HABITAT FOR HUMANITY
OF EAST JEFFERSON COUNTY

Audited Consolidated Financial Statements

June 30, 2024 and 2023

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

Audited Consolidated Financial Statements

June 30, 2024 and 2023

JOHNSON STONE & PAGANO, P.S.
CERTIFIED PUBLIC ACCOUNTANTS
1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report

Board of Directors
Habitat for Humanity of East Jefferson County
Port Townsend, Washington

Opinion
We have audited the consolidated financial statements of Habitat for Humanity of East Jefferson County (a nonprofit organization) ("Habitat"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Habitat as of June 30, 2024 and 2023, 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 ("U.S. GAAP").

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 U.S. GAAS 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 U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

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

Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.
Fircrest, Washington

November 21, 2024

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	$ 901,349	$ 399,482
Grants and other receivables	961,767	48,316
Contributions receivable, current portion	608,000	380,176
Inventory held for sale - Furniture and More stores	49,766	49,644
Inventory - general	16,266	16,266
Prepaid expenses	13,861	9,825
Mortgages receivable, current portion	53,118	55,629
Total Current Assets	2,604,127	959,338
OTHER ASSETS		
Restricted cash	1,058,829	454,433
Contributions receivable, net of current portion	610,716	736,309
Mortgages receivable, net of discount and current portion	332,368	344,467
Investment in leveraged lender	2,827,200	
New Market Tax Credit other fees, less allowance for amortization (2024 - $29,571)	246,429	
Construction in progress	1,056,134	2,025,553
Land held for development	4,284,573	2,696,829
Deposits and other	11,153	1,257
Property, furniture and equipment, net	1,114,265	1,127,097
Land leased to homeowners	768,841	261,986
Operating right-of-use asset, net	5,608	6,943
Total Other Assets	12,316,116	7,654,874
TOTAL ASSETS	$ 14,920,243	$ 8,614,212

The accompanying notes are an integral part of these consolidated financial statements.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2024 and 2023

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 140,640	$ 117,072
Accrued expenses	118,483	185,413
Homeowner reserve accounts	27,003	9,253
Current portion of operating lease liability	1,400	1,306
Long-term debt, current portion	252,822	43,615
Total Current Liabilities	540,348	356,659
LONG-TERM DEBT, net of debt issuance cost, less current portion	5,708,965	1,339,387
OPERATING LEASE LIABILITY, less current portion	4,102	5,502
DEFERRED REVENUE	99,219	
Total Liabilities	6,352,634	1,701,548
NET ASSETS		
Without donor restrictions - undesignated	5,662,230	4,900,943
Without donor restrictions - board-designated	425,453	425,453
	6,087,683	5,326,396
With donor restrictions	2,479,926	1,586,268
Total Net Assets	8,567,609	6,912,664
TOTAL LIABILITIES AND NET ASSETS	$ 14,920,243	$ 8,614,212

The accompanying notes are an integral part of these consolidated financial statements.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	$ 1,428,862	$ 1,248,625	$ 2,677,487
Grants	1,316,550		1,316,550
In-kind contributions	518,229		518,229
Sales to homeowners	1,497,696		1,497,696
Store revenue	447,892		447,892
Other income	26,934		26,934
Mortgage loan discount amortization	39,796		39,796
Interest income	47,411		47,411
Net assets released from restrictions	354,967	(354,967)	
Total Revenues and Support	5,678,337	893,658	6,571,995
EXPENSES			
Program expenses	4,259,078		4,259,078
Management and administration	385,195		385,195
Fundraising	272,777		272,777
Total Expenses	4,917,050		4,917,050
INCREASE IN NET ASSETS	761,287	893,658	1,654,945
Net Assets at Beginning of Year	5,326,396	1,586,268	6,912,664
NET ASSETS AT END OF YEAR	$ 6,087,683	$ 2,479,926	$ 8,567,609

