HABITAT FOR HUMANITY PHILADELPHIA, INC.
AND SUBSIDIARY

Consolidated Financial Statements and Supplementary Schedules

For the years ended June 30, 2022 and 2021

(With Independent Auditors' Report thereon)

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Table of Contents
June 30, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Habitat for Humanity Philadelphia, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Habitat for Humanity Philadelphia, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 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.'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.'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.'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.

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

February 21, 2023
Lakewood, New Jersey

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,469,550	$ 5,295,216
Restricted cash	1,620,956	-
Investments	882,351	84,351
Contributions and campaign pledges receivable, net - current	742,762	1,271,990
Accounts receivable, net	46,959	54,668
Mortgage receivable, net - current	126,507	156,236
Construction in progress	796,956	-
Prepaid expenses	141,564	54,780
Other current assets	49	50
Total current assets	15,827,654	6,917,291
Non-current assets:		
Campaign pledges receivable, net of current	331,503	60,298
Mortgage receivable, net of current	1,567,752	2,808,817
Completed houses under lease purchase	45,000	85,000
Deposits	10,000	10,000
Property and equipment, net	1,123,663	899,558
Investment in limited liability companies	1,366,366	-
Intangible asset - affiliate guaranty reserve	86,340	-
Total non-current assets	4,530,624	3,863,673
Total assets	$ 20,358,278	$ 10,780,964
Current liabilities:		
Accounts payable	$ 277,969	$ 352,576
Accrued payroll and payroll taxes	67,323	163,198
Accrued vacation	68,170	68,170
Accrued expenses	37,820	41,945
Deferred revenue	390,000	-
Due to limited liability company	6,819	-
Notes payable - current	1,345,265	53,929
PPP loan payable	-	516,854
Total current liabilities	2,193,366	1,196,672
Long-term liabilities:		
Escrow deposits	104,551	138,697
Nots payable, related parties	1,717,630	-
Notes payable, net of current	1,203,350	1,247,329
Total long-term liabilities	3,025,531	1,386,026
Total liabilities	5,218,897	2,582,698
NET ASSETS		
Without donor restrictions	14,547,388	7,536,899
With donor restrictions	591,993	661,367
Total net assets	15,139,381	8,198,266
Total liabilities and net assets	$ 20,358,278	$ 10,780,964

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Corporations and foundations	$ 3,130,036	$ 97,560	$ 3,227,596
Campaign pledges	1,810,751	309,003	2,119,754
Individuals	5,510,489	-	5,510,489
Churches and schools	55,125	7,000	62,125
Sales to homeowners	431,120	-	431,120
ReStore	1,545,332	-	1,545,332
Donated materials and services	995,328	-	995,328
Special events	453,038	-	453,038
Amortization of mortgage discount	173,798	-	173,798
Other revenue	60,489	-	60,489
Home repairs	23,190	-	23,190
Interest	19,740	-	19,740
Net assets released from restrictions	482,937	(482,937)	-
Total revenues and support	14,691,373	(69,374)	14,621,999
Expenses:			
Program services	6,296,098	-	6,296,098
Management and general	1,235,914	-	1,235,914
Fundraising	1,110,968	-	1,110,968
Total expenses	8,642,980	-	8,642,980
Change in net assets from operations	6,048,393	(69,374)	5,979,019
Non-operating income/(expense):			
Investment return, net of related expenses	(103,383)	-	(103,383)
Gain on forgiveness of PPP loan	516,854	-	516,854
Gain on sale of mortgages	724,849	-	724,849
Loss on sale of assets	(176,224)	-	(176,224)
Total non-operating income, net	962,096	-	962,096
Changes in net assets	7,010,489	(69,374)	6,941,115
Net assets, beginning of year	7,536,899	661,367	8,198,266
Net assets, end of year	$ 14,547,388	$ 591,993	$ 15,139,381

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Corporations and foundations	$ 3,271,603	$ 1,668,639	$ 4,940,242
Campaign pledges	822,900	17,723	840,623
Individuals	574,187	-	574,187
Churches and schools	61,989	-	61,989
Sales to homeowners	1,795,373	-	1,795,373
ReStore	1,450,797	-	1,450,797
Donated materials and services	563,047	-	563,047
Special events	507,960	-	507,960
Amortization of mortgage discount	180,179	-	180,179
Other revenue	63,197	-	63,197
Home repairs	24,780	-	24,780
Interest	10,418	-	10,418
Net assets released from restrictions	1,739,710	(1,739,710)	-
Total revenues and support	11,066,140	(53,348)	11,012,792
Expenses:			
Program	9,009,294	-	9,009,294
Administrative	905,115	-	905,115
Fundraising	797,330	-	797,330
Total expenses	10,711,739	-	10,711,739
Change in net assets from operations	354,401	(53,348)	301,053
Non-operating income/(expense):			
Investment return, net of related expenses	19,661	-	19,661
Loss on disposal of property and equipment	(2,665)	-	(2,665)
Total non-operating income, net	16,996	-	16,996
Changes in net assets	371,397	(53,348)	318,049
Net assets, beginning of year	7,165,502	714,715	7,880,217
Net assets, end of year	$ 7,536,899	$ 661,367	$ 8,198,266

