HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Morey Nee Buck & Oswald, LLC
Certified Public Accountants and Advisors

HABITAT FOR HUMANITY OF
THE LEHIGH VALLEY, INC.
JUNE 30, 2023

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of the Lehigh Valley, Inc.
Allentown, Pennsylvania

Opinion

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

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

Basis for Opinion

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

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 of the Lehigh Valley, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 of the Lehigh Valley, 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 of the Lehigh Valley, 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.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of the Lehigh Valley, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

Morey, Nee, Buck & Oswald, LLC
Spring House, Pennsylvania
October 19, 2023

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF JUNE 30, 2022

	2023	2022
Assets:		
Cash	$ 1,810,313	$ 2,061,609
Contributions receivable	125,880	47,398
Noninterest bearing mortgage loans, net of discount	3,873,623	3,307,843
Noninterest bearing mortgage loans, restricted under financing agreements, net of discount	230,936	314,487
Other assets	50,412	28,204
Construction work-in-progress	3,944,017	1,853,136
Right of use asset	437,580	803,692
Property and equipment, net	397,122	340,437
Total assets	$ 10,869,883	$ 8,756,806
Liabilities and net assets:		
Accounts payable	$ 32,365	$ 30,579
Lease obligation	447,759	811,279
Accrued expenses and other liabilities	78,431	86,947
Notes payable	428,524	557,702
Total liabilities	987,079	1,486,507
Net assets		
Net assets without donor restrictions	9,453,651	6,542,396
Net assets with donor restrictions	429,153	727,903
Total net assets	9,882,804	7,270,299
Total liabilities and net assets	$ 10,869,883	$ 8,756,806

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

REVENUES AND OTHER SUPPORT	**Without Donor Restrictions**	**With Donor Restrictions**	**2023 Totals**	**2022 Totals**
Contributions:				
Cash	$ 1,017,690	$ 720,601	$ 1,738,291	$ 1,406,944
Properties, services, and materials	2,773,169	-	2,773,169	54,460
	3,790,859	720,601	4,511,460	1,461,404
Sales to homeowners	1,609,373	-	1,609,373	311,145
ReStore sales	1,882,223	-	1,882,223	1,595,561
Mortgage loan discount amortization	208,246	-	208,246	164,716
Special event income	230,181	-	230,181	188,243
Interest income	12,209	-	12,209	4,688
Other income	52,425	-	52,425	6,863
Net assets released from restrictions	1,019,351	(1,019,351)	-	-
Total revenues and other support	8,804,867	(298,750)	8,506,117	3,732,620
EXPENSES AND LOSSES				
Program services:				
Construction	3,754,137	-	3,754,137	918,382
Family and volunteer services	166,010	-	166,010	140,775
Supporting services:				
ReStore	1,452,668	-	1,452,668	1,161,884
Management and general	166,745	-	166,745	168,727
Fund raising	354,052	-	354,052	320,908
Total expenses	5,893,612	-	5,893,612	2,710,676
Change in net assets	2,911,255	(298,750)	2,612,505	1,021,944
Net assets at beginning of year	6,542,396	727,903	7,270,299	6,248,355
Net assets at end of year	$ 9,453,651	$ 429,153	$ 9,882,804	$ 7,270,299

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services		Supporting Services				
	Construction	Family and Volunteer Services	ReStore	Management and General	Fund Raising	2023 Totals	2022 Totals
Cost of homes sold	$ 1,985,044	$ -	$ -	$ -	$ -	$ 1,985,044	$ 225,340
Committee	-	2,534	-	-	-	2,534	1,856
Depreciation and amortization	24,364	2,379	1,500	3,608	-	31,851	25,159
Insurance	31,427	607	6,217	5,140	-	43,391	39,418
Interest	6,964	752	-	849	-	8,565	8,832
Marketing and development	-	-	23,300	-	58,186	81,486	86,731
Mortgage discounts	777,394	-	-	-	-	777,394	154,048
Other	-	9,983	295,351	16,095	10,845	332,274	262,702
Other construction costs	40,874	-	-	-	-	40,874	18,574
NR project costs	363,106	-	-	-	-	363,106	105,260
Professional services	1,780	4,336	-	19,575	-	25,691	15,959
Rent	-	-	408,977	-	-	408,977	255,818
Salaries and benefits	495,720	142,702	618,064	94,526	245,803	1,596,815	1,318,377
Special events	-	-	-	-	34,954	34,954	34,673
Supplies and repairs	-	426	48,374	24,502	2,848	76,150	78,175
Tithe donation to HFHI	5,000	-	-	-	-	5,000	5,000
SOSI Fee to HFHI	15,000	-	-	-	-	15,000	15,000
Utilities	7,464	2,291	50,885	2,450	1,416	64,506	59,754
TOTAL EXPENSES	$ 3,754,137	$ 166,010	$ 1,452,668	$ 166,745	$ 354,052	$ 5,893,612	$ 2,710,676

