Habitat for Humanity of Greater Dayton, Inc.

Financial Statements
June 30, 2022 and 2021, and
Independent Auditors' Report

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

June 30, 2022 and 2021

Contents

BARNES DENNIG
Accounting • Tax • Business Insight

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Independent Auditors' Report

To the Board of Trustees of
Habitat for Humanity of Greater Dayton, Inc.
Dayton, Ohio

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Greater Dayton (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 Greater Dayton as of June 30, 2022, 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 Greater Dayton 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.

Prior Period Financial Statements

The financial statements of Habitat for Humanity of Greater Dayton as of June 30, 2021 were audited by other auditors whose report dated December 9, 2021 expressed an unmodified opinion on those statements.

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 Greater Dayton'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 of Greater Dayton'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 Greater Dayton'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.

Barnes, Dennig & Co., Ltd.

November 18, 2022
Dayton, Ohio

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 1,065,867	$ 1,435,633
Homes for sale or under construction	438,342	63,150
Other receivables	158,698	64,253
Prepaid expenses	28,348	19,142
Investments	166,945	210,916
Land held for development	221,407	207,637
Mortgages receivable, net	3,503,921	3,666,800
Property and equipment, net	1,240,318	987,046
Right of use assets, net	504,813	-
Total assets	$ 7,328,659	$ 6,654,577
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 186,043	$ 178,419
Other accrued expenses	98,305	80,328
Paycheck Protection Program (PPP) loan	-	162,504
Escrow holding liability	148,580	163,678
Lease liability	526,632	-
Capital lease obligations	-	26,286
Other liabilities	144,762	141,137
Total liabilities	1,104,322	752,352
Net assets		
Without donor restrictions	6,156,767	5,814,655
With donor restrictions	67,570	87,570
Total net assets	6,224,337	5,902,225
Total liabilities and net assets	$ 7,328,659	$ 6,654,577

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Activities
June 30, 2022 and 2021

	2022	2021
Revenues and support without donor restrictions		
Contributions and grants	$ 1,724,377	$ 1,394,025
Home sales	284,000	854,500
Imputed interest on non-interest bearing mortgages	325,782	311,855
ReStore sales	601,854	614,205
Forgiveness of PPP loan	160,802	157,898
In-kind contributions	60,017	87,057
Investment return, net	(37,611)	61,907
Other	114,319	122,793
Special events	-	30,900
Net assets released from donor restrictions	20,000	-
Total revenues and support without donor restrictions	3,253,540	3,635,140
Expenses		
Program	2,620,371	2,985,751
Administrative	117,741	138,169
Fundraising	173,316	183,156
Total expenses	2,911,428	3,307,076
Change in net assets without donor restrictions	342,112	328,064
Net assets with donor restrictions		
Contributions	-	20,000
Net assets released from restrictions	(20,000)	-
Change in net assets with donor restrictions	(20,000)	20,000
Contribution related to acquisition of Clark County Fuller Center for Housing	-	583,652
Change in net assets	322,112	931,716
Net assets, beginning of year	5,902,225	4,970,509
Net assets, end of year	$ 6,224,337	$ 5,902,225

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Functional Expenses
June 30, 2022

	Program	Administrative	Fundraising	Total
Salaries and benefits	$ 1,126,216	$ 66,248	$ 132,496	$ 1,324,960
Cost of homes sold	260,226	-	-	260,226
Building services and supplies	605,696	-	-	605,696
Mortgage discounts	177,025	-	-	177,025
Utilities	55,521	6,238	624	62,383
Publicity and promotion	6,533	726	7,259	14,518
Printing and postage	32,802	-	-	32,802
ReStore	28,042	-	-	28,042
Professional fees	20,147	16,118	4,029	40,294
Insurance	37,392	2,609	3,478	43,479
Travel and entertainment	30,866	3,858	3,858	38,582
Office supplies, support and services	55,633	3,709	2,473	61,815
Education	1,418	687	111	2,216
Property maintenance	44,394	2,337	-	46,731
Depreciation	45,892	8,099	-	53,991
Other	92,568	7,112	18,988	118,668
	$ 2,620,371	$ 117,741	$ 173,316	$ 2,911,428

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Functional Expenses
June 30, 2021