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, 2022

	Program Services				Support Services		
	Home Ownership	Critical Home Repair	ReStore	Total Program Services	Management and General	Fundraising	Total
Payroll	$ 605,835	$ 840,346	$ 465,024	$ 1,911,205	$ 470,834	$ 633,093	$ 3,015,132
Construction/Repair Costs	-	1,345,302	186,630	1,531,932	-	-	1,531,932
Miscellaneous	697,220	496	7,319	705,035	146,712	118,126	969,873
Professional fees	589,959	47,347	-	637,306	79,483	-	716,789
Employee benefits	112,787	115,126	32,750	260,663	106,715	92,478	459,856
Program expenses	193,970	18,129	70,623	282,722	11,091	33,701	327,514
Payroll taxes	111,018	3,105	40,260	154,383	47,324	49,561	251,268
Mortgage amortization	196,389	-	-	196,389	-	-	196,389
Insurance	75,830	55,918	41,978	173,726	3,741	807	178,274
Rent	-	7,640	132,456	140,096	-	-	140,096
Dues and subscriptions	5,538	-	5,891	11,429	47,370	29,705	88,504
Training and education	7,769	2,556	459	10,784	60,004	9,502	80,290
Depreciation	4,323	5,898	35,621	45,842	27,480	-	73,322
Travel	15,478	15,006	39,036	69,520	1,988	298	71,806
Americorps	20,359	46,260	-	66,619	3,035	-	69,654
Special event costs	-	-	-	-	-	66,826	66,826
Office expense	1,715	-	23,070	24,785	37,429	619	62,833
Tithe	-	-	-	-	60,178	-	60,178
Campaign	-	-	-	-	-	51,075	51,075
Bank fees	873	-	22,448	23,321	10,215	14,246	47,782
Interest	-	-	-	-	45,932	-	45,932
Utilities	10,857	-	24,028	34,885	9,060	-	43,945
Telephone	1,660	150	4,947	6,757	33,803	570	41,130
Printing	8,338	42	-	8,380	1,044	10,140	19,564
Payroll service	-	-	-	-	16,420	-	16,420
Loan origination fee amortization	-	-	-	-	7,817	-	7,817
Postage and delivery	286	13	20	319	6,024	221	6,564
Debt issuance costs	-	-	-	-	2,215	-	2,215
Total expenses	$ 2,660,204	$ 2,503,334	$ 1,132,560	$ 6,296,098	$ 1,235,914	$ 1,110,968	$ 8,642,980

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, 2021

	Program Services				Support Services		
	Home Ownership	Critical Home Repair	ReStore	Total Program Services	Management and General	Fundraising	Total
Construction/repair costs	$ 3,808,136	$ 857,619	$ 250	$ 4,666,005	$ -	$ -	$ 4,666,005
Payroll	491,793	749,516	342,831	1,584,140	334,652	549,489	2,468,281
Mortgage amortization	784,895	-	-	784,895	-	-	784,895
Program expenses	409,123	9,094	70,865	489,082	7,516	23,858	520,456
Employee benefits	89,589	103,461	28,125	221,175	77,042	85,025	383,242
Professional fees	165,790	41,427	-	207,217	128,731	7,500	343,448
Office expense	2,060	44	249,918	252,022	37,084	439	289,545
Payroll taxes	100,451	3,980	31,242	135,673	41,308	43,159	220,140
Insurance	81,795	63,924	42,204	187,923	2,460	1,056	191,439
Rent	-	6,875	132,456	139,331	-	-	139,331
Miscellaneous	57,768	204	5,988	63,960	52,291	2,659	118,910
Depreciation	4,323	5,898	37,562	47,783	31,588	-	79,371
Bank fees	7,922	-	34,828	42,750	9,498	12,194	64,442
Travel	3,829	7,166	41,878	52,873	45	195	53,113
Tithe	-	-	-	-	52,500	-	52,500
Utilities	20,721	1,393	23,308	45,422	5,618	-	51,040
Dues and subscriptions	4,124	175	4,534	8,833	20,018	18,231	47,082
Telephone	2,120	1,026	5,665	8,811	36,456	810	46,077
Americorps	42,021	1,042	-	43,063	2,285	-	45,348
Interest	1,227	-	-	1,227	42,733	-	43,960
Special event costs	-	-	-	-	-	36,072	36,072
Loan origination fee amortization	14,607	-	-	14,607	1,176	-	15,783
Payroll service	-	-	-	-	11,982	-	11,982
Printing	4,123	-	-	4,123	287	7,183	11,593
Training and education	1,150	5,841	-	6,991	3,063	465	10,519
Postage and delivery	43	-	1,345	1,388	6,782	419	8,589
Campaign	-	-	-	-	-	8,276	8,276
Website	-	-	-	-	-	300	300
Total expenses	$ 6,097,610	$ 1,858,685	$ 1,052,999	$ 9,009,294	$ 905,115	$ 797,330	$ 10,711,739