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,612,505	$ 1,021,944
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	31,851	25,159
Right of use asset / lease obligation	2,592	7,587
Mortgage loan discount amortization	(208,246)	(164,716)
Mortgage discount	777,394	154,048
Transfers to homeowners	(1,447,934)	(311,145)
Cost of homes sold	1,985,044	225,340
Donated properties, equipment and materials	(2,716,877)	(4,616)
(Increase) decrease in assets:		
Contributions receivable	(78,482)	(39,864)
Other assets	(22,208)	(8,875)
Increase (decrease) in liabilities:		
Accounts payable	1,786	16,831
Accrued expenses and other liabilities	(8,516)	22,092
Net cash provided (used) by operating activities	928,909	943,785
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from noninterest bearing mortgage loans and other homeowner loans	470,622	319,931
Additions of property and equipment	(63,036)	(60,656)
Change in property held for resale	-	(25,841)
Additions to construction work-in-progress	(1,384,547)	(734,068)
Closing costs paid	(74,066)	(13,855)
Net cash provided (used) by investing activities	(1,051,027)	(514,489)

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(129,178)	(49,226)
Net cash provided (used) by financing activities	(129,178)	(49,226)
Net increase (decrease) in cash	(251,296)	380,070
Cash, beginning of year	2,061,609	1,681,539
Cash, end of year	$1,810,313	$2,061,609
SUPPLEMENTAL		
Cash paid during the year for interest	$ 6,840	$ 8,832
Transfers to homeowner's subject to noninterest bearing mortgage loans	$1,522,000	$ 325,000
Non-cash donations for materials, supplies and marketing	$ 56,292	$ 49,844

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Habitat for Humanity of the Lehigh Valley, Inc. (the "Organization" or "Habitat") utilizes contributions, including grants, from individuals, religious organizations, corporations and government entities, and volunteers to engage in the construction, rehabilitation, and the sale of housing to economically disadvantaged people on a nonprofit basis in the Lehigh Valley area of Pennsylvania.

Habitat for Humanity of the Lehigh Valley's mission is to develop safe, decent and affordable housing for hardworking, low-income families, while also helping to revitalize and stabilize neighborhoods in the Lehigh Valley. Through Habitat's broader community development strategy, the Neighborhood Revitalization Program identifies opportunities to build new construction, rehabilitate and revitalize blighted properties for low-income home ownership, and includes critical exterior home repairs for low income homeowners. Through the Neighborhood Revitalization Program, resources are concentrated in target neighborhoods, so they can be transformed into vibrant, safe, and inviting places to live for both current and future residents. The Neighborhood Revitalization Program is reported as part of program services for construction.

Habitat operates the Habitat Lehigh Valley ReStore, (the ReStore), a retail operation where home furnishings, appliances, construction materials, and other miscellaneous items are donated and then sold to the community. Inventory is not reflected in the financial statements because the value is unknown at the time of donation.

The ReStore is operated with the purpose of generating funds to support the Organization's homebuilding and neighborhood revitalization programs. The ReStore is reported as a supporting service activity.

Adoption of New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

Adoption of New Accounting Pronouncement, continued

The Organization elected to adopt these ASUs effective July 1, 2022 and utilized all of the available practical expedients. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The Organization does not have any finance leases. Adoption of the standard required the Organization to restate amounts as of July 1, 2022, resulting in an increase in operating lease ROU assets of $803,692, and an increase in operating lease liabilities of $811,279.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), and accordingly reflect all significant accrued receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at the Board and management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Contributions and Contributions Receivable

Contributions, which include certain grant revenue, are recorded as revenue in the period received. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions receivable includes grant money earned in the current period, but not received as of June 30, 2023. All contributions receivable are due within one year.

