HABITAT FOR HUMANITY OF THE CHESAPEAKE, INC.
AND AFFILIATES

Consolidated Financial Statements
For the Years Ended June 30, 2024 and 2023

Together with Independent Auditors' Report

HABITAT FOR HUMANITY OF THE CHESAPEAKE, INC.
AND AFFILIATES

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For the Years Ended June 30, 2024 and 2023

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity of the Chesapeake, Inc. and Affiliates:

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity of the Chesapeake, Inc. and Affiliates (a Maryland nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Habitat for Humanity of the Chesapeake, Inc. and Affiliates as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity of the Chesapeake, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of the Chesapeake, Inc. and Affiliate'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.

SC&H Attest Services, P.C.

December 13, 2024

HABITAT FOR HUMANITY OF THE CHESAPEAKE, INC.
AND AFFILIATES

Consolidated Statements of Financial Position

As of June 30,	*2024*	*2023*
Assets		
Current Assets		
Cash and cash equivalents	$ 3,930,409	$ 3,888,835
Contributions receivable - current portion	660,773	1,115,904
Accounts receivable	609,433	253,704
Mortgages receivable - current portion	460,728	434,187
Grants receivable	108,407	345,782
Inventory of homes	3,142,426	3,376,222
ReStore inventory	70,649	73,613
Prepaid expenses	120,894	101,074
Total Current Assets	9,103,719	9,589,321
Non-Current Assets		
Right-of-use assets - operating, net	3,333,861	2,672,703
Property and equipment, net	785,893	955,801
Long-term contributions receivable, net	52,321	184,787
Long-term mortgages receivable, net	3,775,751	3,941,583
Leveraged mortgages receivable, net	3,629,584	5,372,923
Capitalized interest on leveraged mortgages receivable	3,355,323	3,377,072
Prepaid interest	111,944	131,777
Deposits	59,680	59,580
Total Assets	$ 24,208,076	$ 26,285,547
Liabilities and Net Assets		
Current Liabilities		
Lines of credit and notes payable - current portion	$ 178,545	$ 204,593
Accounts payable and accrued liabilities	622,410	784,977
Current portion of lease liabilities - operating	896,309	884,752
Deferred revenue	37,500	-
Total Current Liabilities	1,734,764	1,874,322
Non-Current Liabilities		
Lines of credit and notes payable - net of current portion	1,737,428	1,778,967
Leveraged mortgages receivable liability	3,629,584	5,372,923
Lease liabilities - operating, net of current portion	2,670,558	2,026,565
Total Liabilities	9,772,334	11,052,777
Commitments and Contingencies (Note 12)		
Net Assets		
Without donor restrictions	13,138,711	14,046,454
With donor restrictions	1,297,031	1,186,316
Total Net Assets	14,435,742	15,232,770
Total Liabilities and Net Assets	$ 24,208,076	$ 26,285,547

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

Consolidated Statements of Activities

For the Years Ended June 30,	2024			2023		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Without Donor Restrictions*	*With Donor Restrictions*	*Total*
Revenues, Gains and Other Support						
Contributions	$ 2,082,169	$ 1,080,000	$ 3,162,169	$ 1,573,561	$ 950,000	$ 2,523,561
Government grants	1,165,321	-	1,165,321	1,045,739	-	1,045,739
Donated assets and services	174,429	-	174,429	199,038	-	199,038
ReStore income	4,730,997	-	4,730,997	4,320,608	-	4,320,608
Real estate income	2,063,000	-	2,063,000	1,513,000	-	1,513,000
Miscellaneous income	106,288	-	106,288	75,295	-	75,295
Amortization of mortgage discounts	216,474	-	216,474	273,279	-	273,279
Net assets released from donor restrictions	969,285	(969,285)	-	1,219,025	(1,219,025)	-
Total Revenues, Gains, and Other Support	11,507,963	110,715	11,618,678	10,219,545	(269,025)	9,950,520
Expenses						
Program services						
House construction	6,021,325	-	6,021,325	4,732,771	-	4,732,771
ReStore services	3,994,625	-	3,994,625	3,734,115	-	3,734,115
Support services						
Management and general	1,190,726	-	1,190,726	1,175,859	-	1,175,859
Fundraising	1,200,124	-	1,200,124	970,900	-	970,900
Total Expenses	12,406,800	-	12,406,800	10,613,645	-	10,613,645
Excess (Deficit) of Revenues, Gains, and Other Support over Expenses	(898,837)	110,715	(788,122)	(394,100)	(269,025)	(663,125)
Other Changes in Net Assets						
Debt forgiveness - notes payable	75,000	-	75,000	37,500	-	37,500
Loss on the sales of homes, net	(83,906)	-	(83,906)	(68,783)	-	(68,783)
Total Other Changes in Net Assets	(8,906)	-	(8,906)	(31,283)	-	(31,283)
Change in Net Assets	(907,743)	110,715	(797,028)	(425,383)	(269,025)	(694,408)
Net Assets, beginning of year	14,046,454	1,186,316	15,232,770	14,471,837	1,455,341	15,927,178
Net Assets, end of year	$ 13,138,711	$ 1,297,031	$ 14,435,742	$ 14,046,454	$ 1,186,316	$ 15,232,770

