: SPECIAL EVENT REVENUE (continued)

See below for approximated contribution and exchange component revenues recorded in accordance with fundraising events held during the fiscal year ended June 30, 2023:

Contributions	$ 510,980
Event revenue - exchange component	-
Event revenue - gross	510,980
Less - direct expenses	(58,800)
Event revenue, net of direct expenses	$ 452,180

NOTE 22: FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses include AmeriCorps, bank fees, construction/repair costs, depreciation, dues and subscription, employee benefits, insurance, interest, loan origination fee amortization, miscellaneous, mortgage amortization, office expense, payroll, payroll service, payroll taxes, postage and delivery, printing, professional fees, program expenses, rent, special event costs, telephone, tithe, training and education, travel, utilities and website. These expenses are allocated using a variety of cost allocation techniques, including square footage, direct association or use, and time and effort.

NOTE 23: COMMITMENTS AND CONTINGENCIES

On May 25, 2014, the Organization sold 16 mortgage loans. Under the terms of the transaction, the Organization received the net present value of the remaining payments. In addition, if the mortgaged property is sold before the 15th year anniversary, the buyer of the mortgages has agreed to pay to the Organization the difference between the mortgage loan amount, which was amortized over 30 years, and the payoff amount received.

In the event that a loan is delinquent, the Organization has agreed to reimburse the buyer of the mortgages the delinquent amount. As of June 30, 2023, the Organization has elected not to record a reserve amount for this contingent liability as the mortgage delinquency amount on the loans cannot be reasonably estimated.

The Pennsylvania Housing Finance Agency (PHFA), a state agency, assumed nine mortgages held by the Organization. The Organization is responsible for maintaining the mortgages by collecting the payments. Should a homeowner become delinquent, PHFA will require repayment and discontinue the agreement for that mortgage. As of June 30, 2023, the Organization was contingently liable for the balance of those mortgages totaling $45,833. However, as no homeowners are delinquent as of June 30, 2023, no amounts have been recorded.

NOTE 24: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023 are restricted for the following purposes:

Purpose Restrictions:	
Home repair program	$ 174,541
Office warehouse	5,000
Homeownership	68,040
Project with Philadelphia Insurance Companies	25,000
Time Restrictions:	
Non-current campaign pledges receivable	1,100
Non-current contributions receivable	1,020,000
Total	$ 1,293,681

NOTE 25: NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or the passage of time, as follows:

Purpose Restrictions:	
Home repair program	$ 149,412
Neighborhood revitalization	118,000
Time Restrictions:	
Non-current campaign pledges	303,334
Total	$ 570,746

NOTE 26: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization's financial assets as of June 30, 2023, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Current financial assets:	
Cash and cash equivalents	$ 9,736,764
Investments	1,033,519
Contributions and campaign pledges receivable, net - current	961,291
Accounts receivable, net	49,987
Mortgage receivable, net - current	153,324
Total current financial assets	11,934,885
Less: Net assets with donor restrictions for specified purposes and long term time restrictions	(982,581)
Financial assets available to meet general expenditures over the next twelve months	$ 10,952,304

NOTE 26: LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to donors. Thus, certain financial assets may not be available for general expenditures within one year.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a goal to maintain financial assets on hand to meet 180 days of normal operating expenses, which are, on average, approximately $4,400,000. Additionally, as discussed in Note 14, the Organization has a line of credit, which can be drawn upon in a time of liquidity need.

NOTE 27: LITIGATION

In the normal course of business, the Organization may be a party to lawsuits and claims arising out of the conduct of its business. While the ultimate results of lawsuits or other proceedings against the Organization cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial position or results of operations of the Organization.

NOTE 28: SOURCES AND TIMING OF REVENUE

The following table presents the Organization's revenues and support disaggregated by geography, product lines, and timing of revenue recognition.

Geographic Markets	
Pennsylvania	$ 2,456,604
Product Lines	
Sales to homeowners	$ 556,677
ReStore	1,695,852
Other revenue	123,337
Home repairs	80,738
Total exchange revenue	$ 2,456,604
Timing of Revenue Recognition	
Revenue recognized at a point in time	$ 2,456,604
Reconciliation to Consolidated Statement of Financial Position	
Non-exchange revenue	$ 6,262,271
Exchange revenue	2,456,604
Total revenues and support	$ 8,718,875

NOTE 29: PRIOR PERIOD ADJUSTMENTS

During fiscal year 2023, management discovered financial statement errors that caused an overstatement of previously reported net assets without donor restrictions as of June 30, 2022 of $232,195.