The accompanying notes are an integral part of these consolidated financial statements.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	$ 1,379,609	$ 1,406,030	$ 2,785,639
Grants	199,348		199,348
In-kind contributions	527,779		527,779
Sales to homeowners	1,636,545		1,636,545
NRI home repair revenue	9,000		9,000
Store revenue	397,510		397,510
Other income	2,400		2,400
Mortgage loan discount amortization	34,609		34,609
Interest income	842		842
Net assets released from restrictions	357,812	(357,812)	
Total Revenues and Support	4,545,454	1,048,218	5,593,672
EXPENSES			
Program expenses	4,054,153		4,054,153
Management and administration	285,541		285,541
Fundraising	243,275		243,275
Total Expenses	4,582,969		4,582,969
INCREASE (DECREASE) IN NET ASSETS	(37,515)	1,048,218	1,010,703
Net Assets at Beginning of Year	5,363,911	538,050	5,901,961
NET ASSETS AT END OF YEAR	$ 5,326,396	$ 1,586,268	$ 6,912,664

The accompanying notes are an integral part of these consolidated financial statements.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024 with Comparative Totals for 2023

	Program Expenses			Supporting Expenses			Total Expenses	
	Program Services	Stores	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Expenses	2024	2023
Program and home building costs	$ 2,264,406		$ 2,264,406				$ 2,264,406	$ 2,146,176
Salaries and wages	470,732	$ 196,983	667,715	$ 159,583	$ 135,496	$ 295,079	962,794	1,031,060
Payroll taxes and benefits	131,577	59,411	190,988	38,086	31,832	69,918	260,906	268,248
Cost of goods sold		448,725	448,725				448,725	397,815
Professional fees	93,502	20,528	114,030	51,460	37,961	89,421	203,451	176,298
Supplies and equipment	16,876	3,818	20,694	2,109	1,487	3,596	24,290	15,725
Telephone	9,168	5,840	15,008	2,009	1,638	3,647	18,655	18,954
Information technology	39,734	13,846	53,580	11,397	10,260	21,657	75,237	52,397
Postage and shipping	2,949	27	2,976	407	1,015	1,422	4,398	4,095
Facilities	15,410	37,531	52,941	2,818	4,082	6,900	59,841	64,680
Equipment rental and maintenance	2,495		2,495	634	832	1,466	3,961	3,131
Printing and publications	26,841	3,669	30,510	616	18,837	19,453	49,963	47,810
Travel and vehicle	12,256	6,838	19,094	118	174	292	19,386	15,445
Conferences, conventions and meetings	24,839	301	25,140	2,463	2,444	4,907	30,047	22,825
Volunteers	36,816	962	37,778		61	61	37,839	33,685
Dues, fees, licenses and permits	27,117	13,922	41,039	37,175	14,583	51,758	92,797	68,865
Taxes	17,321	2,799	20,120	1,555		1,555	21,675	20,121
Interest	53,493	14,755	68,248	30,388	632	31,020	99,268	51,487
Homeowner services	37,051		37,051				37,051	10,056
Tithes	95,946		95,946				95,946	59,371
Insurance	8,216		8,216	25,584		25,584	33,800	33,324
Community and public relations	8,946		8,946		10,221	10,221	19,167	6,192
Miscellaneous	314		314	17,862		17,862	18,176	
Depreciation and amortization	17,646	15,472	33,118	931	1,222	2,153	35,271	35,209
TOTAL	$ 3,413,651	$ 845,427	$ 4,259,078	$ 385,195	$ 272,777	$ 657,972	$ 4,917,050	$ 4,582,969

The accompanying notes are an integral part of these consolidated financial statements.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2023