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

Consolidated Statements of Functional Expenses

For the Years Ended June 30,	*2024*					*2023*				
	Program Services		***Supporting Services***			***Program Services***		***Supporting Services***		
	House Construction	*ReStore Services*	*Management and General*	*Fundraising*	*Total*	*House Construction*	*ReStore Services*	*Management and General*	*Fundraising*	*Total*
Advertising	$ 180,142	$ 12,764	$ -	$ 143,289	$ 336,195	$ 218,385	$ 9,717	$ 4,732	$ 150,100	$ 382,934
Amortization of capitalized interest	165,866	-	-	-	165,866	161,733	-	-	-	161,733
Bad debt	-	-	-	519,878	519,878	-	-	-	267,023	267,023
Computer and software maintenance	8,257	16,876	16,049	42,517	83,699	27,108	17,840	17,639	31,047	93,634
Conference/training expenses	11,936	3,927	9,539	953	26,355	34,259	3,964	12,134	1,162	51,519
Construction and rehabilitation costs on houses sold and settled	2,559,021	-	-	-	2,559,021	1,629,039	-	-	-	1,629,039
Depreciation and amortization	36,233	88,499	51,467	7,945	184,144	38,941	95,113	55,313	8,539	197,906
Discounts of mortgages receivable	343,980	-	-	-	343,980	193,797	-	-	-	193,797
Dues and subscriptions	8,351	297	2,949	1,753	13,350	8,779	-	4,328	994	14,101
Employee benefits	115,457	287,865	57,884	33,610	494,816	127,721	230,227	46,868	25,490	430,306
Habitat for Humanity International tithe	25,000	-	-	-	25,000	25,064	-	-	-	25,064
Homeownership	188,821	-	-	-	188,821	65,879	-	-	-	65,879
Impairment on inventory of homes	958,578	-	-	-	958,578	774,823	-	-	-	774,823
Insurance	14,094	23,538	7,066	4,103	48,801	9,139	17,958	3,353	1,824	32,274
Interest	17,968	-	38,968	-	56,936	15,321	-	43,512	-	58,833
Meals and entertainment	32,875	24,168	21,483	2,448	80,974	36,929	13,967	17,242	1,729	69,867
Miscellaneous	3,335	1,601	741	1,608	7,285	4,380	1,602	11,604	973	18,559
Mortgage credit loss expense	91,073	-	-	-	91,073	-	-	-	-	-
Office administration and supplies	39,300	97,986	19,703	11,441	168,430	41,728	75,219	15,312	8,328	140,587
Postage	2,014	5,021	1,010	586	8,631	1,786	3,220	656	357	6,019
Printing and production	5,312	13,245	2,663	1,546	22,766	9,053	16,320	2,083	1,807	29,263
Professional fees	83,668	106,701	85,991	34,334	310,694	70,498	95,729	68,952	10,599	245,778
Purchased merchandise	-	194,005	-	-	194,005	-	273,904	-	-	273,904
Remediation of houses previously sold	12,023	-	-	-	12,023	13,910	-	-	-	13,910
Rent and amortization of right-of-use assets	100,994	961,770	50,633	29,400	1,142,797	108,915	959,198	39,967	21,736	1,129,816
Repair and renew	-	-	-	-	-	13,288	-	-	-	13,288
Repairs and maintenance	27,272	145,345	13,673	7,939	194,229	29,169	103,506	10,704	5,821	149,200
Salaries	882,563	1,448,785	757,815	327,611	3,416,774	935,454	1,338,793	771,193	406,998	3,452,438
Taxes - other	64	33,225	1,067	-	34,356	209	15,280	998	-	16,487
Taxes - payroll	61,875	154,270	31,021	18,012	265,178	81,397	146,725	29,869	16,244	274,235
Telephone	23,741	59,192	11,902	6,911	101,746	29,834	53,777	10,948	5,954	100,513
Travel	7,400	6,207	2,216	242	16,065	6,015	4,393	1,416	348	12,172
Truck	-	212,654	-	-	212,654	-	147,205	-	-	147,205
Utilities	13,734	86,905	6,886	3,998	111,523	19,174	103,839	7,036	3,827	133,876
Volunteers	378	9,779	-	-	10,157	1,044	6,619	-	-	7,663
Total Expenses	$ 6,021,325	$ 3,994,625	$ 1,190,726	$ 1,200,124	$ 12,406,800	$ 4,732,771	$ 3,734,115	$ 1,175,859	$ 970,900	$ 10,613,645

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

HABITAT FOR HUMANITY OF THE CHESAPEAKE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

For the Years Ended June 30,	*2024*	*2023*
Cash Flows from Operating Activities		
Change in net assets	$ (797,028)	$ (694,408)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization of property and equipment	184,144	197,906
Amortization of prepaid interest	19,833	20,798
Amortization of deferred financing costs	3,500	3,500
Amortization of capitalized interest on leveraged mortgages receivable	165,866	161,733
Amortization of right-of-use assets	860,930	803,240
Debt forgiveness - notes payable	(75,000)	(37,500)
Capitalized interest from leveraged mortgages receivable	(144,117)	(180,893)
Impairment on inventory of homes	958,578	774,823
Provision for uncollectible contributions receivable and grants receivable	519,878	267,023
Increase (decrease) in present value discount on contributions receivable	(52,584)	26,671
Mortgage credit loss expense	91,073	-
Mortgages receivable discount expense	343,980	193,797
Amortization of mortgage discounts	(216,474)	(273,280)
Effects of changes in operating assets and liabilities:		
Contributions receivable	135,303	(203,866)
Accounts receivable	(446,802)	743,548
Grants receivable	222,375	227,835
Inventory of homes	(724,782)	(890,498)
ReStore inventory	2,964	(23,965)
Prepaid expenses	(19,820)	7,711
Accounts payable and accrued liabilities	(162,567)	123,418
Lease liabilities - operating	(866,538)	(816,280)
Deferred revenue	37,500	-
Net Cash and Cash Equivalents Provided by Operating Activities	40,212	431,313
Cash Flows from Investing Activities		
Acquisition of property and equipment	(14,236)	(177,391)
Origination and acquisition of mortgages receivable, net	(571,359)	(171,726)
Principal payments collected on mortgages receivable	583,144	552,046
Increase in deposits	(100)	-
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities	(2,551)	202,929
Cash Flows from Financing Activities		
Proceeds from lines of credit and notes payable	203,943	-
Payments on lines of credit and notes payable	(200,030)	(234,804)
Net Cash and Cash Equivalents Provided by (Used in) Financing Activities	3,913	(234,804)
Net Increase in Cash and Cash Equivalents	41,574	399,438
Cash and Cash Equivalents, beginning of year	3,888,835	3,489,397
Cash and Cash Equivalents, end of year	$ 3,930,409	$ 3,888,835
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 33,602	$ 39,855
Settlement costs	$ 63,168	$ 15,890
Decrease in leveraged mortgages receivable, net	$ (1,743,339)	$ (398,740)
Cash received on foreclosed homes or deeds in lieu	$ -	$ 25,000
Supplemental Disclosure of Non-Cash Financing Activities		
Derecognition of deferred rent	$ -	$ 251,655
Recognition of right-of-use assets - operating	$ 1,522,088	$ 3,475,943
Recognition of lease liabilities - operating	$ 1,522,088	$ 3,727,597