Contributed Materials and Services

The Organization records various types of in-kind contributions for use in its programs, fundraising and administration. Contributed services are recognized at fair value if the services received (1) create or enhance long-lived assets or (2) require specialized skills, are provided by individuals utilizing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. None of the in-kind contributions were monetized during the year and none had donor-imposed restrictions.

In November of 2022 the Organization received an in-kind donation in the amount of $2,650,000 as part of a joint purchase of land with Northampton County. The agreement of sale outlines the purchase price of $3,950,000 to be settled with $1,300,000 in monetary funds and an in-kind contribution to the Organization.

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities included:

Land	$ 2,650,000
Marketing services	41,600
Vehicles and equipment	28,500
Construction materials	32,427
Construction services	11,415
Special event supplies	6,022
Miscellaneous	3,205
	$ 2,773,169

Property and Equipment

The Organization capitalizes assets purchased or donated if they have a useful life greater than one year and a value greater than or equal to $5,000. Purchased property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Donated property and equipment are recorded at fair value as of the date of the gift.

Since the donated land will be used for future home builds, $2,650,000 is recorded on the statement of financial position under Construction work-in-progress.

Marketing and Development

All marketing and development costs are expensed when incurred and are presented in the statement of activities as a component of expenses. During the year, the Organization incurred marketing and development expenses of $81,486.

Concentration of Credit Risk

The Organization maintains its cash in bank accounts which, at times, exceed federally insured limits. The Organization does not consider there to be a significant credit risk or risk of non-recovery on cash balances and has not experienced any losses in such accounts.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Noninterest Bearing Mortgages

The Organization holds mortgages on rehabilitated and newly constructed properties, which are noninterest bearing. The home serves as collateral for each mortgage. Noninterest bearing mortgages are stated at unpaid principal balances, net of discount.

Noninterest bearing mortgages have been discounted at various rates based upon prevailing market rates at the inception of the mortgages. The recorded mortgage discounts reflect the imputed interest portion of the noninterest bearing mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. Because the unearned discounts on the loans are only amortized as each payment is received from the homeowners, the mortgages are not required to be placed in nonaccrual status.

Management analyzes any (1) borrower's failure to meet repayment terms, (2) deteriorating financial condition, or (3) depreciation of the underlying collateral in considering whether any impairment of the mortgage and any allowance for loan loss is necessary. Past due status is determined based on contractual terms. Management's analysis indicates that no provision for loan losses is required because the Organization is a secured creditor.

Homeowners also pay a monthly escrow amount from which the Organization's third-party servicer pays property taxes and insurance.

Restricted Noninterest Bearing Mortgages

The Organization has pledged nine of its noninterest bearing mortgages to the Pennsylvania Housing Financing Agency (PHFA) (the "lender") under financing agreements accounted for as secured borrowings. The mortgages pledged are collateral for notes payable. In the event of a default by a mortgagee, the Organization is required to pay to the lender an amount equal to the outstanding principal of the defaulted mortgage plus costs and fees or substitute another similar mortgage.

The Organization is required to continue servicing the mortgage loans that serve as collateral for these notes payable.

Second Mortgages Receivable

In order to protect against the resale of a Habitat for Humanity home by the homeowner for a windfall profit, the Organization holds a second mortgage on any Habitat home that is conveyed to the Habitat homeowner at a value less than fair market value ("FMV"). The amount of each second mortgage is equal to the differential between FMV and the sale price. The specific terms of these second mortgages may vary, but as a general matter, these second mortgages are forgiven over a period of time equal to the term of the first mortgage. Provided the homeowner makes timely payments on the first mortgage, the second mortgage is forgiven proportionally to the settlement of the first mortgage. No payments are made on these second mortgages unless a house is resold during the term of the first mortgage, in which case the Organization will recover the remaining balance of both the first and second mortgages from the sale proceeds. Each second mortgage prohibits its subordination to any third-party liens entered into subsequent to the execution of the first mortgage. As the Organization does not generally anticipate that these second mortgages will be paid by the homeowners, they are not recorded as assets on the Statement of Financial Position.