The errors primarily related to the incorrect recording of capitalized salaries in construction in progress and insurance expense. Additionally, management corrected other immaterial errors in expenses and revenue.

The following summarizes the prior period adjustments:

Net assets without donor restrictions balance at June 30, 2022, as previously reported		$ 14,547,388
Prior period adjustments for:		
Salary expense related to homes sold in FY22	(141,901)	
Insurance expense	(68,438)	
Other expenses	(41,856)	
FHLB construction revenue	20,000	
Total prior period adjustments		(232,195)
Net assets without donor restrictions balance at June 30, 2022, as restated		$ 14,315,193

Schedule I

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Financial Position
June 30, 2023

	Habitat for Humanity Philadelphia, Inc.	HFHP Funding Company 1, LLC	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 9,643,573	$ 93,191	$ -	$ 9,736,764
Restricted cash	12,430	-	-	12,430
Investments	1,033,519	-	-	1,033,519
Contributions and campaign pledges receivable, net - current	961,291	-	-	961,291
Accounts receivable, net	49,987	-	-	49,987
Mortgage receivable, net - current	120,228	33,096	-	153,324
Construction in progress	3,939,468	-	-	3,939,468
Prepaid expenses	92,912	-	-	92,912
Due to/from affiliate	-	556,363	(556,363)	-
Other current assets	50	-	-	50
Total current assets	15,853,458	682,650	(556,363)	15,979,745
Non-current assets:				
Contributions and campaign pledges receivable, net of current	684,046	-	-	684,046
Mortgage receivable, net of current	1,014,166	571,204	-	1,585,370
Completed houses under lease purchase	45,000	-	-	45,000
Deposits	10,000	-	-	10,000
Property and equipment, net	1,351,992	-	-	1,351,992
Investment in limited liability companies	1,364,889	-	-	1,364,889
Intangible asset - affiliate guaranty reserve, net	85,233	-	-	85,233
Right-of-use lease assets, net of amortization	1,668,453	-	-	1,668,453
Total non-current assets	6,223,779	571,204	-	6,794,983
Total assets	$ 22,077,237	$ 1,253,854	$ (556,363)	$ 22,774,728
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	$ 542,663	$ -	$ -	$ 542,663
Accrued payroll and payroll taxes	114,908	-	-	114,908
Accrued vacation	91,537	-	-	91,537
Accrued interest	1,478	-	-	1,478
Deferred revenue	1,177,709	-	-	1,177,709
Due to/from affiliate	556,363	-	(556,363)	-
Due to limited liability company	20,456	-	-	20,456
Notes payable - current	750,001	46,641	-	796,642
Operating lease liability, current portion	392,779	-	-	392,779
Financing lease liability, current portion	7,740	-	-	7,740
Total current liabilities	3,655,634	46,641	(556,363)	3,145,912
Long-term liabilities:				
Escrow deposits	117,990	-	-	117,990
Notes payable, related parties	1,717,999	-	-	1,717,999
Notes payable, net of current	574,924	1,157,998	-	1,732,922
Operating lease liability, net of current portion	1,296,906	-	-	1,296,906
Financing lease liability, net of current portion	23,456	-	-	23,456
Total long-term liabilities	3,731,275	1,157,998	-	4,889,273
Total liabilities	7,386,909	1,204,639	(556,363)	8,035,185
NET ASSETS				
Without donor restrictions	13,396,647	49,215	-	13,445,862
With donor restrictions	1,293,681	-	-	1,293,681
Total net assets	14,690,328	49,215	-	14,739,543
Total liabilities and net assets	$ 22,077,237	$ 1,253,854	$ (556,363)	$ 22,774,728

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Activities
For the year ended June 30, 2023