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Habitat for Humanity of the Chesapeake, Inc. and Affiliates (the Organization) is composed of Habitat for Humanity of the Chesapeake, Inc. (Habitat), JLR Investments LLC (JLR), Habitat for Humanity of the Chesapeake CHDO, LLC (Chesapeake CHDO), Chesapeake Funding Company I, LLC (Chesapeake Funding) and BOTF, Inc. (BOTF).

Habitat was incorporated under the laws of the state of Maryland in 1982 and has been recognized by the Internal Revenue Service (IRS) as a not-for-profit, tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code (IRC) that is publicly supported and, therefore, not a private foundation.

JLR is a limited liability company created by Habitat that was incorporated in Maryland in 2005. Habitat is the sole member of JLR. JLR was formed to own, operate, lease and sell real property, including certain property located in Baltimore, Maryland together with all improvements thereon.

Chesapeake CHDO is a limited liability company formed for charitable purposes, including assisting community organizations in the planning and managing of housing and economic development projects and providing decent housing that is affordable to low- and moderate-income people, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 50l(c)(3) of the IRC. Habitat is the sole member of Chesapeake CHDO.

Chesapeake Funding is a limited liability company formed for the purpose of holding certain real estate investment portfolios, and to do any and all things necessary, convenient or incidental to that purpose. Habitat is the sole member of Chesapeake Funding.

BOTF was incorporated in Maryland in 2013 and has been recognized by the IRS as a not-for-profit, tax-exempt organization as defined by Section 501(c)(2) of the IRC. BOTF was formed to hold title to the building housing the Sandtown ReStore on behalf of and for the exclusive benefit of Sandtown Habitat for Humanity, Inc. (Sandtown) and is consolidated as a result of Habitat's merger with Sandtown. Effective September 30, 2014, Habitat entered into an Articles of Merger with Sandtown, which provided similar services to the Organization in the Sandtown area of Baltimore. Upon merging, the Organization recognized all identifiable assets and liabilities acquired at their fair value at the date of acquisition. Any difference between the fair value of the assets and liabilities acquired was recognized in the consolidated statements of activities as contribution from merger.

The Organization is a Christian organization, unaffiliated with any denomination, that aims to demonstrate the Christian gospel by working to establish affordable housing and decent habitat through the acquisition and rehabilitation of homes for those that are in need in Anne Arundel County, Baltimore City, Baltimore County and Howard County. The Organization is supported primarily through contributions, home sponsorships, government grants, real estate sales, ReStore sales and donated goods and services.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Description of the Organization – cont'd.

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI), 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 HFHI assists with information resources, training, publications, prayer support and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization operates six Habitat for Humanity ReStores (the ReStores). The ReStores are retail operations, where home furnishings, appliances, and other miscellaneous items are donated or purchased and then sold to the community at a greatly reduced price.

Principles of Consolidation

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidations*, the accompanying consolidated financial statements include the accounts of Habitat, and those of its affiliates, which consist of JLR, Chesapeake CHDO, Chesapeake Funding, and BOTF. Habitat is the sole member of its affiliates. All intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The consolidated financial statement presentation is in accordance with the requirements of FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under ASC 958-205, the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions: Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period that the contribution is received are reported as net assets without donor restrictions.

With Donor Restrictions: Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations. Net assets may be donor restricted for various purposes, such as use in future periods or use for specified purposes. When a donor restriction expires by the passage of time or by satisfying restrictions through actions of the Organization, the net assets with donor restrictions are released to net assets without donor restrictions. Net assets subject to donor restrictions to be maintained permanently by the Organization would be included in this net asset class, however, the Organization has no such net assets as of June 30, 2024 and 2023.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from those estimates.

Recent Accounting Pronouncements

Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which modifies the guidance for lease accounting. The new guidance requires lessees to recognize lease assets and liabilities on the statement of financial position for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under the previous guidance, recognition of lease assets and liabilities was not required for operating leases. The new guidance requires that lease assets and liabilities be recognized and measured initially based on the present value of the lease payments. The Organization used the modified retrospective transition approach to adopt this guidance, which allows a cumulative effect adjustment to apply the new lease standard at the adoption date and does not require adjustments to comparative periods or modified disclosures in those comparative periods. In addition, the Organization made the following elections:

- The Organization elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs for all leases upon transition.
- The Organization did not elect the hindsight practical expedient upon transition for all leases.
- The Organization elected the short-term lease measurement and recognition exemption, resulting in lease payments being recorded as an expense on a straight-line basis over the lease term.
- The Organization elected to include both lease and non-lease components as a single component for all leases.

As a result of the adoption of ASU 2016-02, the Organization recognized lease liabilities totaling \$3,727,597 which represents the present value of the remaining lease payments, and right-of-use assets totaling \$3,475,943 as of July 1, 2022. The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of deferred rent, including a tenant improvement allowance, related to the leases previously recognized in the consolidated statement of financial position as of June 30, 2022. The adoption of this guidance did not have a material impact on the Organization's results of operations or cash flows. Due to the adoption of the standard using the modified retrospective transition approach, there were no changes to the previously reported results prior to July 1, 2022. Lease expense did not change materially as a result of the adoption of the new guidance.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Recent Accounting Pronouncements – cont'd.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The objective of the amendments in this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The new expected credit loss methodology, which is based on historical experience, current conditions and reasonable and supportable forecasts, replaced the incurred loss model for measuring and recognizing expected credit losses (excluding contributions receivable). The Organization used the modified retrospective approach to implement ASU 2016-13 during the year ended June 30, 2024 which does not require adjustments to comparative periods or modified disclosures in those comparative periods. Based on historical trends, the financial condition of the Organization's customers and management's expectations of economic and industry factors affecting the Organization's customers, the adoption of ASU 2016-13 did not have a material impact on the accompanying consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*, which aims to address accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The amendments in this update provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for those hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments in this update are effective for all eligible hedging relationships existing as of March 12, 2020, and contract modifications or new hedging relationships entered into through December 31, 2022.