	Program Expenses			Supporting Expenses			
	Program Services	Stores	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Expenses	Total Expenses 2023
Program and home building costs	$ 2,146,176		$ 2,146,176				$ 2,146,176
Salaries and wages	533,308	$ 199,073	732,381	$ 162,111	$ 136,568	$ 298,679	1,031,060
Payroll taxes and benefits	143,355	54,339	197,694	34,626	35,928	70,554	268,248
Cost of goods sold		397,815	397,815				397,815
Professional fees	107,559	16,927	124,486	33,685	18,127	51,812	176,298
Supplies and equipment	9,567	3,396	12,963	1,422	1,340	2,762	15,725
Telephone	7,921	7,807	15,728	1,545	1,681	3,226	18,954
Information technology	25,519	7,881	33,400	9,464	9,533	18,997	52,397
Postage and shipping	2,200	13	2,213	559	1,323	1,882	4,095
Facilities	17,433	40,177	57,610	3,010	4,060	7,070	64,680
Equipment rental and maintenance	1,520	129	1,649	975	507	1,482	3,131
Printing and publications	22,810	2,877	25,687	5,541	16,582	22,123	47,810
Travel and vehicle	6,432	8,660	15,092	114	239	353	15,445
Conferences, conventions and meetings	18,155	349	18,504	1,695	2,626	4,321	22,825
Volunteers	29,880	1,778	31,658	79	1,948	2,027	33,685
Dues, fees, licenses and permits	43,165	12,420	55,585	5,889	7,391	13,280	68,865
Taxes	14,728	3,909	18,637	1,484		1,484	20,121
Interest	34,103	14,923	49,026	1,606	855	2,461	51,487
Homeowner services	10,056		10,056				10,056
Tithes	59,371		59,371				59,371
Insurance	10,621	1,274	11,895	20,898	531	21,429	33,324
Community and public relations	3,255		3,255		2,937	2,937	6,192
Depreciation and amortization	18,459	14,813	33,272	838	1,099	1,937	35,209
TOTAL	$ 3,265,593	$ 788,560	$ 4,054,153	$ 285,541	$ 243,275	$ 528,816	$ 4,582,969

The accompanying notes are an integral part of these consolidated financial statements.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,654,945	$ 1,010,703
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Discount on contributions receivable		33,691
Amortization of discount on contributions receivable	(5,697)	
Depreciation	35,271	35,209
Amortization of New Market Tax Credit fees	29,571	
Amortization of operating right-of-use asset	1,335	426
Mortgage loan discount amortization	(39,796)	(34,609)
Noncash change of inventory held-for-sale	(122)	(787)
Debt issuance costs amortization	3,953	
Net change in operating assets and liabilities	(4,075,996)	(1,981,334)
Net Cash Used by Operating Activities	(2,396,536)	(936,701)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from mortgages receivable	54,406	56,994
New Market Tax Credit transaction fees	(276,000)	
Purchases of property, furniture and equipment	(22,439)	(8,085)
Net Cash Provided (Used) by Investing Activities	(244,033)	48,909
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan fees paid	(142,303)	
Proceeds from long-term debt	3,932,500	666,396
Repayment of long-term debt	(43,365)	(48,860)
Net Cash Provided by Financing Activities	3,746,832	617,536
NET INCREASE (DECREASE) IN CASH	1,106,263	(270,256)
Cash at Beginning of Year	853,915	1,124,171
CASH AT END OF YEAR	$ 1,960,178	$ 853,915
COMPONENTS OF CASH		
Cash	$ 901,349	$ 399,482
Restricted cash	1,058,829	454,433
	$ 1,960,178	$ 853,915

The accompanying notes are an integral part of these consolidated financial statements.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended June 30, 2024 and 2023

	2024	2023
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Grants and other receivables	$ (913,451)	$ 7,323
Contributions receivable	(96,534)	(1,145,676)
Inventory - general		(16,266)
Prepaid expenses	(4,036)	(3,190)
Construction in progress	(1,857,781)	(798,142)
Land held for development	(759,744)	66,273
Land leased to homeowners	(506,855)	(261,986)
Deposits and other	(9,896)	(278)
Increase (decrease) in liabilities		
Accounts payable	23,568	59,591
Accrued expenses	(66,930)	108,478
Homeowner reserve accounts	17,750	3,100
Deferred revenue	99,219	
Operating lease liability	(1,306)	(561)
Net Change in Operating Assets and Liabilities	$ (4,075,996)	$ (1,981,334)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 82,903	$ 51,487
NONCASH INVESTING AND FINANCING ACTIVITIES		
Financed purchase of land held for development	$ 828,000	$

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity of East Jefferson County ("Habitat"), a Washington nonprofit organization, was formed in February 1998. It is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). Although Habitat International assists with information resources, publications and training, Habitat operates independent of Habitat International, and a local board of directors is directly responsible for its operations. Seeking to put God's love into action, Habitat brings people together to build homes, communities and hope. The ultimate goal is that everyone in East Jefferson County will have a decent place to live.