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

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 6,396,115	$ 318,049
Items which did not use cash:		
Depreciation of property and equipment	73,323	79,371
Donation of construction in progress	-	(28,761)
Realized loss on investments	482	-
Unrealized loss/(gain) on investments	198,389	(19,661)
Issuance of mortgage receivables	(326,045)	(1,062,482)
Amortization of mortgage discount	(173,798)	(180,179)
Mortgages receivable discount expense	961,260	383,242
Amortization of loan origination fee	1,176	15,783
Loss on disposal of property and equipment	176,224	2,665
Gain on sale of mortgages	(724,849)	-
Change in present value discount on contributions receivable	7,111	(11,260)
Bad debt expense/(recovery)	107,850	(50,942)
Gain on forgiveness of Economic Disaster Injury Loan	(10,000)	-
Gain on forgiveness of PPP loan	(516,854)	-
Working capital changes which (used)/provided cash:		
Accounts receivable	7,709	13,659
Campaign pledges receivable	143,063	(559,038)
Construction in progress	(796,956)	(2,025,889)
Inventory of homes	40,000	4,056,451
Prepaid expenses	(86,784)	(29,496)
Other current assets	1	12,927
Intangible asset - affiliate guaranty reserve	(86,340)	-
Accounts payable	(74,607)	124,071
Accrued payroll and payroll taxes	(95,875)	26,009
Accrued vacation	-	(10,064)
Accrued expenses	(4,125)	(9,377)
Deferred revenue	390,000	-
Due to limited liability company	6,819	
Escrow deposits	(34,146)	(10,829)
Net cash from operating activities	5,579,143	1,034,249
Cash flows from investing activities:		
Purchase of property and equipment	(457,215)	(61,719)
Proceeds from sale of property and equipment	528,563	-
Proceeds from sale of mortgages	1,225,436	-
Proceeds from mortgage receivables	308,789	430,872
Purchase of investments	(1,335,474)	(69,007)
Sale of investments	338,603	78,634
Investment in limited liability companies	(1,366,366)	-
Net cash from investing activities	(757,664)	378,780
Cash flows from financing activities:		
Repayment of construction loan payable	-	(321,977)
Issuance of debt	3,148,306	-
Repayment of notes payable	(43,819)	(238,320)
Payment of debt issuance costs	(130,676)	-
Net cash from financing activities	2,973,811	(560,297)
Net increase in cash	7,795,290	852,732
Cash and cash equivalents, beginning of year	5,295,216	4,442,484
Cash and cash equivalents, end of year	$ 13,090,506	$ 5,295,216
Other Supplementary Information:		
Interest paid	$ 43,960	$ 43,960
Supplemental disclosure of non-cash activities		
Donation of property included in property and equipment	$ 545,000	$ -

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.

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. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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 statements 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.

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 statements 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 years ended June 30, 2022 and 2021 was 7.49% and 7.23%, respectively. 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, 2022 and 2021. Accordingly, no allowance for loan losses is reported as of June 30, 2022 and 2021 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.

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.

Contributions

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 statements of financial position for the amount of funds provided by the donor.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions (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.

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. During the years ended June 30, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the consolidated financial statements totaled $606,981 and $39,491, respectively.

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. During the years ended June 30, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the consolidated financial statements totaled $388,347 and $523,556, respectively.

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

Land, building and building improvements, leasehold improvements 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 building improvements	15-32 years
Leasehold improvements	15-30 years
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 both June 30, 2022 and 2021, the Organization had accrued vacation totaling $68,170.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Policy

Investments of the Organization are reported at fair market value as of June 30, 2022 and 2021. Investment earnings on the consolidated statements of activities include interest, dividends and gains and loses on the sale of assets. Change in market value of assets held is reported as unrealized gains and losses.

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.

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).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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 statements of activities.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements

Recently Issued Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The new ASU will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and lease back transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This standard will be effective for nonpublic businesses for fiscal years beginning after December 15, 2021. Early implementation will be permitted. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the consolidated financial statements and related disclosures.

Recently Issued Pronouncements Adopted in the Current Year

In September 2020, the FASB issued ASU 2020-07, *Not for Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. The Organization adopted the guidance under ASU 2020-07 during the fiscal year ended June 30, 2022.

Subsequent Events

The Organization has evaluated subsequent events occurring June 30, 2022 through February 21, 2023, which is the date the consolidated financial statements were available to be issued.

NOTE 3: CASH

The deposits held by the Organization consisted of demand deposits totaling $13,090,506 and $5,295,216 as of June 30, 2022 and 2021, respectively.

NOTE 3: CASH (continued)

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

	2022	2021
Cash and equivalents	$ 11,469,550	$ 5,295,216
Restricted cash	1,620,956	-
Total cash and restricted cash shown in the consolidated statement of cash flows	$ 13,090,506	$ 5,295,216

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 $13,067,711 and $5,395,125 at June 30, 2022 and 2021, respectively. Of the bank balances, $1,558,739 and $1,247,938 was fully insured by depository insurance at June 30, 2022 and 2021, respectively.

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.

