Habitat for Humanity of Greater Dayton, Inc.

Financial Statements
June 30, 2023 and 2022, and
Independent Auditors' Report

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

June 30, 2023 and 2022

Contents

	Page(s)
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16

BARNES DENNIG
Accounting • Tax • Business Insight

OHIO
DAYTON OFFICE
40 N Main St, Ste 2000
Dayton, OH 45423
Main: 937.223.7272
Fax: 937.223.1060

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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Dayton as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 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 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.

Independent Auditors' Report
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

December 21, 2023
Dayton, Ohio

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 795,705	$ 1,065,867
Homes for sale or under construction	708,874	438,342
Other receivables	387,327	158,698
Prepaid expenses	55,785	28,348
Investments	177,469	166,945
Land held for development	180,148	221,407
Mortgages receivable, net	3,631,063	3,503,921
Property and equipment, net	1,186,268	1,240,318
Right of use assets, net - operating leases	483,776	504,813
Total assets	$ 7,606,415	$ 7,328,659
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 202,193	$ 186,043
Other accrued expenses	333,621	98,305
Escrow holding liability	161,670	148,580
Lease liability	495,854	526,632
Other liabilities	150,877	144,762
Total liabilities	1,344,215	1,104,322
Net assets		
Without donor restrictions	6,194,630	6,156,767
With donor restrictions	67,570	67,570
Total net assets	6,262,200	6,224,337
Total liabilities and net assets	$ 7,606,415	$ 7,328,659

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023	2022
Revenues and support without donor restrictions		
Contributions and grants	$ 1,719,681	$ 1,724,377
ReStore sales	930,412	601,854
Home sales	782,524	284,000
Imputed interest on non-interest bearing mortgages	257,969	325,782
Other	130,479	114,319
In-kind contributions	92,616	60,017
Investment return, net	16,459	(37,611)
Forgiveness of PPP loan	-	160,802
Loss on disposal of property and equipment	(17,051)	-
Net assets released from donor restrictions	-	20,000
Total revenues and support without donor restrictions	3,913,089	3,253,540
Expenses		
Program	3,533,191	2,620,371
Administrative	133,678	117,741
Fundraising	208,357	173,316
Total expenses	3,875,226	2,911,428
Change in net assets without donor restrictions	37,863	342,112
Net assets with donor restrictions		
Net assets released from restrictions	-	(20,000)
Change in net assets with donor restrictions	-	(20,000)
Change in net assets	37,863	322,112
Net assets, beginning of year	6,224,337	5,902,225
Net assets, end of year	$ 6,262,200	$ 6,224,337

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Functional Expenses
For the Year Ended June 30, 2023

	Program	Administrative	Fundraising	Total
Salaries and benefits	$ 1,152,899	$ 67,818	$ 135,635	$ 1,356,352
Cost of homes sold	780,114	-	-	780,114
Building services and supplies	606,277	-	-	606,277
Mortgage discounts	451,325	-	-	451,325
Utilities	53,080	5,963	597	59,640
Publicity and promotion	23,090	2,566	25,656	51,312
Printing and postage	24,192	-	-	24,192
ReStore	35,531	-	-	35,531
Professional fees	28,360	22,688	5,672	56,720
Insurance	64,278	4,484	5,979	74,741
Travel and entertainment	36,168	4,521	4,521	45,210
Office supplies, support and services	53,398	3,560	2,373	59,331
Education	2,456	1,190	192	3,838
Property maintenance	39,045	2,055	-	41,100
Depreciation	47,790	8,434	-	56,224
Other	135,188	10,399	27,732	173,319
	$ 3,533,191	$ 133,678	$ 208,357	$ 3,875,226

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Functional Expenses
For the Year Ended 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

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

Statements of Cash Flows
For the Year Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 37,863	$ 322,112
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	56,224	53,991
Net realized and unrealized (gains) losses on investments	(16,459)	37,611
Forgiveness of PPP loan	-	(160,802)
Discounts on new mortgages receivable	451,325	177,025
Write-off of mortgages receivable	-	30,053
Amortization of mortgage discounts	(257,969)	(325,949)
Changes in:		
Homes for sale or under construction	(270,532)	(375,192)
Land held for development	41,259	(13,770)
Other receivables	(228,629)	(94,445)
Prepaid expenses	(27,437)	(9,206)
Accounts payable	16,150	7,624
Other accrued expenses	235,316	17,977
Escrow holding liability	13,090	(15,098)
Other liabilities	(3,626)	(842)
Net cash provided by (used in) operating activities	46,575	(348,911)
Cash flows from investing activities		
Proceeds from sale of investments	5,935	6,360
Origination of new mortgages receivable	(785,000)	(284,000)
Payments on mortgages receivable	464,502	564,048
Purchase of property and equipment	(2,174)	(307,263)
Net cash used in investing activities	(316,737)	(20,855)
Net change in cash and cash equivalents	(270,162)	(369,766)
Cash and cash equivalents - beginning of year	1,065,867	1,435,633
Cash and cash equivalents - end of year	$ 795,705	$ 1,065,867

See accompanying notes to financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Habitat for Humanity of Greater Dayton, Inc. (HFHGD) 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, HFHGD is primarily and directly responsible for its own operations. HFHGD 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). HFHGD 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

HFHGD 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. HFHGD maintains its cash in bank accounts which, at times, may exceed federally insured limits. HFHGD 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. HFHGD'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 7.00% 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. HFHGD's estimate for allowance of loan losses is zero. HFHGD has had historical success in collecting and makes every effort for homebuyers to arrange repayment even when experiencing financial difficulties. HFHGD 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.

HFHGD 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, HFHGD believes no impairments existed at June 30, 2023 and 2022.