Habitat builds and repairs houses using primarily volunteer labor and purchased and donated materials. The houses are sold to qualified homebuyers at no profit. Financing is provided by subsidized-interest mortgages from third-party lenders, such as USDA 502 or Homesight. Prospective homeowners must have a need for housing, the ability to pay an affordable mortgage and are required to participate in the construction of the homes. During the fiscal year ended June 30, 2024, six homes were built, and seven homes were sold. In its history, Habitat has built 67 homes, recycled 12, rehabbed 1, and sold 80. Habitat uses either a general ground lease or deed restriction to restrict the sale price, making properties permanently affordable to future buyers.

Prospective homeowners and repair clients must demonstrate a need for housing and the ability to repay an affordable loan, as well as participate in "sweat equity" toward the construction or repair of the homes. As of June 30, 2024, Habitat had 5 homes under construction.

Habitat owns and operates a Habitat Store (the "Store") in Port Townsend, Washington, which accepts donations of appliances and household items. The donated items are sold to the public, and Store proceeds support house construction and overhead expenses of Habitat.

Principles of Consolidation
The consolidated financial statements include the accounts of Habitat and its wholly-owned limited liability company, Salish Coast Housing, LLC. All material intercompany accounts and transaction have been eliminated in consolidated. Habitat created Salish Coast Housing, LLC to hold land leased to homeowners.

Basis of Accounting
The financial statements of Habitat have been prepared on the accrual basis of accounting and, accordingly, reflect significant receivables, payables and other liabilities.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation
Habitat reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions
Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions
Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Habitat pursuant to those stipulations, or that expire by the passage of time, and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity. Habitat did not have any net assets restricted to be maintained in perpetuity at June 30, 2024 or 2023.

Cash
Cash consists of checking, savings, certificates of deposit and money market accounts.

Support and Revenue Recognition
Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give, if applicable, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate and are reported as increases in net assets with donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value when contributed.

Contributions, including non-cash contributions, subject to donor-imposed stipulations that are met in the same reporting period are reported as increases in net assets without donor restrictions in the statements of activities. Contributions with donor-imposed restrictions which will be met in a future period are reported as increases in net assets with donor restrictions until such restrictions are met.

Revenue from program service fees, store revenues and all other exchange transactions are recognized when earned. Payments received in advance of Habitat fulfilling its obligations are deferred to the applicable period in which the related services are performed. Revenue is recorded when amounts to be received in exchange for services are determinable and collection is reasonably assured.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (Continued)
Revenue from sales to homeowners are recognized at the point in time when closing conditions are met to deliver a completed home to a qualified buyer, the sale is recorded as revenue and the cost of the home is recorded as program services expense on the accompanying consolidated statement of activities. Currently, buyers obtain loans from banks with whom Habitat works to facilitate the arrangement of mortgages for the home buyers. In prior years, Habitat financed the purchase of homes by offering no-interest loans to qualified, low-income homeowners secured by a deed of trust on the related property. At the time of sale, Habitat recognized revenue and the related mortgages receivable. In accordance with generally accepted accounting principles, revenue is recognized by discounting the future payments to be received from the homeowners using an interest rate based on term loans collateralized by mortgages receivable.

To ensure permanent homeownership opportunities within the community, Habitat adjusted the sale structure to a land lease model. Whereas Habitat retains control of the land through a 99-year ground lease whereby the homeowner owns only the house and agrees to resale to only income eligible homebuyers in the future. Concurrent with the recognition of the sale, the cost of the land and related improvements is transferred from construction in progress to land leased to homeowners on the accompanying consolidated statement of financial position.

Grants and Contracts Receivable
Habitat has entered into various contract agreements and grant relationships with government agencies which are accounted for as exchange transactions, whereby those agencies provide funding in exchange for goods and services provided by Habitat. Grant revenue, and the related receivables, are recorded when Habitat incurs expenses eligible for reimbursement under the terms of the corresponding contract or grant. Grants having the existence of a contribution but lacking in both existence of a barrier and the right of return to the resource provider, are classified as restricted contribution revenue. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purpose of the grant, or other conditions are satisfied.