NOTE 4: MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Mortgages receivable	$ 5,553,844	$ 6,823,159
Less: unamortized mortgage discount	(3,859,585)	(3,858,106)
Total net mortgages receivable	1,694,259	2,965,053
Less: current portion	(126,507)	(156,236)
Long-term portion	$ 1,567,752	$ 2,808,817

NOTE 4: MORTGAGES RECEIVABLE (continued)

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:

2023	$ 297,362
2024	287,776
2025	284,123
2026	278,021
2027	272,935
Thereafter	4,133,627
Total	$ 5,553,844

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Home repair program receivable	$ 60,626	$ 68,334
Less: allowance for doubtful accounts	(13,667)	(13,666)
Total accounts receivable, net	$ 46,959	$ 54,668

NOTE 6: INVESTMENTS

Investments consisted of the following as of June 30, 2022 and 2021:

	Investments at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Registered investment companies	$ 520,501	$ -	$ -	$ 520,501
Intermediate-term bonds	361,850	-	-	361,850
Total investments at fair value	$ 882,351	$ -	$ -	$ 882,351

	Investments at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Registered investment companies	$ 84,351	$ -	$ -	$ 84,351
Total investments at fair value	$ 84,351	$ -	$ -	$ 84,351

NOTE 7: INVESTMENT IN LIMITED LIABILITY COMPANY

The investments in the limited liability companies on the consolidated statements 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.

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, 2022 and 2021, the balances of the intangible asset and accumulated amortization are as follows:

	2022	2021
Affiliate guaranty fee	$ 92,981	$ -
Less: accumulated amortization	(6,641)	-
Intangible asset - affiliate guaranty reserve	$ 86,340	$ -

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

2023	$ 13,283
2024	13,283
2025	13,283
2026	13,283
2027	13,283
Thereafter	19,925
Total	$ 86,340

NOTE 9: CONTRIBUTIONS AND CAMPAIGN PLEDGES RECEIVABLE, NET

Contributions and campaign pledges receivable consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Contributions receivable - current	$ 340,412	$ 902,334
Campaign pledges expected to be collected in:		
Less than one year	550,910	477,964
One year to five years	341,891	63,575
Total campaign pledges receivable	892,801	541,539
Less: present value discount at a rate of 4%	(10,388)	(3,277)
Less: allowance for uncollectible amounts	(148,560)	(108,308)
Total campaign pledges receivable, net	733,853	429,954
Contributions and campaign pledges receivable, net	1,074,265	1,332,288
Less: current portion	(742,762)	(1,271,990)
Long-term portion	$ 331,503	$ 60,298

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, 2022 and 2021 totaled $796,956 and $-0-, respectively.

NOTE 11: PROPERTY AND EQUIPMENT

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

	2022	2021
Land	$ 320,982	$ 350,395
Buildings and improvements	330,853	339,853
Leasehold improvements	422,673	386,423
Office equipment	339,092	71,924
Construction equipment	-	27,728
Transportation equipment	227,341	204,779
	1,640,941	1,381,102
Less: accumulated depreciation	(517,278)	(481,544)
Total property and equipment, net	$ 1,123,663	$ 899,558

Depreciation expense for the years ended June 30, 2022 and 2021 totaled $73,323 and $79,371, respectively.

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 and a down payment to reduce the mortgage they will assume. The balance as of June 30, 2022 and 2021 totaled $45,000 and $85,000, respectively.

NOTE 13: DEFERRED REVENUE

Contributions and campaign pledges receivable were $1,074,265 and $1,332,288 as of June 30, 2022 and 2021, respectively. An allowance is maintained for receivables which is generally based on the number of days outstanding. These receivables from donors are included in contributions and campaign pledges receivable, net on the Organization's consolidated statements of financial position.

Deferred revenue represents payments received in advance of satisfying certain donor-imposed conditions on funding. The balance as of June 30, 2022 and 2021 totaled $390,000 and $-0-, respectively and is presented as deferred revenue on the Organization's consolidated statements of financial position. There was no revenue recognized relating to deferred revenue balances during the years ended June 30, 2022 and 2021.

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, 2022 and 2021 was 5.75% and 3.75%, respectively. The line of credit is due and payable in full upon demand by the lender. In September of 2020, the line of credit was increased to $1,000,000. As of June 30, 2022 and 2021, there were no balances 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 $1,717,630 (net of unamortized debt issuance costs of $130,676) as of June 30, 2022 and $-0- as of June 30, 2021. 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, 2022.

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, 2022 and 2021:

	2022	2021
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 fees. The note is secured by $684,110 of mortgages receivable (net of discount of $1,202,095) as of June 30, 2021 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.	$ 1,276,649	$ 1,320,468
On April 20, 2020, the Organization was advanced an economic injury loan for $10,000 from the U.S. Small Business Administration in response to the COVID-19 pandemic to be used for working capital and normal operating expenses. This loan was fully forgiven in November 2021.	-	10,000
On May 6, 2022, the Organization obtained an unsecured, interest free, note payable in the amount of $1,300,000 from Habitat Mortgage Solutions, LLC. The loan is to be paid in full at maturity. The note matured December 31, 2022 and was paid in full in December 2022.	1,300,000	-
Total notes payable	2,576,649	1,330,468
Less: current portion	(1,345,265)	(53,929)
Less: unamortized loan origination costs	(28,034)	(29,210)
Long-term portion, net	$ 1,203,350	$ 1,247,329

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

2023	$ 1,345,265
2024	46,641
2025	48,060
2026	49,522
2027	51,028
Thereafter	1,036,133
Total	$ 2,576,649

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 years ended June 30, 2022 and 2021, the Organization remitted amounts totaling $60,178 and $52,500, respectively.