Program Services

Program services include the cost of homes sold and the discount on mortgage originations. The cost of home building is capitalized to construction work in progress as incurred. Upon completion of construction and the transfer of the home to the new homeowner, the cost of construction is expensed as cost of homes sold. The cost of repairs associated with the critical home repair program are expensed as incurred.

Transfers to Homeowners

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages.

Income Taxes
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The preparation of the financial statements in conformity with GAAP requires the Organization to report information regarding its exposure on various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be accounted for and disclosed.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

Note 2 – Cash
Cash as of June 30, 2023 consists of the following:

Without donor restrictions	$ 1,381,160
With donor restrictions	429,153
	$ 1,810,313

Note 3 - Noninterest Bearing Mortgages
Noninterest bearing mortgages as of June 30, 2023 consists of the following:

	Unrestricted	Restricted	Total
Principal	$ 6,183,956	$ 301,785	$ 6,485,741
Mortgage discount	(2,310,333)	(70,849)	(2,381,182)
	$ 3,873,623	$ 230,936	$ 4,104,559

The following schedule summarizes the payment status of the noninterest bearing mortgages as of June 30, 2023.

	Number of Loans	Loan Principal Balance	
Current	69	$ 6,032,304	93.00%
30 to 59 days past due	3	53,642	.83
60 to 89 days past due	2	117,278	1.82
90 or more days past due	4	282,517	4.35
	78	$ 6,485,741	100.0%

Note 3 - Noninterest Bearing Mortgages, continued

From month-to-month, various homeowners may fall behind on monthly payments but often return to current status quickly. Management works closely with the third-party mortgage service company to maintain the timeliness of monthly payments and historically has not realized any loan losses. At June 30th, management will not record a reserve for the current or future delinquent accounts because the FMV (Net Recoverable Value) of the underlying properties historically exceed the mortgage receivables outstanding.

Note 4 - Property and Equipment

Property and equipment as of June 30, 2023 consists of the following:

Land	$ 25,000
Building	519,177
Leasehold improvements	37,690
Equipment and furniture	37,763
Vehicles	181,924
	801,554
Less accumulated depreciation	404,432
	$ 397,122

Depreciation and amortization expense for the year ended June 30, 2023 was $31,851.

Note 5 - Notes Payable

The Organization's notes payable as of June 30, 2023 consists of the following:

Note payable, Pennsylvania Housing Finance Agency (PHFA), due August 2033, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	$ 38,920
Note payable, Pennsylvania Housing Finance Agency (PHFA), due November 2037, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	210,207
Note payable, Pennsylvania Housing Finance Agency (PHFA), due June 2038, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	42,473

Note 5 - Notes Payable, continued

Note Payable, Fulton Bank, payable in monthly installments of $1,346, due April 2034, with a fixed rate of 4.5% through May 2024, collateralized by real estate.	136,924
	$ 428,524

The agreements with PHFA state that the loans shall be repaid in accordance with the TANF (the federal Temporary Assistance for Needy Families) Zero Mortgage Loan Program Note. Under the current agreement, if not sooner paid, any amounts which remain outstanding under the loan shall be due and payable upon 30 years from the date of the loan closing. Accordingly, each PHFA loan reflects a maturity date of 30 years from the date of the loan closing. The future maturities of the notes payable as of June 30, 2023 are as follows:

Year ending June 30:	
2024	$ 37,953
2025	35,800
2026	35,152
2027	35,680
2028	36,232
Thereafter	247,707
	$ 428,524

Financing Agreement

In 2014 the Organization entered into a financing agreement with Lafayette Ambassador Bank, now Fulton Bank, in order to pay off an existing Lafayette Bank Site Development Loan on the completed Minsi Ridge property, and to make capital improvements to the office property located at N. Graham Street, Allentown, Pennsylvania.

The agreement included a $210,000 mortgage which satisfied the outstanding site-development line of credit and provided an additional $75,000 for capital improvements, which were expended in prior years.

In addition, the Organization secured a revolving line of credit of $250,000, with a floating Wall Street Journal Prime Rate minus 0.25% with a floor rate of not less than 3.00%. The line is available to the Organization for short term cash needs related to construction and renews automatically in May of each year.

The property located at 245 N Graham Street, Allentown, PA serves as collateral for the line of credit. The Organization did not use the line of credit during the year and the balance at June 30, 2023 was $0.