An allowance for credit losses for grants receivable is provided based on management's evaluation of potential uncollectible grants at year-end. Management makes this determination based on the past history of grants collected. Management believes the grants are fully collectible and has not established an allowance for credit losses.

Contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Habitat has tracked historical loss information for its other receivables and compiled historical credit loss percentages for different aging categories (current, 1-30 days past due, 31-60 days past due, 61-90 days past due and more than 90 days past due).

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Grants and Contracts Receivable** (Continued)*

Management believes that the historical loss information it has compiled is a reasonable basis on which to determine expected credit losses for other receivables held at June 30, 2024 and 2023 because the composition of other receivables at those dates are consistent with that used in developing the historical credit-loss percentages. Additionally, management has determined that the current and reasonably supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Management considered all other receivables at June 30, 2024 and 2023 to be fully collectable and, accordingly, recorded no allowance for credit losses at June 30, 2024 and 2023.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases to net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Donated Services

Habitat receives significant donated services from unpaid volunteers who assist in operating the Store, home building, operational support, family selection, fundraising and administrative tasks. Donated services are recorded at fair value if they create or enhance non-financial assets or if they consisted of specialized skills that would have to be purchased if they were not donated. Management estimates the fair value of construction, Store and office volunteer services to be approximately $184,900, $132,200 and $187,300, respectively, for the year ended June 30, 2024, and $189,400, $114,500 and $140,200, respectively, for the year ended June 30, 2023. These volunteer services were not recorded in the financial statements since they did not meet the requirements for recognition.

Inventory Held for Sale - Habitat Store

The Store inventory includes furniture, household items and other materials used for resale and operations at the Store. The value of donated inventory items is determined by management using net sales of the year, based on an estimated inventory turnover rate of eight and nine times annually for the fiscal years ended June 30, 2024 and 2023, respectively. Inventory held for sale was estimated to be $49,766 and $49,644 at June 30, 2024 and 2023, respectively.

Inventory - General

Inventory is valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventory consists of construction materials. Donated inventory is recorded at its estimated fair value on the date of receipt.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Market Tax Credit Guarantee and Other Capitalized Fees
Amortization of capitalized fees is provided on the straight-line basis over 7 years, which approximates the effective interest method.

Property, Furniture and Equipment
Assets are carried at cost, if purchased, or fair value at the time of donation, if donated. It is Habitat's policy to capitalize property, furniture and equipment over $2,500 that has a useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of assets, ranging from 5 to 39 years.

Construction in Progress and Land Held for Development

Construction in Progress
Costs of construction in progress consist of a budgeted amount for the land transferred from land held for development to the construction account and direct home construction costs unless it is determined to be impaired. In the event the construction in progress is determined to be impaired, it is written down to fair value. Habitat reviews construction in progress for impairment during each reporting period on a lot-by-lot basis. Accounting principles generally accepted in the United States of America ("U.S. GAAP") require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Land Held for Development
Land purchased for homes is recorded at cost unless it is determined to be impaired, in which case the impaired land is written down to fair value. Donated land is recorded at the property's fair value. All related carrying costs for these properties, such as maintenance, any assessments and real estate taxes, are capitalized into the cost of the properties. Habitat reviews land for impairment during each reporting period on a lot-by-lot basis. U.S. GAAP requires that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Adoption of New Accounting Standard
As of July 1, 2023, Habitat adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard *(Continued)*
at amortized cost, including trade and loan receivables. Pledges, grants and other contributions receivable are excluded from the standard. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments. Habitat adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Fair Value Measurements
Habitat provides information regarding the inputs that underlie a fair value measurement of financial instruments. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs, which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, Habitat is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

Functional Allocation of Expenses
The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Impairment Loss
For assets to be held and used, U.S. GAAP requires the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired and the future cash flows from that asset are less than the asset's carrying amount. The impairment loss is measured as the difference between the asset's carrying amount and its fair value.

There was no impairment loss recognized for the years ended June 30, 2024 and 2023.