In January 2021, FASB issued ASU 2021-01, *Rate Reference Reform: Scope,* which clarified that certain optional expedients and exceptions in FASB ASC Topic 848 apply as well to derivatives that are affected by the discounting transition (i.e. interest rates used for margining, discounting, or contract price alignment). While the Organization currently has no financial instruments that are subject to revaluation of contractual cash flows measured at amortized cost as a result of interest benchmark reform, it is expected that the amendments may have an impact on the Organization's borrowings (Note 6) in future periods.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Revenue from Exchange Transactions

In accordance with FASB ASC 606, *Revenue from Contracts with Customers*, revenue is recognized when a customer obtains control of promised goods or services (performance obligation) in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services (transaction price). The Organization's exchange revenue is primarily derived from the sale of ReStore merchandise and real estate income. Revenue is recorded net of discounts and similar charges. Sales and other tax amounts collected for remittance to governmental authorities are excluded from revenue.

ReStore income is generated through the sale of home furnishings, appliances, and other miscellaneous items that are donated or purchased and then sold at a reduced price. The transaction price is a fixed amount set by the Organization, and revenue is recognized at the time of sale, as that is when the performance obligation is satisfied.

Real estate income is generated through home sales. The homes are originally held as inventory, under the House construction program, and revenue is recognized at the time of sale, as that is when the performance obligation is satisfied. The transaction price is based on the appraised value of the home that is agreed upon the entering of a contract of sale.

The Organization's revenue from exchange transactions are as follows for the years ended June 30,:

	2024	2023
ReStore income	$ 4,730,997	$ 4,320,608
Real estate income	2,063,000	1,513,000
Loss on the sales of homes	(83,906)	(68,783)
Total	$ 6,710,091	$ 5,764,825

Program Services

Program services encompass activities directly and indirectly related to establishing affordable and decent housing through acquisition, rehabilitation, sale of homes, and retail operations. Program service expenses are included in house construction or ReStore services on the accompanying consolidated statements of activities.

Management and General

Management and general services are those related to operating and managing the Organization and its programs on a day-to-day basis. The Organization's management and general services consist of activities not directly related to the programs for which the Organization exists, including all activities related to the Organization's internal management and accounting for program services.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Fundraising

Fundraising consists of activities performed either directly or indirectly to induce contributions, which will be utilized to enhance the program service activities and related management and general activities.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been presented in the consolidated statements of functional expenses. The Organization incurs certain expenses that directly relate to, and can be assigned to, a specific program or supporting activity.

The Organization also conducts a number of activities which benefit both its program objectives as well as supporting activities. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis. Select overhead accounts are allocated based upon the percentage of Full-Time Employees (FTEs) per department. Employee benefits and payroll taxes are allocated based upon percentage of salary costs. All other entries are department specific and initial general ledger entries are made to that effect.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less at the time of purchase.

Credit Risk

The Organization maintains cash and cash equivalents at several financial institutions. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. The Organization periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Contributions

Contributions are recognized when a donor makes an unconditional promise to transfer assets to the Organization. Contributions received are recorded at fair value on the date of the gift and are recorded as contributions with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Grant revenue is considered a conditional gift and is recognized as program or other expenses are incurred satisfying the conditions of the grant.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Contributions Receivable

Contributions receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. In accordance with ASC 958-310, *Not-for-Profit Entities: Receivables*, pledges due in one or more years are discounted to their net present value at the time the revenue is recorded. The Organization uses the allowance method to determine the reserve for uncollectible contributions receivable. The allowance is based on historical experience and management's analysis of specific promises made. As of June 30, 2024 and 2023, the Organization had gross unconditional promises to give totaling $749,723 and $1,564,904, respectively, net of the allowance for uncollectible pledges totaling $0 and $175,000, respectively, and the present value discount totaling $36,629 and $89,213, respectively. Contributions receivable include amounts due in more than one year totaling $88,950 and $449,000 as of June 30, 2024 and 2023, respectively, which are recorded as contributions with donor restrictions. Contributions receivable are discounted for the time value of money using the IRS long term annual applicable federal rate at the date of the promise, which was 4.52% and 4.49% as of June 30, 2024 and 2023, respectively.

As of June 30, 2024, the anticipated receipts of contributions receivable are as follows:

For the years ending June 30,:	
2025	$ 660,773
2026	79,800
2027	4,800
2028	4,350
Total	749,723
Less: present value discount	(36,629)
Contributions receivable, net	$ 713,094

Mortgages Receivable and Allowance for Credit Losses

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments, with original maturities ranging from 20 to 30 years. All of the mortgages are related to either new construction or rehabilitation of existing homes by the Organization. These mortgages are shown on the consolidated statements of financial position discounted at the prevailing interest rate for the time value of money, ranging from 4.22% to 4.59% as of June 30, 2024 and ranging from 3.60% to 3.70% as of June 30, 2023. Amortization revenue is recorded using the straight-line method over the lives of the mortgages.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Mortgages Receivable and Allowance for Credit Losses – cont'd.