	Program	Administrative	Fundraising	Total
Salaries and benefits	$ 705,370	$ 53,572	$ 133,931	$ 892,873
Contract labor	118,972	42,490	8,498	169,960
Cost of homes sold	776,475	-	-	776,475
Building services and supplies	492,470	-	-	492,470
Mortgage discounts	497,222	-	-	497,222
Equipment rental	4,504	-	-	4,504
Utilities	49,099	3,168	528	52,795
Publicity and promotion	23,566	2,356	21,209	47,131
Special projects	-	517	-	517
Printing and postage	6,195	-	-	6,195
ReStore	33,442	-	-	33,442
Bad debt	24,993	-	-	24,993
Professional fees	9,532	17,874	2,383	29,789
Insurance	26,435	1,803	1,802	30,040
Interest	-	1,207	-	1,207
Travel and entertainment	7,838	979	980	9,797
Office supplies, support and services	68,475	4,028	8,056	80,559
Education	586	283	46	915
Property maintenance	39,124	2,524	421	42,069
Depreciation	38,469	2,481	414	41,364
Other	62,984	4,887	4,888	72,759
	$ 2,985,751	$ 138,169	$ 183,156	$ 3,307,076

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Cash Flows
June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 322,112	$ 931,716
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	53,991	41,364
Net realized and unrealized (gains) losses on investments	37,611	(61,907)
Forgiveness of PPP loan	(160,802)	(167,898)
Discounts on new mortgages receivable	177,025	497,222
Write-off of mortgages receivable	30,053	-
Amortization of mortgage discounts	(325,949)	(311,855)
Non-cash contribution related to acquisition of Clark County Fuller Center for Housing	-	(479,795)
Changes in:		
Homes for sale or under construction	(375,192)	(39,227)
Land held for development	(13,770)	388,299
Other receivables	(94,445)	(22,388)
Prepaid expenses	(9,206)	(3,879)
Accounts payable	7,624	45,516
Other accrued expenses	17,977	(14,403)
Escrow holding liability	(15,098)	33,051
Other liabilities	(842)	147,184
Net cash provided by (used in) operating activities	(348,911)	983,000
Cash flows from investing activities		
Proceeds from sale of investments	6,360	6,386
Origination of new mortgages receivable	(284,000)	(854,500)
Payments on mortgages receivable	564,048	590,682
Purchase of property and equipment	(307,263)	(15,148)
Net cash provided by investing activities	(20,855)	(272,580)
Cash flows from financing activities		
Payments on lines of credit	-	(34,900)
Payments on notes payable	-	(3,203)
Net cash used in financing activities	-	(38,103)
Net change in cash and cash equivalents	(369,766)	672,317
Cash and cash equivalents - beginning of year	1,435,633	763,316
Cash and cash equivalents - end of year	$ 1,065,867	$ 1,435,633

See accompanying notes to financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity of Greater Dayton, Inc. (HFH) is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, HFH is primarily and directly responsible for its own operations. HFH serves families in Montgomery, Greene and Clark counties in Ohio and is primarily supported through donor contributions, home sales and retail sales from its two ReStore locations in Dayton and Springfield, Ohio.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). HFH is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash and cash equivalents

HFH considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts. HFH maintains its cash in bank accounts which, at times, may exceed federally insured limits. HFH has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risks on cash and cash equivalents.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenues with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities as revenues with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. HFH's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. Most of the mortgages mature in 20-30 years. The receivable has been discounted using an imputed interest rate ranging from 6.00% to 9.00% based upon Habitat for Humanity International averages for low income housing. Interest income is recorded over the lives of the mortgages using the effective interest method. HFH's estimate for allowance of loan losses is zero. HFH has had historical success in collecting and makes every effort for homebuyers to arrange repayment even when experiencing financial difficulties. HFH also believes the homes securing the notes are sufficient collateral to not experience loan losses.

Assets Held for Development

Assets held for development are reported at cost or if donated, at fair market value at date of donation. Once development is complete, the properties are sold to arranged buyers with the selling price based upon a budgeted formula with excess basis expensed as program cost.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

HFH assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, HFH believes no impairments existed at June 30, 2022 and 2021.

Leases

HFH leases a retail store and certain equipment. HFH determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on our statement of financial position. Finance leases are included in property and equipment and finance lease liabilities on our statement of financial position.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use [our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

HFH has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as our retail store, HFH accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

HFH has elected to apply the short-term lease exemption to all classes of underlying assets. In 2022, HFH has only a small number of leases that qualify for the exemption.