	Without donor restrictions			With donor restrictions	
	Habitat for Humanity Philadelphia, Inc.	**HFHP Funding Company 1, LLC**	**Consolidated**	**Habitat for Humanity Philadelphia, Inc.**	**Consolidated Totals**
Support and revenue:					
Contributions:					
Corporations and foundations	$ 2,328,087	$ -	$ 2,328,087	$ 1,254,394	$ 3,582,481
Campaign pledges	12,346	-	12,346	-	12,346
Individuals	886,356	-	886,356	18,040	904,396
Churches and schools	62,729	-	62,729	-	62,729
Government grants	400,000	-	400,000	-	400,000
Sales to homeowners	556,677	-	556,677	-	556,677
ReStore sales	1,695,852	-	1,695,852	-	1,695,852
Donated materials and services	615,199	-	615,199	-	615,199
Special events	510,980	-	510,980	-	510,980
Amortization of mortgage discount	124,004	50,136	174,140	-	174,140
Other revenue	123,337	-	123,337	-	123,337
Home repairs	80,738	-	80,738	-	80,738
Net assets released from restrictions	570,746	-	570,746	(570,746)	-
Total revenues and support	7,967,051	50,136	8,017,187	701,688	8,718,875
Expenses:					
Program services	6,521,661	-	6,521,661	-	6,521,661
Management and general	1,458,696	38,857	1,497,553	-	1,497,553
Fundraising	1,008,486	-	1,008,486	-	1,008,486
Total expenses	8,988,842	38,857	9,027,699	-	9,027,699
Change in net assets from operations	(1,021,791)	11,279	(1,010,512)	701,688	(308,824)
Non-operating income:					
Investment return, net of related expenses	138,681	-	138,681	-	138,681
Gain on sale of assets	2,500	-	2,500	-	2,500
Total non-operating income	141,181	-	141,181	-	141,181
Changes in net assets	(880,610)	11,279	(869,331)	701,688	(167,643)
Net assets, beginning of year, as restated (Note 29)	14,277,257	37,936	14,315,193	591,993	14,907,186
Net assets, end of year	$ 13,396,647	$ 49,215	$ 13,445,862	$ 1,293,681	$ 14,739,543

Schedule III

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Functional Expenses
For the year ended June 30, 2023

	Habitat for Humanity Philadelphia, Inc.							HFHP Funding Company I, LLC		
	Program Services									
	Home Ownership	Critical Home Repair	ReStore	Total Program Services	Management and General	Fundraising	Total	Management and General	Total	Consolidated Total
Payroll	1,446,262	312,201	615,163	$ 2,373,626	$ 671,573	$ 707,340	$ 3,752,539	$ -	$ -	$ 3,752,539
Construction/Repair Costs	589,204	1,104,307	214,818	1,908,330	10,336	618	1,919,284	-	-	1,919,284
Professional fees	452,075	1,400	8,276	461,751	193,369	3,600	658,720	-	-	658,720
Employee benefits	121,582	76,337	46,250	244,169	100,152	76,232	420,554	-	-	420,554
Mortgage amortization	342,285	-	-	342,285	1,107	-	343,392	-	-	343,392
Insurance	120,757	97,176	76,419	294,352	32,077	1,519	327,948	-	-	327,948
Payroll taxes	135,326	384	50,813	186,523	48,654	55,107	290,284	-	-	290,284
Program expenses	40,880	143	90,985	132,008	38,389	33,200	203,597	-	-	203,597
Miscellaneous	59,098	3,205	11,876	74,179	80,978	27,157	182,314	-	-	182,314
Rent	-	7,880	156,277	164,157	-	-	164,157	-	-	164,157
Depreciation	8,027	4,546	53,170	65,743	29,591	-	95,334	-	-	95,334
Dues and subscriptions	8,382	699	4,646	13,727	49,863	24,278	87,868	-	-	87,868
Interest	27,498	-	218	27,716	15,486	-	43,202	37,682	37,682	80,884
Travel	12,299	23,876	37,661	73,836	1,514	388	75,738	-	-	75,738
Office expense	3,278	140	24,195	27,613	38,921	617	67,151	-	-	67,151
Bank fees	4	-	35,318	35,322	13,338	7,230	55,891	-	-	55,891
Tithe	-	-	-	-	55,000	-	55,000	-	-	55,000
Special event costs	700	-	1,045	1,745	49	52,797	54,591	-	-	54,591
Utilities	6,420	2,587	24,713	33,720	8,073	-	41,793	-	-	41,793
Telephone	583	947	5,518	7,048	30,573	-	37,621	-	-	37,621
Americorps	18,999	4,980	-	23,979	1,299	-	25,278	-	-	25,278
Printing	6,915	-	2,781	9,695	3,348	12,009	25,052	-	-	25,052
Training and education	6,315	6,796	1,096	14,207	9,219	937	24,363	-	-	24,363
Payroll service	-	-	-	-	21,555	-	21,555	-	-	21,555
Loan origination fee amortization	5,025	-	-	5,025	1	-	5,026	1,175	1,175	6,201
Postage and delivery	311	5	60	376	4,232	327	4,934	-	-	4,934
Campaign	-	-	-	-	-	4,330	4,330	-	-	4,330
Website	-	-	-	-	-	800	800	-	-	800
Asset amortization	-	-	527	527	-	-	527	-	-	527
Total expenses	$ 3,412,225	$ 1,647,610	$ 1,461,826	$ 6,521,661	$ 1,458,696	$ 1,008,486	$ 8,988,842	$ 38,857	$ 38,857	$ 9,027,699