Debt Issuance Costs
Debt issuance costs are being amortized on a straight line basis over 27 years. Amortization included in interest expense for the years ended June 30, 2024 $3,953. There was no amortization for the year ended June 30, 2023. The estimated annual aggregate amortization expense for each of the next five years is $5,270.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising
Habitat expenses advertising costs as they are incurred. Advertising costs totaled $7,487 and $16,089 for the years ended June 30, 2024 and 2023, respectively, and are included in printing and publication expense in the statements of functional expenses.

Income Tax Status
Habitat for Humanity of East Jefferson County is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Habitat's management evaluates tax positions taken by Habitat and recognizes a tax liability (or asset) if Habitat has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Permanent Affordability
Completed homes are sold at an affordable sale price, with resale restrictions. The resale restrictions stipulate that the home can only be sold to another low income buyer and set the maximum price that the home can be sold for. These restrictions are secured by either by a ground lease (in which case only the improvement is sold, and ownership of the land is retained by Habitat via Salish Coast Housing, LLC), or restrictive covenant. Buyers obtain an affordable mortgage from a third-party lender. For buyers unable to finance the full affordable sale price through a third-party lender, Habitat may obtain a deed of trust for the difference between the affordable purchase price and the third-party financing available to the buyer. This amount, with appreciation set equal to that allowed on the home in the resale formula, is recapture at title transfer, and is not recorded in the financial statements.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events
The management of Habitat has evaluated subsequent events and transactions for potential recognition and disclosure through November 21, 2024, the date the statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	2024	2023
Cash	$ 901,349	$ 399,482
Restricted cash	1,058,829	454,433
Accounts and grants receivable	961,767	48,316
Contributions receivable - current portion	608,000	380,176
Mortgages receivable - current portion	53,118	55,629
Total Financial Assets Available	3,583,063	1,338,036
Less financial assets not available for general expenditures		
Restricted cash - escrow	(15,232)	(7,150)
Board-designated funds	(425,453)	(425,453)
Time restrictions	(608,000)	(380,176)
Purpose restrictions	(1,261,210)	(447,283)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 1,273,168	$ 77,974

Although Habitat does not intend to spend from board-designated net assets (outside of spending for the designated purpose) the Board of Directors could choose to make these funds available for other purposes, if necessary.

As part of Habitat's liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit and savings accounts.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Habitat maintains cash and money market balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Habitat has cash balances on deposit with financial institutions, which may at times exceed insured limits. Habitat has not experienced any losses in such accounts.

Habitat provides mortgage assistance primarily to low and very low-income buyers. Mortgages receivable with an undiscounted balance of $848,849 and $903,255 at June 30, 2024 and 2023, respectively, are secured by the property purchased.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	2024	2023
Unconditional promises expected to be collected in		
Less than one year	$ 608,000	$ 380,176
One year to five years	638,710	770,000
	1,246,710	1,150,176
Less discount to present value	27,994	33,691
	$ 1,218,716	$ 1,116,485

Habitat considers all pledges receivable to be fully collectible and, consequently, has made no allowance for credit losses on contributions.

Board members have outstanding pledges receivable in the amount of $22,000 and $15,000 at June 30, 2024 and 2023, respectively.

NOTE 5 - PROPERTY, FURNITURE AND EQUIPMENT

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

	2024	2023
Land	$ 482,892	$ 482,892
Buildings and improvements	895,491	875,991
Furnishings and equipment	135,697	132,758
	1,514,080	1,491,641
Less accumulated depreciation	399,815	364,544
	$ 1,114,265	$ 1,127,097

Depreciation expense for the years ended June 30, 2024 and 2023 was $35,271 and $35,209, respectively.

NOTE 6 - MORTGAGES RECEIVABLE

Habitat holds 13 non-interest-bearing mortgages, which are secured by sold homes at June 30, 2024. U.S. GAAP requires that interest be imputed on below-market interest instruments. The effect is to discount each note with an offsetting charge to mortgage discounts. The discount is then amortized over the life of each note as interest income. The resulting carrying value of the mortgages receivable approximates fair value. The notes are due upon the earlier of the sale of the home, refinance or at maturity.