The Organization is a secured creditor. Management therefore records a provision for credit losses at the time that it is determined that the mortgage balance exceeds the fair market value of the related home, or at the time that other related costs including legal expenses associated with mortgage foreclosures are determined by management to be unrecoverable. Management's assessment of expected credit losses includes consideration of financial condition, historical credit loss experience, current and expected economic conditions, and aging of account balances. The measurement and recognition of credit losses involves the use of judgment and represents management's estimate of expected lifetime credit losses. At origination, the Organization evaluates credit risk based on a variety of credit quality factors including prior payment experience, individuals' financial condition, probabilities of default, industry trends and other internal metrics. On a continuing basis, individual account balances are regularly reviewed based on past-due status to evaluate the allowance for credit losses. Mortgage receivable and other related real estate account balances are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Receivables are written off from the allowance for credit losses when it is determined that amounts are uncollectible. Recoveries of amounts previously written off are recorded when received. As of June 30, 2024 and 2023, management has assessed that the fair market value of the homes exceeds the related mortgage balances and that there are no other related uncollectible costs associated with mortgage foreclosures, and as such no allowance for credit losses has been recorded.

The following table presents changes in the analysis of the allowance for credit losses for the year ended June 30, 2024:

Allowance for credit losses, July 1, 2023	$	-
Additions:		
Charges to credit loss expense		91,073
Recoveries of amounts previously written off		-
Deductions:		
Write-offs charged against the allowance		(91,073)
Allowance for credit losses, June 30, 2024	$	-

The Organization has pledged some of the mortgage loans as collateral for lines of credit and notes payable (Note 6).

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Mortgages Receivable and Allowance for Credit Losses – cont'd.

In addition to the mortgages receivable included in the consolidated statements of financial position, the Organization also holds non-interest bearing second, third and fourth mortgages. These mortgages originate at the same time as the first mortgage and reflect the difference between the sales price and the fair market value of the house. These mortgages are legal documents executed for protection against homeowners who may sell their house for a profit before the mortgage is repaid and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage. These mortgages are not included on the consolidated statements of financial position based on FASB ASC 450, *Contingencies,* which relates to gain contingencies. Since these mortgages are contingent receivables, they are not recorded in the consolidated financial statements because there is a significant uncertainty that they will be exercised and collected.

Leveraged Mortgages Receivable

When a mortgage receivable is leveraged, the Organization receives a discounted cash amount in exchange for the transfer of the mortgage receivable to a bank. Under these agreements, the Organization is liable to repurchase or replace a mortgage transferred to the bank in the event that the homeowner does not make the required payments. In accordance with ASC 805 through 860, *Broad Transactions*, the leveraging of the mortgage receivable with a conditional obligation to repurchase or replace the mortgage is not considered a sale.

The leveraged mortgages receivable are shown on the consolidated statements of financial position discounted at the prevailing interest rate for the time value of money, ranging from 4.51% to 4.56% as of June 30, 2024 and from 3.74% to 4.33% as of June 30, 2023. The difference between the cash received and the gross mortgage receivable transferred is recorded as capitalized interest on leveraged mortgages receivable in the consolidated statements of financial position. The capitalized interest on leveraged mortgages receivable is amortized over the term of the leveraged mortgage receivable using the straight-line method. The liability in the event that the homeowner does not make the required payments is included in the consolidated statements of financial position as a leveraged mortgages receivable liability, carried at fair market value.

Inventory of Homes

Inventory of homes consists of houses and lots purchased by or donated to the Organization for rehabilitation and resale and the cost of homes that are under construction. Donated properties, materials, and services relating to the homes are recognized at fair market value as of the date of the donation. The houses and lots are valued at net realizable value. Impairment expense on the inventory of homes totaling $958,578 and $774,823 is included in house construction expenses in the consolidated statements of activities for the years ended June 30, 2024 and 2023, respectively. When homes are sold the related costs and impairments are removed by recording construction and rehabilitation costs on houses sold and settled.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Inventory of Homes – cont'd.

Details for inventory of homes as of June 30, 2024 and 2023 are as follows:

	2024	2023
Inventory of homes	$ 4,830,161	$ 5,953,059
Less CIP impairment	(1,687,735)	(2,576,837)
Inventory of homes, net	$ 3,142,426	$ 3,376,222

Right-of-Use Assets

The Organization has adopted a policy of capitalizing right-of-use assets with terms of at least one year held under lease liabilities, as defined by ASC 842. These assets include leased trucks and office equipment held under separate agreements (Note 12). The leased assets are recorded at the present value of the lease liability. Right-of-use assets are reviewed annually for impairment in accordance with ASC 360, *Property, Plant and Equipment.* As of June 30, 2024 and 2023, there were no right-of-use assets that were deemed to be impaired.

Property and Equipment

Property and equipment is stated at cost. The Organization capitalizes all costs that are in excess of $1,000 and have a useful life of at least one year. Expenditures for maintenance, repairs and renewals are charged against income as incurred. Expenditures for additions, improvements and replacements are added to the property and equipment accounts and depreciated over their useful lives.

When assets are retired or sold, the related costs and accumulated depreciation and amortization are removed from the accounts, and any gain or loss on disposition is recognized in the consolidated statements of activities.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives for respective assets are as follows:

Buildings	40 years
Furniture, fixtures and equipment	5 years
Equipment	5 years
Vehicles	5 years
Computer equipment	3 years

Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the life of the lease. Depreciation and amortization expense totaled $184,144 and $197,906 for the years ended June 30, 2024 and 2023, respectively.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with ASC 360, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. As of June 30, 2024 and 2023, the Organization had no assets held for disposal and does not believe any long-lived assets are impaired.

Warranties

The Organization provides homeowner warranties on the homes it rehabilitates and records an accrual for estimated future claims. Such accruals are based upon historical experience and management's estimate of the level of future claims. No accruals were considered necessary as of June 30, 2024 and 2023.

Deferred Financing Costs and Amortization

Deferred financing costs are presented as a contra-account to the related debt liability and are amortized over the period the obligation is outstanding using the straight-line method. Amortization of deferred financing costs charged to interest expense totaled $3,500 for both years ended June 30, 2024 and 2023.

Donated Services

Donated services meeting the requirements for recognition in the consolidated financial statements and donated materials are included in support and expense at their estimated fair values on the date they were contributed. The requirements for recognition of donated services in the consolidated financial statements are (a) the donated services create or enhance non-financial assets, or (b) the donated services require special skills, are provided by individuals who possess those special skills and donated services would typically be purchased by the Organization if they had not been provided by contribution.