Note 5 - Notes Payable, continued

Standby Letters of Credit

Fulton Bank has issued an irrevocable standby letter of credit to the City of Allentown to ensure completion of improvements to be made at the Tacoma Street Subdivision project. The letter of credit, guaranteed by the existing revolving line of credit, was issued September 25, 2019, in the amount of $97,880 for a term of one year, automatically renewing each year without an amendment to guaranty site improvements. On September 21, 2022, the letter of credit was reduced to $14,576 to reflect the work completed, as verified by the City of Allentown. With the completion of the project at Tacoma Street the City of Allentown released the existing letter of credit but required an eighteen-month maintenance bond in the amount of $12,259. On April 25, 2023, Fulton Bank issued a standby letter of credit expiring October 25, 2024 to cover the maintenance period.

Fulton Bank has issued an irrevocable standby letter of credit to the City of Allentown to secure completion of improvements to be made at the Cumberland Street project. The letter of credit, guaranteed by the existing revolving line of credit, was issued April 8, 2022 in the amount of $21,323 for a term of one year, automatically renewing each year without an amendment to guaranty site improvements.

Note 6 – Net Assets With Donor Restrictions

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

New construction and rehabilitation of homes	$ 403,663
Other costs	25,490
	$ 429,153

Note 7 – Net Assets With Donor Restrictions Released

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. During the year ended June 30, 2023, net assets with donor restrictions were released as follows:

New construction and rehabilitation of homes	$ 948,191
Other costs	71,160
	$ 1,019,351

Note 8 - Retirement Plan

The Organization has a SIMPLE IRA retirement plan in which all employees are eligible to participate. Each calendar year, the Organization makes matching contributions equal to the employee's contributions, not to exceed 3% of the employee's compensation. The Organization contributed $15,271 for the year ended June 30, 2023.

Note 9 - Transactions with Habitat for Humanity International, Inc.

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI); and annually makes a payment ("tithe") to HFHI. These funds are used to construct homes in economically depressed areas around the world. During the year ended June 30, 2023, the Organization remitted a tithe of $5,000.

HFHI has mandated to all affiliates a Stewardship and Organizational Sustainability Initiative (SOSI) Fee. This mandatory fee is based on service area population and is intended to have affiliates contribute to HFHI costs to serve United States affiliates. For the year ended June 30, 2023, the Organization paid a $15,000 SOSI Fee.

Note 10 – Right of Use Asset and Lease Obligation

The Organization leases the building that houses its ReStore retail store. The terms of the lease require monthly payments over the initial lease term of seven years through December 2019. On October 15, 2019 the Organization extended the lease for the ReStore retail store for a period of five years, under the First Renewal Term of the original lease, beginning January 1, 2020 and terminating on December 31, 2024.

On May 6, 2022 the Organization entered into an additional two-year lease for warehouse space to store additional ReStore inventory. The terms of the lease require monthly payments over the initial term through April 30, 2024.

The operating leases associated with their facilities have remaining lease terms of 18 months and 10 months. The discount rate used to calculate the right of use asset and lease liability is 5.0%. Management has estimated the Organization's incremental borrowing rate based on the 10-year treasury. The future minimum lease payments on the lease are as follows:

Year ending June 30:	
2024	$ 371,041
2025	89,523
Thereafter	-
Total lease payments	460,564
Less: interest	12,805
	$ 447,759

Note 11 - Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. These expenses include salaries and benefits, insurance, utilities, supplies and repairs, and depreciation and amortization; Salaries and benefits are allocated based on time studies of employees; depreciation and amortization is allocated based on square footage usage in the building; other expenses such as insurance, utilities and supplies and repairs are allocated based on actual or estimated usage.

Note 12 – Liquidity and Availability

The Organization's financial assets available for use within one year of the statement of financial position date for general expenditures are as follows:

Cash	$ 1,810,313
Contribution receivable	125,880
Noninterest bearing mortgage loans	4,104,559
Total Financial Assets	6,040,752
Less:	
Noninterest bearing mortgage loans beyond one year	(3,817,959)
Net assets with donor restrictions unavailable for general expenses	(429,153)
Total Financial Assets available within one year	$ 1,793,640

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts from revenue items.

Note 13 - Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through October 19, 2023, which is the date on which the financial statements were available to be issued. No subsequent events requiring additional disclosure have been identified.