Uncollectible notes are expected to be insignificant. Accordingly, no provision for doubtful accounts has been included in the consolidated financial statements. The notes have been discounted at rates of 5.00% to 8.48%, according to rates established by Habitat's finance committee.

Mortgages receivable consist of the following at June 30:

	2024	2023
Face value	$ 848,849	$ 903,255
Less discount	463,363	503,159
	$ 385,486	$ 400,096

There was no mortgage discount expense recognized either in the year ended June 30, 2024 or 2023.

NOTE 7 - NEW MARKET TAX CREDIT

In September 2023, Habitat invested, along with three other Habitat affiliates in a joint venture (Harbor Habitat Leverage IV, LLC) to take advantage of the New Market Tax Credit program. The New Market Tax Credit program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. Habitat's investment in the leverage lender totaled $2,827,200 and represents a 25% ownership stake. As part of the arrangement, Habitat secured two 27-year loans from a community development entity which received tax credit allocation. The first loan is in the amount of $2,695,000. The second loan is in the amount of $1,237,500. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in low-income communities and selling at least 20% of such homes to low-income persons. The loans will bear interest at a rate of 0.719004% per year. Semi-annual payments of interest-only are due in years 1 through 7 with fully amortizing quarterly payments of principal and interest due in years 8 through 20.

NOTE 7 - NEW MARKET TAX CREDIT (Continued)

At the end of the compliance period, in connection with this arrangement, the members of the leverage lender have the option to purchase ownership interest in the Investment Fund. Exercise of this option will effectively allow Habitat to extinguish its debt owed to the community development entity.

The investment in the leveraged lender is increased by Habitat's share of the joint venture's income and decreased by distributions received by Habitat. The balance in investment in leveraged lenders at June 30, 2024 was $2,827,200.

NOTE 8 - CONSTRUCTION IN PROGRESS

Habitat is in the process of building homes to provide additional affordable housing. The costs are being funded by contributions, mortgage payments by homeowners and Store sales.

NOTE 9 - LAND HELD FOR DEVELOPMENT

Land held for development consists of 9 buildable lots, 50 undeveloped lots in need of infrastructure and 2 buildable lots restricted for development at June 30, 2024. Land held for development at June 30, 2023 consisted of 11 buildable lots, 31 undeveloped lots in need of infrastructure and 2 buildable lots restricted for development.

NOTE 10 - FAIR VALUE DISCLOSURES

Assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on Habitat's own assumptions on how knowledgeable parties would price assets or liabilities and are developed using the best information available in the circumstances.

The assets measured at fair value on a nonrecurring basis as of June 30, 2024 and 2023 consisted of land held for development totaling $4,284,573 and $2,696,829, respectively. The fair value measurements were valued using level 2 inputs.

NOTE 11 - LEASES

Effective July 1, 2022, Habitat adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The standard required the recognition of right-of-use ("ROU") assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities and changes in net assets as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense; Habitat exclusively has operating leases.

ROU assets represent Habitat's right to use an underlying asset for the lease's term, and lease liabilities represent Habitat's obligation to make lease payments arising from the leases. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

Habitat leases office equipment for terms under a long-term, non-cancelable operating lease agreement. The lease expires in January 2028. Habitat included in the determination of the right-of-use asset and lease liabilities any renewal options when the options are reasonably certain to be exercised.

Habitat's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a result of the adoption of the new lease accounting guidance, Habitat recognized on July 1, 2022, the beginning of the adoption period, operating lease liability of $7,369 and an operating right-of-use asset of $7,369. The adoption of the new standard did not materially impact Habitat's consolidated statements of activities or consolidated statements of cash flows.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, Habitat estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Habitat's applicable borrowing rates and the contractual lease term.