Donated ReStore Items

Donations of ReStore items are not valued, nor is an inventory of such items used for financial reporting. This accounting treatment is based on ASC 958, *Contributions Received*, where a major uncertainty about the existence of value may indicate that an item received or given should not be recognized. ASC 845, *Initial Measurement*, also applies that fair value should be regarded as not determinable within reasonable limits if major uncertainties exist about the realizability of the value. Revenue from donated ReStore inventory is recognized when the inventory is sold.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

ReStore Inventory

ReStore inventory consists of purchased merchandise to be sold in the ReStores and is valued at the lower of cost or net realizable value. This accounting treatment is based on ASC 330, *Inventory*, where net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the IRC and is not considered a private foundation. All of the ReStores' activities are classified as exempt activities since sales of purchased merchandise are less than 15% of the ReStores' total sales. ReStore's activities are not subject to the tax on unrelated business income. JLR, Chesapeake CHDO and Chesapeake Funding are disregarded entities for tax purposes. Therefore, they do not generate taxable income. BOTF is exempt from Federal and State income taxes under Section 501(c)(2) of the IRC.

ASC 740, *Income Taxes*, prescribes the recognition and measurement of a tax position taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties, and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. The Organization has considered its income tax positions, including any positions that may be considered uncertain by the relevant tax authorities in the jurisdictions in which the Organization operates. As of June 30, 2024 and 2023, the Organization had no uncertain tax positions.

The Organization recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Organization does not have any amounts accrued relating to interest and penalties as of June 30, 2024 and 2023. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

Subsequent Events

The Organization evaluated for disclosure any subsequent events through December 13, 2024, the date on which the consolidated financial statements were available to be issued, and determined that there were no material events that warrant disclosure.

2. MORTGAGES RECEIVABLE

The Organization directly finances a number of the homes that it sells. Each mortgage is issued as a zero-interest mortgage to the buyer. The Organization discounts the mortgages using the current interest rates at the time the home is sold. The discounts are amortized using the straight-line method over the lives of the mortgages.

2. MORTGAGES RECEIVABLE – cont'd.

Mortgages receivable as of June 30, 2024 and 2023 are as follows:

	2024	2023
Mortgages receivable	$ 7,292,458	$ 7,358,629
Less: discount on mortgages	(3,055,979)	(2,982,859)
Mortgages receivable, net	$ 4,236,479	$ 4,375,770

As of June 30, 2024, the balances due on the mortgages, excluding those that have been leveraged, are scheduled to be received as follows:

For the years ending June 30,:	
2025	$ 460,728
2026	448,702
2027	431,968
2028	419,279
2029	407,530
Thereafter	5,124,251
Total	$ 7,292,458

3. LEVERAGED MORTGAGES RECEIVABLE

The Organization leverages mortgages receivable to banks. Leveraged mortgages receivable as of June 30, 2024 and 2023 are as follows:

	2024	2023
Leveraged mortgages receivable	$ 6,476,537	$ 8,660,089
Less: discount on leveraged mortgages	(2,846,953)	(3,287,166)
Leveraged mortgages receivable, net	$ 3,629,584	$ 5,372,923

4. FAIR VALUE MEASUREMENT

ASC 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Organization has the ability to access.

4. FAIR VALUE MEASUREMENT– cont'd.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets and liabilities measured at fair value:

Leveraged mortgages receivable liability: Valued at the carrying amount of the related leveraged mortgage receivable asset which approximates the value of the replacement mortgage to be transferred to the bank in the event that the homeowner does not make the required payments.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used as of June 30, 2024 and 2023.

The following table sets forth by level, within the fair value hierarchy, the Organization's liabilities at fair value as of June 30, 2024:

	Level 1:	Level 2:	Level 3:	Total
Leveraged mortgages receivable liability	$ -	$ 3,629,584	$ -	$ 3,629,584

4. FAIR VALUE MEASUREMENT– cont'd.

The following table sets forth by level, within the fair value hierarchy, the Organization's liabilities at fair value as of June 30, 2023:

	Level 1:	Level 2:	Level 3:	Total
Leveraged mortgages receivable liability	$ -	$ 5,372,923	$ -	$ 5,372,923

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	2024	2023
Land and buildings	$ 626,140	$ 626,140
Furniture, fixtures and equipment	153,076	152,116
Leasehold improvements	717,695	707,059
Vehicles	762,340	762,340
Computer equipment	443,349	440,710
	2,702,600	2,688,365
Less: accumulated depreciation and amortization	(1,916,707)	(1,732,564)
Property and equipment, net	$ 785,893	$ 955,801

During the year ended June 30, 2024, the Organization entered into negotiations with a third party regarding a potential sale of the land and building at its Sandtown location, with the understanding that the third party will continue to use the land and building for the benefit of the Sandtown Community. As of June 30, 2024, the net carrying value of the land and building totaling $511,769 is reported within property and equipment on the accompanying consolidated statement of financial position. As of December 13, 2024, the date the consolidated financial statements were available to be issued, negotiations are ongoing, and the sale has not been completed.