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. All funds contributed are 100% vested in the employee's name. The Organization provides an employer matching contribution of 3% of the employees' salary. The annual contribution for the years ended June 30, 2022 and 2021 totaled $58,975 and $53,419, respectively.

NOTE 19: LEASE OBLIGATIONS

The Organization leases space for two Restore locations, as well as a garage for storage, a forklift, and copiers. The last lease expires February 2030. Future minimum lease payments for the fiscal years ended June 30 are as follows:

2023	$ 191,202
2024	307,538
2025	307,844
2026	248,690
2027	189,536
Thereafter	665,426
	$ 1,910,234

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, 2022 and 2021:

Donated Item	2022	2021	Usage	Restriction	Technique
Home - 207 Mercer Street	$ 545,000	$ -	To provide a home for a single family	None	Appraisal value per appraisal performed by O'Hara Appraisals at time of donation
Professional services	280,130	483,279	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	99,382	40,277	Management and general	None	Value of services provided using donor's typical service rate
Video technology services	4,335	-	Special events	Building Hope Luncheon	Actual value of services provided using donor's typical service rate
Speaking and training services	4,500	-	Management and general	None	Actual value of services provided using donor's typical service rate
Materials and supplies	56,063	35,010	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	5,918	3,230	Special events	Auction	Actual value of item gifted as noted on receipt, tag, etc.
Miscellaneous	-	1,251	Management and general	None	Estimated value provided by donor
Total Donated Materials and Services	$ 995,328	$ 563,047			

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.

See below for approximated contribution and exchange component revenues recorded in accordance with fundraising events held during the fiscal years ended June 30, 2022 and 2021:

	2022	2021
Contributions	$ 453,038	$ 507,960
Event revenue - exchange component	-	-
Event revenue - gross	453,038	507,960
Less - direct expenses	(117,901)	(44,348)
Event revenue, net of direct expenses	$ 335,137	$ 463,612

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: SALE OF MORTGAGE RECEIVABLES

On July 15, 2021, the Organization sold 10 mortgage loans. Under the terms of the transaction, the Organization received the net present value of the remaining payments. As of July 15, 2021, these mortgages had a balance of $1,250,445, less unamortized mortgage discount of $749,847 for a net value of $500,588. This transaction resulted in a gain of $724,848.

NOTE 24: PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization was granted a loan of $516,854, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act. The loan, which was in the form of a Note dated May 5, 2020, matures in May 5, 2022 and bears interest at a rate of 1.00% per annum, commencing November 5, 2020. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses during the eligibility period as described in the CARES Act. The Organization received full forgiveness of the PPP in August 2021. The full amount of proceeds is recorded as non-operating income in the accompanying consolidated statements of activities.

NOTE 25: 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, 2022 and 2021, 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, 2022 and 2021, the Organization was contingently liable for the balance of those mortgages totaling $56,650 and $67,744, respectively. However, as no homeowners are delinquent as of June 30, 2022 and 2021, no amounts have been recorded.

NOTE 26: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 and 2021 are restricted for the following purposes:

	2022	2021
Purpose Restrictions:		
Home repair program	$ 169,560	$ 396,669
Neighborhood revitalization	118,000	118,000
DEI project	-	50,000
Office warehouse	-	30,000
House sponsorships	-	6,400
Time Restrictions:		
Non-current campaign pledges	304,433	60,298
Total	$ 591,993	$ 661,367

NOTE 27: 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:

	2022	2021
Purpose Restrictions:		
Home repair program	$ 331,670	$ 853,111
Construction	-	404,669
Neighborhood revitalization	-	127,500
General operating	-	8,000
Home ownership	-	85,000
House sponsorships	6,400	-
Office warehouse	30,000	-
DEI project	50,000	-
Time Restrictions:		
Non-current campaign pledges	64,867	261,430
Total	$ 482,937	$ 1,739,710

NOTE 28: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization's financial assets as of June 30, 2022 and 2021, 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.

	2022	2021
Current financial assets:		
Cash and cash equivalents	$ 13,090,506	$ 5,295,216
Investments	882,351	84,351
Contributions and campaign pledges receivable, net - current	742,762	1,271,990
Accounts receivable, net	46,959	54,668
Mortgage receivable, net - current	159,603	156,236
Total current financial assets	14,922,181	6,862,461
Less: Net assets with donor restrictions for specified purposes	(287,560)	(601,069)
Financial assets available to meet general expenditures over the next twelve months	$ 14,634,621	$ 6,261,392

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.

NOTE 29: LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

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 $4,265,000. Additionally, as discussed in Note 13, the Organization has a line of credit, which can be drawn upon in a time of liquidity need.

NOTE 30: CONCENTRATIONS

During the year ended June 30, 2022, the Organization received 17% of its total revenues and support from the Federal Home Loan Bank of Pittsburgh for home repairs and construction. During the year ended June 30, 2021, there was no concentration of total revenues and support for home repairs and construction.

During the year ended June 30, 2022, the Organization received 32% of its total revenues and support from one donor. During the year ended June 30, 2021, there was no concentration of total revenues and support from any donors.