Total lease costs for the year ended June 30 were as follows:

	2024	2023
Operating lease costs	$ 1,769	$ 590

NOTE 11 - LEASES (Continued)

The following summarizes the supplemental cash flow information for the year ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,740	$ 725
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$	$ 7,369

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	2024	2023
Weighted-average remaining lease term		
Operating leases	4.0 years	5.0 years
Weighted-average discount rate		
Operating leases	6.98%	6.98%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2024:

	Operating
2025	$ 1,740
2026	1,740
2027	1,740
2028	1,015
Total Lease Payments	6,235
Less amounts representing interest	(733)
Present Value of Lease Liabilities	5,502
Less current portion of operating lease liability	(1,400)
Long-term Portion of Operating Lease Liability	$ 4,102

NOTE 12 - LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
Note payable to individual, with no interest. Installments of $207,000, matures 2028, secured by property.	$ 828,000	
Note payable to First Federal Savings, monthly payments of $3,668, including interest at 6.98%, due November 2032.	380,485	$ 396,856
Note payable to First Federal Savings, monthly payments of $1,932, including interest at 4.10%, matures July 2028, secured by property.	334,429	343,470
Note payable to Washington State Housing Finance Commission, monthly payments of $3,082, including interest at 3.00%, due December 2047, secured by property.	624,723	642,676
Note payable to Harbor Community Fund XXXIII LLC, annual interest-only payments until June 2031 at 0.0719004%; beginning in 2023 through 2031 the principal balance of the loan is reduced by non-year amortization at the same rate of 0.719004%; matures September 2050, secured by substantially all the assets acquired by Habitat from the project loan proceeds.	2,695,000	
Note payable to USBCDE SUB-CDE 254, LLC, annual interest-only payments until June 2031 at 0.719004%; beginning in 2023 through 2031 the principal balance of the loan is reduced by non-year amortization at the same rate of 0.719004%; matures September 2050, secured by substantially all the assets acquired by Habitat from the project loan proceeds.	1,237,500	
	6,100,137	1,383,002
Less amount due within one year classified as a current liability	252,822	43,615
Less unamortized debt issuance costs	138,350	
Total Notes Payable	$ 5,708,965	$ 1,339,387

NOTE 12 - LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

	Payments	New Market Tax Credit Subject to Put-option	Total
2025	$ 252,822		$ 252,822
2026	255,078		255,078
2027	257,464		257,464
2028	259,925		259,925
2029	55,191		55,191
Thereafter	1,087,157	$ 3,932,500	5,019,657
	$ 2,167,637	$ 3,932,500	$ 6,100,137

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2024	2023
Purpose restrictions		
House construction projects	$ 1,261,210	$ 447,283
Other land		22,500
	1,261,210	469,783
Time restrictions		
Pledges from individuals	1,218,716	1,116,485
	$ 2,479,926	$ 1,586,268

NOTE 14 - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services consisted of the following:

	2024	2023
Rent	$ 1,260	$ 840
Construction materials	20,781	45,961
Habitat Store merchandise	448,263	397,948
Professional services	47,925	83,030
	$ 518,229	$ 527,779

NOTE 15 - RESTRICTED CASH

Some cash is restricted for program use in compliance with certain loan requirements or deposits from participating homebuyers, and for future land purchases, and cannot be used for general operations. The aggregate balance of this restricted cash was $1,058,829 and $454,433, for the years ended June 30, 2024 and 2023, respectively.

NOTE 16 - RETIREMENT PLAN

Habitat has a defined contribution plan that covers all employees who are eligible to participate in employee contributions upon hire and employer contributions after three months of service. Habitat may contribute discretionary profit-sharing contributions. For the years ended June 30, 2024 and 2023, Habitat contributed $46,422 and $44,988, respectively, into the plan.

NOTE 17 - BOARD-DESIGNATED NET ASSETS

The Board of Directors designated $425,453 and $425,453 at June 30, 2024 and 2023, respectively, in net assets without donor restrictions to be exclusively used for acquisition and development of buildable land, future capital expansion and repairs of its office building.

NOTE 18 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, telephone, equipment rental and maintenance and insurance, which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and benefits, supplies and equipment, professional fees, information technology, printing and publications, travel and vehicle and other, which are allocated on the basis of estimates of time and effort.

NOTE 19 - RISKS, UNCERTAINTIES AND COMMITMENTS

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for Habitat. The amounts, if any, of expenditures that may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. There were no adjustments for the years ended June 30, 2024 or 2023.