6. LINES OF CREDIT AND NOTES PAYABLE

Lines of credit and notes payable consisted of the following as of June 30,:

	2024	2023
M&T Bank Revolving Note	$ 88,433	$ 128,218
Neighborhood Housing Services of Baltimore, Inc.	226,389	243,055
PNC Community Development Company, LLC	613,848	689,445
Small Business Administration Economic Disaster Relief Loan	473,209	486,451
State of Maryland Department of Housing and Community Development	347,602	402,342
Howard County Department of Housing and Community Development	203,943	-
Community Development Block Grant 42	-	75,000
	1,953,424	2,024,511
Less: Unamortized deferred financing costs	(37,451)	(40,951)
Less: Current portion of lines of credit and notes payable	(178,545)	(204,593)
Long Term Portion of Lines of Credit and Notes Payable	$ 1,737,428	$ 1,778,967

Future minimum principal payments are as follows as of June 30, 2024:

For the years ending June 30,:	
2025	$ 178,545
2026	185,887
2027	142,017
2028	145,272
2029	148,672
Thereafter	1,153,031
Total	1,953,424
Less: deferred financing costs, net	(37,451)
Less: current portion	(178,545)
Lines of credit and notes payable - net of current portion	$ 1,737,428

Interest expense on the lines of credit and notes payable totaled $33,602 and $39,855 for the years ended June 30, 2024 and 2023, respectively. Of these amounts, $4,478 and $6,045 relate to the M&T Bank Revolving Note, $12,390 and $17,052 relate to the Small Business Administration Economic Disaster Relief Loan, and $16,734 and $16,758 relate to the State of Maryland Department of Housing and Community Development note payable for the years ended June 30, 2024 and 2023, respectively.

M&T Bank Credit Line

The Organization has a $50,000 credit line with M&T Bank, which bears interest at the bank's prime rate (8.50% and 8.25% as of June 30, 2024 and 2023, respectively) plus 1.50% and which is due on demand. The credit line is secured by all deposits or other sums credited by or due from M&T Bank to the Organization, as well as any cash, securities, instruments or other property. There were no outstanding borrowings as of June 30, 2024 and 2023.

6. LINES OF CREDIT AND NOTES PAYABLE – cont'd.

M&T Bank Revolving Note

The Organization has a $200,000 revolving demand note with M&T Bank, that is secured by all deposits or other sums credited by or due from M&T Bank to the Organization, as well as any cash, securities, instruments or other property. Effective June 30, 2021, the loan was amended and restated to a 4% fixed rate term note maturing on or before June 30, 2026.

Severn/Shore United Bank Line of Credit

The Organization has a $1,500,000 line of credit which bore interest at 4.25% and matured on January 1, 2023. Effective June 23, 2023, the line of credit was amended and restated to extend the maturity date to July 1, 2024 and to amend the interest rate to the prime rate. Effective July 2, 2024, the line of credit was amended and restated to extend the maturity date to July 1, 2025. This line of credit is secured by mortgages receivable in the amount of $2,509,731 and $2,313,292 as of June 30, 2024 and 2023, respectively. This line of credit contains covenants with which the Organization must comply. As of June 30, 2024 and 2023, the Organization was in compliance with all covenants associated with this line of credit. There were no borrowings on this line of credit as of June 30, 2024 and 2023.

Neighborhood Housing Services of Baltimore, Inc.

The Organization has a note payable due to Neighborhood Housing Services of Baltimore, Inc. (NHS). The note is non-interest bearing and requires monthly principal payments of $1,389 and matures on January 31, 2038. This note is secured by 5 real estate properties.

PNC Community Development Company, LLC

During 2013, the Organization obtained a note payable for $1,847,867 from PNC Community Development Company, LLC. Proceeds from the note were $1,401,012. The note includes $111,944 and $131,777 of prepaid interest, at a rate of 2.75%, as of June 30, 2024 and 2023, respectively, and $30,000 of loan fees. The note is secured by approximately $525,553 and $593,016 of mortgages receivable as of June 30, 2024 and 2023, respectively, and requires monthly payments determined by a payment schedule that is based on the anticipated amounts to be received under those mortgages receivable. The note matures on July 15, 2038. In August 2019, the note was amended for the inclusion of a new mortgage loan that was not included in the original note and the exclusion of released mortgage loans that were included in the original note.

Small Business Administration Economic Disaster Relief Loan

During April 2020, the Organization obtained a $500,000 loan for working capital to alleviate economic injury caused by the coronavirus pandemic. The loan bears an interest of 2.75% per annum and requires monthly payments of principal and interest of $2,136, with a maturity date thirty years from the date of the note.

6. LINES OF CREDIT AND NOTES PAYABLE – cont'd.

State of Maryland Department of Housing and Community Development

On October 1, 2019, the Organization signed a commitment to enter into a ten-year, $500,000 note payable with the State of Maryland Department of Housing and Community Development at an interest rate of 4.50%. The note requires monthly payments of interest only in the amount of $1,875, with a balloon payment due and payable upon maturity in October 2029. Proceeds from the note are to be used for working capital to support the Organization's real estate development efforts in the Baltimore region. As of June 30, 2024 and 2023, the proceeds from the note were expended for program-related and general expenditures relating to real estate development.

Howard County Department of Housing and Community Development

On December 8, 2023, the Organization entered into an agreement with the Howard County Department of Housing and Community Development to acquire a property in Columbia, Maryland, to sell to a moderate-income family. The total agreement was for $349,299, of which $145,356 was received by the Organization as a government grant from Howard County under the Community Development Block Grant (CDBG) Program. The remaining portion of $203,943 was received by the Organization as a note payable to the Howard County Department of Housing and Community Development. The note is non-interest bearing and is forgivable at maturity in December 2043.

Community Development Block Grant 42

During November 2018, the Organization obtained a $300,000 loan for the construction and rehabilitation of 8 single family homes in Baltimore. Under the terms of the agreement, a portion of the debt will be forgiven as each home is settled. During the years ended June 30, 2024 and 2023, $75,000 and $37,500 was forgiven, respectively. The outstanding balance of the forgivable note totaled $0 and $75,000 as of June 30, 2024 and 2023, respectively.

7. REAL ESTATE SALES

During the years ended June 30, 2024 and 2023, the Organization sold 11 and 9 homes, respectively. Income and related costs on the sale of each home are not recognized until the home goes to settlement and the deed is transferred to the purchaser.