In evaluating contracts to determine if they qualify as a lease, HFH considers factors such as if HFH has obtained substantially all of the rights to the underlying asset through exclusivity, if HFH can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, HFH uses rates implicit in the lease, or if not readily available, HFH uses our incremental borrowing rate. HFH’s incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by our assets. Determining a credit spread as secured by our assets may require significant judgment.

Contributions

HFH records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. A gift that is originally restricted by the donor and for which the restriction is met in the same year that the gift is received is recorded as revenue without donor restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, HFH reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets ad revenues when the conditions are substantially met and the gift becomes unconditional.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Donations

HFH records donated services revenue in the period received only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. However, many individuals volunteer their time and perform a variety of tasks that assist HFH.

Home Sales

A portion of HFH's revenue is derived from home sales during the year. Due to the nature of contracts, there is variable consideration in the form of a soft second mortgage that is due if a home is sold within a 30-year window and reduced to zero over the 30-year timeframe and only one performance obligation. Such revenue is conditioned upon meeting the performance obligation, and amounts received are recognized as revenue once the requirement has been met. Once construction is complete on a home and closing procedures have been completed, buyers take possession of the home and the performance obligation is considered to have been met. Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms.

ReStore Sales

A portion of HFH's revenue is derived from ReStore sales during the year. Such revenue is conditioned upon meeting one performance obligation, the sale transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payment in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based on time and effort, and occupancy, which was allocated based on estimated utilization.

Income Taxes

HFH is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, HFH is subject to federal income tax on any unrelated business taxable income.

HFH's IRS Form 990 is subject to review and examination by Federal and state authorities. HFH believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Guidance - Leases

In February 2016, the FASB issued ASC 842, Leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

HFH adopted the standard effective July 1, 2021 and recognized and measured leases existing at, or commenced after, July 1, 2021 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2021 are made under prior lease guidance in FASB ASC 840.

HFH elected the available practical expedients to account for our existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, we recognized on July 1, 2021 a lease liability at the carrying amount of the capital lease obligations on June 30, 2021, of $26,286 and a right-of-use asset at the carrying amount of the capital lease asset of $25,425. No operating leases existed as of July 1, 2021.

The standard had a material impact on our statement of financial position but did not have an impact on our statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged.

Reclassifications

Certain 2021 figures were reclassified to conform to the 2022 presentation.

Subsequent Event Evaluation

Subsequent events have been evaluated through November 18, 2022, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

HFH's financial assets available within one year of the statement of financial position date for general expenses are as follows:

	2022	2021
Cash and cash equivalents	$ 1,065,867	$ 1,435,633
Investments	166,945	210,916
Mortgages receivable expected to be collected within one year	427,300	440,306
Less escrow holding liabilities	(148,580)	(163,678)
Less funds held for other agencies	(144,762)	(141,137)
Less donor-restricted endowment	(67,570)	(67,570)
	$ 1,299,200	$ 1,714,470

Management structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. HFH regularly reviews the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill its obligations. In the event of an unanticipated liquidity need, HFH could also draw upon the available line of credit, as further discussed in Note 8.

NOTE 3 MORTGAGES RECEIVABLE

Mortgages receivable as of June 30, 2022 were $7,420,733 and were valued, net of present value amortization of $3,916,812 on the statement of financial position. Mortgages receivable as of June 30, 2021 were $7,744,872 and were valued, net of present value amortization of $4,078,072 on the statements of financial position.

HFH also records a second mortgage on properties sold below market value to protect the value of the sale. Second mortgages are forgiven over a specified period of time and HFH does not have a history of collecting cash on second mortgages. Accordingly, no value has been recognized for second mortgages as of June 30, 2022 and 2021.

NOTE 4 INVESTMENTS AT FAIR VALUE

HFH holds its investments with the Dayton Foundation's pooled investment fund (the Fund), which was established to permit the combining of assets for investment and administrative purposes of HFH and other participating not-for-profit organizations. Net investment income of the Fund (representing interest and dividend income and net investment appreciation and depreciation) is allocated to the participating organizations based on their respective share of the Fund's assets. As the fair value of the Fund is estimated using HFH's proportionate share of the underlying investments and the fund contains certain assets that do not have a readily determinable fair value, these investments are classified within Level 2 of the fair value hierarchy.

At June 30, 2022, HFH's investment of $166,945 represented 12.39% of the Fund's total market value. The Fund's investments at June 30, 2022 were allocated as follows: 77% equity securities, 14% fixed income securities, 6% real assets, and 3% money market funds. At June 30, 2021, HFH's investment of $210,916 represented 12.48% of the Fund's total market value. The Fund's investments at June 30, 2021 were allocated as follows: 78% equity securities, 12% fixed income securities, 6% real assets, and 4% money market funds.