Leases

HFHGD determines if an arrangement is a lease at inception. Right of use (ROU) assets represent HFHGD's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. HFHGD uses rates implicit in the lease, if readily available. For leases that do not provide an implicit rate, a risk-free rate based on information available at commencement date is used in determining the present value of lease payments. HFHGD's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

HFHGD accounts for lease and non-lease components as a single lease component. There may be variability in future lease payments as the amount of the non-lease component is typically revised from one period to the next. These variable lease payments are recognized in operating expenses in the period in which the obligation for those payments was incurred. HFHGD'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)

HFHGD made an accounting policy election that payments under agreements with an initial term of 12 months or less will not be included on the statement of financial position but will be recognized in the statement of activities on a straight-line basis over the term of the agreement. HFHGD has elected to apply the short-term lease exception on all classes of underlying assets.

Contributions

HFHGD 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, HFHGD 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.

In-Kind Donations

HFHGD 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 HFHGD.

Home Sales

A portion of HFHGD’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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ReStore Sales

A portion of HFHGD'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.

Income Taxes

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

HFHGD's IRS Form 990 is subject to review and examination by Federal and state authorities. HFHGD 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.

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 Issued Accounting Standard

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2024. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Event Evaluation

Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and cash equivalents	$ 795,705	$ 1,065,867
Other receivables	387,327	158,698
Investments	177,469	166,945
Mortgages receivable expected to be collected within one year	431,196	427,300
Less escrow holding liabilities	(161,670)	(148,580)
Less funds held for other agencies	(150,877)	(144,762)
Less donor-restricted endowment	(67,570)	(67,570)
	$ 1,411,580	$ 1,457,898

Management structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. HFHGD 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, HFHGD 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, 2023 were $7,716,831 and were valued, net of present value amortization of $4,085,768 on the statement of financial position. 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 statements of financial position.

HFHGD 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 HFHGD does not have a history of collecting cash on second mortgages. Accordingly, no value has been recognized for second mortgages as of June 30, 2023 and 2022.

NOTE 4 INVESTMENTS AT FAIR VALUE

HFHGD 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 HFHGD 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 HFHGD'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.

NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

At June 30, 2023, HFHGD's investment of $177,469 represented 12.39% of the Fund's total market value. The Fund's investments at June 30, 2023 were allocated as follows: 82% equity securities, 11% fixed income securities, 4% real assets, and 3% money market funds. At June 30, 2022, HFHGD'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.

NOTE 5 PROPERTY AND EQUIPMENT

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

	2023	2022
Buildings and improvements	$ 1,144,300	$ 1,142,125
Land	118,150	118,150
Vehicles	263,749	268,345
Equipment and tools	102,386	102,386
Less accumulated depreciation	(442,317)	(390,688)
	$ 1,186,268	$ 1,240,318

NOTE 6 LEASES

HFHGD has operating and finance leases for a retail store and certain equipment. HFHGD's leases have remaining lease terms of 1 year to 14 years. As of June 30, 2023 and 2022, assets recorded under finance leases were $31,612, and accumulated depreciation associated with finance leases was $18,832 and $12,315, respectively.

The components of lease expense were as follows:

	2023	2022
Operating lease expense	$ 23,574	$ 21,499
Short-term lease expense	12,339	12,339
Finance lease expense		
Amortization of ROU assets	$ 6,158	$ 6,323
Interest on lease liabilities	808	1,182
Total finance lease expense	$ 6,966	$ 7,505

NOTE 6 LEASES (CONTINUED)

Other information related to leases is as follows:

	Operating	Finance
Operating cash flows	$ 48,000	$ 808
Financing cash flows	-	6,321
Weighted average remaining lease term	13.6 years	2.5 years
Weighted average discount rate	4.75%	4.45%

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

	Operating	Finance
2024	$ 48,000	$ 6,649
2025	48,000	4,250
2026	48,000	3,895
2027	48,000	-
2028	48,000	-
Thereafter	416,000	-
Total future minimum lease payments	656,000	14,794
Less imputed interest	(174,132)	(808)
Total	$ 481,868	$ 13,986

NOTE 7 PAYCHECK PROTECTION PROGRAM (PPP) LOANS

On March 23, 2021, HFHGD 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 HFHGD’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 HFHGD. On December 13, 2021, HFHGD 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

HFHGD 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 (8.25% at June 30, 2023) and expires on March 25, 2024. There is no outstanding balance on the line of credit as of June 30, 2023 and 2022.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

HFHGD's net assets with donor restrictions 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 HFHGD 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:

	2023	2022
Property	$ 19,800	$ 27,390
Building supplies	70,316	17,003
Professional services	2,500	15,624
	$ 92,616	$ 60,017

HFHGD 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. HFHGD 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

HFHGD sponsors a defined contribution retirement plan (the Plan) covering all employees who have completed minimum age and service requirements. HFHGD 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, 2023 and 2022 were $20,473 and $19,722.

NOTE 12 EMPLOYER RETENTION CREDIT

On December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law, which substantially expanded the Employee Retention Tax Credit program (ERTC) to allow eligible employers to claim a credit on qualified employee wages retroactively to March 12, 2020, and through September 30, 2021. Eligibility and credit calculations under ERTC include meeting requirements based on either a decline in gross receipts during a comparative quarter, or full or partial suspension of operations by a COVID-19 government order.

HFHGD has estimated its eligibility under the program and filed with the Internal Revenue Service in May 2023 to claim credits during the ERTC period in the amount of $312,901. HFHGD determined it has met the criteria for recognition of these credits in its financial statements, which is included on other receivables on the statement of financial position and contributions and grants on the statement of activities.