8. DONATED ASSETS AND SERVICES

During the years ended June 30, 2024 and 2023, the Organization received nonfinancial contributions, which consisted of, but not limited to donated materials and equipment for the construction of homes, and services rendered by individuals who volunteered their time performing a variety of tasks that assisted the Organization with the construction of homes, as well as Google marketing advertisements. Many of the Organization's donated services are not recorded in the accompanying consolidated financial statements, as these services are not susceptible to objective measurement or valuation. Donated materials and equipment are valued at the fair value of assets received less any obligations incurred. Fair value for donated materials and equipment is determined by comparing prices that similar materials and equipment have been sold for. In accordance with ASC 958-605, the Organization recognizes revenue and expense for donated services that (1) would typically be purchased by the Organization had the contribution not been provided, (2) require specialized skills, and (3) are provided by individuals with those skills. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services.

The donated materials and equipment, and the services rendered, were used during the respective years ended June 30, 2024 and 2023, and there were no donor-imposed restrictions associated with the donated assets and services.

The following amounts are included as donated assets and services in the accompanying consolidated statements of activities for the years ended June 30,:

Type of Contribution	2024	2023	Utilization	Donor Restrictions	Fair Value Technique
Materials and equipment - capitalized in homes inventory	$ 80,981	$ 105,861	Operations	None	Estimated based on purchase price
Donated services - individual support meeting requirements for recognition	93,448	93,177	Operations	None	Standard industry pricing for similar services
Donated assets and services	$ 174,429	$ 199,038			

9. CONCENTRATIONS

During the year ended June 30, 2024, one donor represented approximately 24% of total contributions. During the year ended June 30, 2023, one donor represented approximately 12% of total contributions.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Purpose restrictions		
Workforce development	$ 649,986	$ 696,606
Home sponsorships	571,540	315,957
Other	-	23,248
Chesapeake Matched Savings Account	505	505
Total purpose restrictions	1,222,031	1,036,316
Contributions receivable with time restriction, net	75,000	150,000
Net Assets With Donor Restrictions	$ 1,297,031	$ 1,186,316

11. LOSS ON SALE OF HOMES

During the year ended June 30, 2024, two homes were sold that were originally held as inventory to be sold within the House construction program. The proceeds totaled $6,899 and the carrying value of the homes totaled $88,375, resulting in a loss of $81,476. Additionally, the Organization had three write-offs resulting in a total loss of $2,430.

During the year ended June 30, 2023, one home was sold that was originally held as inventory to be sold within the House construction program. The proceeds totaled $25,000 and the carrying value of the home totaled $93,783, resulting in a loss of $68,783.

12. LEASES

The Organization leases office space and equipment under various noncancelable operating lease agreements. The Organization assesses its contracts to determine if they contain a lease. This assessment is based on (i) the right to control the use of an identified asset; (ii) the right to obtain substantially all of the economic benefits from the use of the identified asset; and (iii) the right to use the identified asset. The leases contain varying terms and renewal options, which are at the sole discretion of the Organization. Renewal options that the Organization is reasonably certain to accept are recognized as part of the lease liability and right-of-use asset.

Right-of-use assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments per the lease. Operating lease right-of-use assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As the rate implicit in the Organization’s leases was not readily determinable, the Organization elected the practical expedient to use the risk-free interest rate to determine the present value of lease payments on all of the Organization’s leases.

12. LEASES – cont'd.

The Organization has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise, are not recorded on the consolidated statement of financial position.

Certain of the Organization's lease agreements include variable payments, which are not determinable at the lease commencement and are not included in the measurement of the lease asset and liabilities. Variable lease costs are recognized in the period in which they are incurred. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lease costs for operating leases are as follows for the years ended June 30,:

	2024	2023
Lease cost		
Operating lease cost	$ 949,041	$ 894,672
Total lease cost	$ 949,041	$ 894,672

Other applicable disclosures for operating leases are as follows for the years ended June 30,:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 954,649	$ 907,712
Right-of-use assets obtained in exchange for new operating lease liabilitie	$ 1,522,088	$ 3,475,943
Weighted average remaining lease term	4.25 years	3.63 years
Weighted average discount rate	2.86%	2.87%

The following table presents future annual minimum lease payments required under non-cancellable leases and the present value discount to arrive at total lease liability as of June 30, 2024:

For the Years Ending June 30,:	Total	Lease Liability - Operating	Present Value Discount
2025	$ 984,456	$ 896,309	$ 88,147
2026	1,014,038	952,552	61,486
2027	587,394	546,711	40,683
2028	606,619	582,140	24,479
2029	383,327	372,527	10,800
Thereafter	218,167	216,628	1,539
Future minimum lease payments	$ 3,794,001	$ 3,566,867	$ 227,134

13. EMPLOYEE BENEFITS

The Organization maintains a tax deferred annuity plan for its employees under IRC Section 403(b). Under the terms of the plan, the Organization will match 40% of the employee's deferral up to a maximum 8% of employee compensation. Contributions totaled $45,629 and $52,212 for the years ended June 30, 2024 and 2023, respectively.

14. TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization annually makes an election to remit to HFHI a tithe based on undesignated contributions. These funds are used to construct homes in economically depressed areas around the world. The Organization contributed $25,000 and $25,064 to HFHI the years ended June 30, 2024 and 2023, respectively. Such amounts are included in program services expense in the consolidated statements of activities.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year for general expenditures are as follows as of June 30,:

	2024	2023
Current Financial Assets		
Cash and cash equivalents	$ 3,930,409	$ 3,888,835
Contributions receivable - current portion	660,773	1,115,904
Accounts receivable	609,433	253,704
Mortgages receivable - current portion	460,728	434,187
Grants receivable	108,407	345,782
Total Current Financial Assets	5,769,750	6,038,412
Less: Net assets with donor restrictions for specified purposes	(1,222,031)	(1,036,316)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 4,547,719	$ 5,002,096

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to donors. Thus, certain financial assets may not be available for general expenditures within one year. As a 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.

On a daily, weekly, and monthly basis, the Organization closely monitors and assesses short-term liquidity by estimating contributions receivable, releases of cash with donor restrictions, construction loans, property sales, and mortgages receivable likely to be received in the next 90 days.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES – cont'd.

The Organization has also established a revolving Working Capital fund for capital expenditures and program expenses. These fund balances are closely monitored and replenished when unrestricted cash is available.