NOTE 5 PROPERTY AND EQUIPMENT

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

	2022	2021
Buildings and improvements	$ 1,142,125	$ 941,526
Land	118,150	118,150
Vehicles	268,345	169,719
Equipment and tools	102,386	93,466
Less accumulated depreciation	(390,688)	(335,815)
	$ 1,240,318	$ 987,046

NOTE 6 LEASES

We have operating and finance leases for a retail store and certain equipment. Our leases have remaining lease terms of 1 year to 14 years. As of June 30, 2022 and 2021, assets recorded under finance leases were $31,612, and accumulated depreciation associated with finance leases was $12,510 and $6,187, respectively.

The components of lease expense were as follows:

	2022	2021
Operating lease expense	$ 21,499	$ -
Short-term lease expense	$ 12,339	$ -
Finance lease expense		
Amortization of ROU assets	$ 6,323	$ 3,591
Interest on lease liabilities	1,182	1,060
Total finance lease expense	$ 7,505	$ 4,651

Other information related to leases was as follows:

	Operating	Finance
Operating cash flows	$ 16,000	$ 1,182
Financing cash flows	-	6,000
ROU assets obtained in exchange for lease obligations	516,285	-
Weighted average remaining lease term	14.6 years	3.35 years
Weighted average discount rate	4.75%	5.03%

NOTE 6 LEASES (CONTINUED)

Future minimum lease payments under non-cancellable leases as of June 30, 2022 were as follows:

	Operating	Finance
2023	$ 48,000	$ 7,129
2024	48,000	6,649
2025	48,000	4,250
2026	48,000	3,895
2027	48,000	-
Thereafter	464,000	-
Total future minimum lease payments	704,000	21,923
Less imputed interest	(195,650)	(1,453)
Total	$ 508,350	$ 20,470

NOTE 7 PAYCHECK PROTECTION PROGRAM (PPP) LOANS

On April 16, 2020, HFH qualified for and received a loan pursuant to the Paycheck Protection Program (the “Program”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security’s Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of $157,898 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Program upon HFH’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by HFH. On June 16, 2021, HFH received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements. Accordingly, the full amount was recognized as debt forgiveness income in 2021.

On March 23, 2021, HFH qualified for and received a second loan pursuant to the Paycheck Protection Program (the “Program”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security’s Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of $160,802 (the “Second PPP Loan”). The Second PPP Loan bears interest at a fixed rate of 1.00% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the Second PPP Loan is subject to forgiveness under the Program upon HFH’s request to the extent that the Second PPP Loan proceeds are used to pay expenses permitted by the Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by HFH. On December 13, 2021, HFH received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements. Accordingly, the full amount was recognized as debt forgiveness income in 2022.

NOTE 8 LINE OF CREDIT

HFH has a $250,000 line of credit agreement with a bank to provide for normal working capital requirements. The line of credit bears interest at prime (4.75% at June 30, 2022) and expires on March 25, 2023. There is no outstanding balance on the line of credit as of June 30, 2022 and 2021.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 consisted of the following:

	2022	2021
Donor-restricted endowment funds	$ 67,570	$ 67,570
Specific home build events	-	20,000
	$ 67,570	$ 87,570

HFH's endowment consists of a donor-restricted endowment fund established to support its general mission. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of HFH follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as original corpus. The remaining portion of the donor-restricted endowment fund that is not classified as original corpus is classified as accumulated earnings until those amounts are appropriated for expenditure by the Board of Trustees.

NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS

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

	2022	2021
Property	$ 27,390	$ 8,320
Building supplies	17,003	67,925
Professional services	15,624	10,812
	$ 60,017	$ 87,057

NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

HFH recognizes contributed nonfinancial assets within revenue, including donated property, building supplies and professional services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed property and building supplies were utilized in building and repair programs. HFH estimated the fair value on the basis of estimates for similar properties recently sold or wholesale values that would be received for selling similar products in the United States.

Contributed professional services recognized comprise professional services for building and repair programs. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services.

NOTE 11 RETIREMENT PLAN

HFH sponsors a defined contribution retirement plan (the Plan) covering all employees who have completed minimum age and service requirements. HFH makes a contribution to the Plan up to 3% of the participant’s compensation. Employer contributions to the Plan for the years ended June 30, 2022 and 2021 were $19,722 and $15,674.