NOTE 31: 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 32: SOURCES AND TIMING OF REVENUE

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

	2022	2021
Geographic Markets		
Pennsylvania	$ 2,060,131	$ 3,334,147
Product Lines		
Sales to homeowners	$ 431,120	$ 1,795,373
ReStore	1,545,332	1,450,797
Other revenue	60,489	63,197
Home repairs	23,190	24,780
Total exchange revenue	$ 2,060,131	$ 3,334,147
Timing of Revenue Recognition		
Revenue recognized at a point in time	$ 2,060,131	$ 3,334,147
Reconciliation to Consolidated Statements of Financial Position		
Non-exchange revenue	$ 12,563,288	$ 7,678,645
Exchange revenue	2,060,131	3,334,147
Total support and revenues	$ 14,623,419	$ 11,012,792

Schedule I

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Financial Position
June 30, 2022

	Habitat for Humanity Philadelphia, Inc.	HFHP Funding Company 1, LLC	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,410,873	$ 58,677	$ -	$ 11,469,550
Restricted cash	1,620,956	-	-	1,620,956
Investments	882,351	-	-	882,351
Contributions and campaign pledges receivable, net - current	742,762	-	-	742,762
Accounts receivable, net	46,959	-	-	46,959
Mortgage receivable, net - current	93,411	33,096	-	126,507
Construction in progress	796,956	-	-	796,956
Prepaid expenses	141,564	-	-	141,564
Due to/from affiliate	-	583,870	(583,870)	-
Other current assets	49	-	-	49
Total current assets	15,735,881	675,643	(583,870)	15,827,654
Non-current assets:				
Campaign pledges receivable, net of current	331,503	-	-	331,503
Mortgage receivable, net of current	956,844	610,908	-	1,567,752
Completed houses under lease purchase	45,000	-	-	45,000
Deposits	10,000	-	-	10,000
Property and equipment, net	1,123,663	-	-	1,123,663
Investment in limited liability companies	1,366,366	-	-	1,366,366
Intangible asset - affiliate guaranty reserve	86,340	-	-	86,340
Total non-current assets	3,919,716	610,908	-	4,530,624
Total assets	$ 19,655,597	$ 1,286,551	$ (583,870)	$ 20,358,278
LIABILITIES				
Current liabilities:				
Accounts payable	$ 277,969	$ -	$ -	$ 277,969
Accrued payroll and payroll taxes	67,323	-	-	67,323
Accrued vacation	68,170	-	-	68,170
Accrued expenses	37,820	-	-	37,820
Deferred revenue	390,000	-	-	390,000
Due to/from affiliate	583,870	-	(583,870)	-
Due to limited liability company	6,819	-	-	6,819
Notes payable - current	1,300,000	45,265	-	1,345,265
Total current liabilities	2,731,971	45,265	(583,870)	2,193,366
Long-term liabilities:				
Escrow deposits	104,551	-	-	104,551
Notes payable, related parties	1,717,630	-	-	1,717,630
Notes payable, net of current	-	1,203,350	-	1,203,350
Total long-term liabilities	1,822,181	1,203,350	-	3,025,531
Total liabilities	4,554,152	1,248,615	(583,870)	5,218,897
NET ASSETS				
Without donor restrictions	14,509,452	37,936	-	14,547,388
With donor restrictions	591,993	-	-	591,993
Total net assets	15,101,445	37,936	-	15,139,381
Total liabilities and net assets	$ 19,655,597	$ 1,286,551	$ (583,870)	$ 20,358,278

Schedule II

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Financial Position
June 30, 2021

	Habitat for Humanity Philadelphia, Inc.	HFHP Funding Company 1, LLC	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,236,539	$ 58,677	$ -	$ 5,295,216
Investments	84,351	-	-	84,351
Contributions and campaign pledges receivable, net - current	1,271,990	-	-	1,271,990
Accounts receivable, net	54,668	-	-	54,668
Mortgage receivable, net - current	156,236	-	-	156,236
Prepaid expenses	54,780	-	-	54,780
Due to/from affiliate	-	576,564	(576,564)	-
Other current assets	50	-	-	50
Total current assets	6,858,614	635,241	(576,564)	6,917,291
Non-current assets:				
Campaign pledges receivable, net of current	60,298	-	-	60,298
Mortgage receivable, net of current	2,121,091	687,726	-	2,808,817
Completed houses under lease purchase	85,000	-	-	85,000
Deposits	10,000	-	-	10,000
Property and equipment, net	899,558	-	-	899,558
Total non-current assets	3,175,947	687,726	-	3,863,673
Total assets	$ 10,034,561	$ 1,322,967	$ (576,564)	$ 10,780,964
LIABILITIES				
Current liabilities:				
Accounts payable	$ 352,576	$ -	$ -	$ 352,576
Accrued payroll and payroll taxes	163,198	-	-	163,198
Accrued vacation	68,170	-	-	68,170
Accrued expenses	41,945	-	-	41,945
Due to/from affiliate	576,564	-	(576,564)	-
Notes payable - current	10,000	43,929	-	53,929
PPP loan payable	516,854	-	-	516,854
Total current liabilities	1,729,307	43,929	(576,564)	1,196,672
Long-term liabilities:				
Escrow deposits	138,697	-	-	138,697
Notes payable, net of current	-	1,247,329	-	1,247,329
Total long-term liabilities	138,697	1,247,329	-	1,386,026
Total liabilities	1,868,004	1,291,258	(576,564)	2,582,698
NET ASSETS				
Without donor restrictions	7,505,190	31,709	-	7,536,899
With donor restrictions	661,367	-	-	661,367
Total net assets	8,166,557	31,709	-	8,198,266
Total liabilities and net assets	$ 10,034,561	$ 1,322,967	$ (576,564)	$ 10,780,964

Schedule III

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Activities
For the year ended June 30, 2022

	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	$ 3,130,036	$ -	$ 3,130,036	$ 97,560	$ 3,227,596
Campaign pledges	1,810,751	-	1,810,751	309,003	2,119,754
Individuals	5,510,489	-	5,510,489	-	5,510,489
Churches and schools	55,125	-	55,125	7,000	62,125
Sales to homeowners	431,120	-	431,120	-	431,120
ReStore	1,545,332	-	1,545,332	-	1,545,332
Donated materials and services	995,328	-	995,328	-	995,328
Special events	453,038	-	453,038	-	453,038
Amortization of mortgage discount	123,662	50,136	173,798	-	173,798
Other revenue	60,489	-	60,489	-	60,489
Home repairs	23,190	-	23,190	-	23,190
Interest	19,740	-	19,740	-	19,740
Net assets released from restrictions	482,937	-	482,937	(482,937)	-
Total revenues and support	14,641,237	50,136	14,691,373	(69,374)	14,621,999
Expenses:					
Program services	6,296,098	-	6,296,098	-	6,296,098
Management and general	1,192,005	43,909	1,235,914	-	1,235,914
Fundraising	1,110,968	-	1,110,968	-	1,110,968
Total expenses	8,599,071	43,909	8,642,980	-	8,642,980
Change in net assets from operations	6,042,166	6,227	6,048,393	(69,374)	5,979,019
Non-operating income/(expense):					
Investment return, net of related expenses	(103,383)	-	(103,383)	-	(103,383)
Gain on forgiveness of PPP loan	516,854	-	516,854	-	516,854
Gain on sale of mortgages	724,849	-	724,849	-	724,849
Loss on sale of assets	(176,224)	-	(176,224)	-	(176,224)
Total non-operating income, net	962,096	-	962,096	-	962,096
Changes in net assets	7,004,262	6,227	7,010,489	(69,374)	6,941,115
Net assets, beginning of year	7,505,190	31,709	7,536,899	661,367	8,198,266
			-		
Net assets, end of year	$ 14,509,452	$ 37,936	$ 14,547,388	$ 591,993	$ 15,139,381

Schedule IV

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Activities
For the year ended June 30, 2021

	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	$ 3,271,603	$ -	$ 3,271,603	$ 1,668,639	$ 4,940,242
Campaign pledges	822,900	-	822,900	17,723	840,623
Individuals	574,187	-	574,187	-	574,187
Churches and schools	61,989	-	61,989	-	61,989
Sales to homeowners	1,795,373	-	1,795,373	-	1,795,373
ReStore	1,450,797	-	1,450,797	-	1,450,797
Donated materials and services	563,047	-	563,047	-	563,047
Special events	507,960	-	507,960	-	507,960
Amortization of mortgage discount	130,043	50,136	180,179	-	180,179
Other revenue	63,197	-	63,197	-	63,197
Home repairs	24,780	-	24,780	-	24,780
Interest	10,418	-	10,418	-	10,418
Net assets released from restrictions	1,739,710	-	1,739,710	(1,739,710)	-
Total revenues and support	11,016,004	50,136	11,066,140	(53,348)	11,012,792
Expenses:					
Program services	9,009,294	-	9,009,294	-	9,009,294
Management and general	861,206	43,909	905,115	-	905,115
Fundraising	797,330	-	797,330	-	797,330
Total expenses	10,667,830	43,909	10,711,739	-	10,711,739
Change in net assets from operations	348,174	6,227	354,401	(53,348)	301,053
Non-operating income/(expense):					
Investment return, net of related expenses	19,661	-	19,661	-	19,661
Loss on disposal of property and equipment	(2,665)	-	(2,665)	-	(2,665)
Total non-operating income, net	16,996	-	16,996	-	16,996
Changes in net assets	365,170	6,227	371,397	(53,348)	318,049
Net assets, beginning of year	7,140,020	25,482	7,165,502	714,715	7,880,217
Net assets, end of year	$ 7,505,190	$ 31,709	$ 7,536,899	$ 661,367	$ 8,198,266

Schedule V

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Functional Expenses
For the year ended June 30, 2022

	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	$ 605,835	$ 840,346	$ 465,024	$ 1,911,205	$ 470,834	$ 633,093	$ 3,015,132	$ -	$ -	$ 3,015,132
Construction/Repair Costs	-	1,345,302	186,630	1,531,932	-	-	1,531,932	-	-	1,531,932
Miscellaneous	697,220	496	7,319	705,035	146,712	118,126	969,873	-	-	969,873
Professional fees	589,959	47,347	-	637,306	79,483	-	716,789	-	-	716,789
Employee benefits	112,787	115,126	32,750	260,663	106,715	92,478	459,856	-	-	459,856
Program expenses	193,970	18,129	70,623	282,722	11,091	33,701	327,514	-	-	327,514
Payroll taxes	111,018	3,105	40,260	154,383	47,324	49,561	251,268	-	-	251,268
Mortgage amortization	196,389	-	-	196,389	-	-	196,389	-	-	196,389
Insurance	75,830	55,918	41,978	173,726	3,741	807	178,274	-	-	178,274
Rent	-	7,640	132,456	140,096	-	-	140,096	-	-	140,096
Dues and subscriptions	5,538	-	5,891	11,429	47,370	29,705	88,504	-	-	88,504
Training and education	7,769	2,556	459	10,784	60,004	9,502	80,290	-	-	80,290
Depreciation	4,323	5,898	35,621	45,842	27,480	-	73,322	-	-	73,322
Travel	15,478	15,006	39,036	69,520	1,988	298	71,806	-	-	71,806
Americorps	20,359	46,260	-	66,619	3,035	-	69,654	-	-	69,654
Special event costs	-	-	-	-	-	66,826	66,826	-	-	66,826
Office expense	1,715	-	23,070	24,785	37,429	619	62,833	-	-	62,833
Tithe	-	-	-	-	60,178	-	60,178	-	-	60,178
Campaign	-	-	-	-	-	51,075	51,075	-	-	51,075
Bank fees	873	-	22,448	23,321	10,215	14,246	47,782	-	-	47,782
Interest	-	-	-	-	3,199	-	3,199	42,733	42,733	45,932
Utilities	10,857	-	24,028	34,885	9,060	-	43,945	-	-	43,945
Telephone	1,660	150	4,947	6,757	33,803	570	41,130	-	-	41,130
Printing	8,338	42	-	8,380	1,044	10,140	19,564	-	-	19,564
Payroll service	-	-	-	-	16,420	-	16,420	-	-	16,420
Loan origination fee amortization	-	-	-	-	6,641	-	6,641	1,176	1,176	7,817
Postage and delivery	286	13	20	319	6,024	221	6,564	-	-	6,564
Debt issuance costs	-	-	-	-	2,215	-	2,215	-	-	2,215
Total expenses	$ 2,660,204	$ 2,503,334	$ 1,132,560	$ 6,296,098	$ 1,192,005	$ 1,110,968	$ 8,599,071	$ 43,909	$ 43,909	$ 8,642,980

Schedule V

HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY
Consolidating Statement of Functional Expenses
For the year ended June 30, 2021

	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
Construction/repair costs	$ 3,808,136	$ 857,619	$ 250	$ 4,666,005	$ -	$ -	$ 4,666,005	$ -	$ -	$ 4,666,005
Payroll	491,793	749,516	342,831	1,584,140	334,652	549,489	2,468,281	-	-	2,468,281
Mortgage amortization	784,895	-	-	784,895	-	-	784,895	-	-	784,895
Program expenses	409,123	9,094	70,865	489,082	7,516	23,858	520,456	-	-	520,456
Employee benefits	89,589	103,461	28,125	221,175	77,042	85,025	383,242	-	-	383,242
Professional fees	165,790	41,427	-	207,217	128,731	7,500	343,448	-	-	343,448
Office expense	2,060	44	249,918	252,022	37,084	439	289,545	-	-	289,545
Payroll taxes	100,451	3,980	31,242	135,673	41,308	43,159	220,140	-	-	220,140
Insurance	81,795	63,924	42,204	187,923	2,460	1,056	191,439	-	-	191,439
Rent	-	6,875	132,456	139,331	-	-	139,331	-	-	139,331
Miscellaneous	57,768	204	5,988	63,960	52,291	2,659	118,910	-	-	118,910
Depreciation	4,323	5,898	37,562	47,783	31,588	-	79,371	-	-	79,371
Bank fees	7,922	-	34,828	42,750	9,498	12,194	64,442	-	-	64,442
Travel	3,829	7,166	41,878	52,873	45	195	53,113	-	-	53,113
Tithe	-	-	-	-	52,500	-	52,500	-	-	52,500
Utilities	20,721	1,393	23,308	45,422	5,618	-	51,040	-	-	51,040
Dues and subscriptions	4,124	175	4,534	8,833	20,018	18,231	47,082	-	-	47,082
Telephone	2,120	1,026	5,665	8,811	36,456	810	46,077	-	-	46,077
Americorps	42,021	1,042	-	43,063	2,285	-	45,348	-	-	45,348
Interest	1,227	-	-	1,227	-	-	1,227	42,733	42,733	43,960
Special event costs	-	-	-	-	-	36,072	36,072	-	-	36,072
Loan origination fee amortization	14,607	-	-	14,607	-	-	14,607	1,176	1,176	15,783
Payroll service	-	-	-	-	11,982	-	11,982	-	-	11,982
Printing	4,123	-	-	4,123	287	7,183	11,593	-	-	11,593
Training and education	1,150	5,841	-	6,991	3,063	465	10,519	-	-	10,519
Postage and delivery	43	-	1,345	1,388	6,782	419	8,589	-	-	8,589
Campaign	-	-	-	-	-	8,276	8,276	-	-	8,276
Website	-	-	-	-	-	300	300	-	-	300
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Total expenses	$ 6,097,610	$ 1,858,685	$ 1,052,999	$ 9,009,294	$ 861,206	$ 797,330	$ 10,667,830	$ 43,909	$ 43,909	$ 10,711,739