HABITAT FOR HUMANITY OF THE CHESAPEAKE, INC.
AND AFFILIATES

Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

Together with Independent Auditors' Report

HABITAT FOR HUMANITY OF THE CHESAPEAKE, INC. AND AFFILIATES

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For the Years Ended June 30, 2023 and 2022

SC&H ATTEST SERVICES

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

In our opinion, the 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, 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 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 4, 2023

HABITAT FOR HUMANITY OF THE CHESAPEAKE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

As of June 30,	*2023*	*2022*
Assets		
Current Assets		
Cash and cash equivalents	$ 3,888,835	$ 3,489,397
Contributions receivable - current portion	1,115,904	931,294
Accounts receivable	253,704	997,252
Mortgages receivable - current portion	434,187	445,768
Grants receivable	345,782	573,617
Inventory of homes	3,376,222	3,260,547
ReStore inventory	73,613	49,648
Prepaid expenses	101,074	108,785
Total Current Assets	9,589,321	9,856,308
Non-Current Assets		
Right-of-Use Assets - Operating, net	2,672,703	-
Property and equipment, net	955,801	976,316
Long-term contributions receivable, net	184,787	459,225
Long-term mortgages receivable, net	3,941,583	4,230,839
Leveraged mortgages receivable, net	5,372,923	5,771,663
Capitalized interest on leveraged mortgages receivable	3,377,072	3,357,913
Prepaid interest	131,777	152,575
Deposits	59,580	59,580
Total Assets	$ 26,285,547	$ 24,864,419
Liabilities and Net Assets		
Current Liabilities		
Lines of credit and notes payable - current portion	$ 204,593	$ 200,845
Accounts payable and accrued liabilities	784,977	661,559
Deferred rent - current portion	-	38,830
Current portion of lease liabilites - operating	884,752	-
Total Current Liabilities	1,874,322	901,234
Non-Current Liabilities		
Lines of credit and notes payable - net of current portion	1,778,967	2,051,519
Leveraged mortgages receivable liability	5,372,923	5,771,663
Deferred rent - net of current portion	-	212,825
Lease liabilities - operating, net of current portion	2,026,565	-
Total Liabilities	11,052,777	8,937,241
Commitments and Contingencies (Notes 7 and 12)		
Net Assets		
Without donor restrictions	14,046,454	14,471,837
With donor restrictions	1,186,316	1,455,341
Total Net Assets	15,232,770	15,927,178
Total Liabilities and Net Assets	$ 26,285,547	$ 24,864,419

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

Consolidated Statements of Activities

For the Years Ended June 30,	*2023*			*2022*		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Without Donor Restrictions*	*With Donor Restrictions*	*Total*
Revenues, Gains and Other Support						
Contributions	$ 1,573,561	$ 950,000	$ 2,523,561	$ 1,972,141	$ 618,250	$ 2,590,391
Government grants	1,045,739	-	1,045,739	688,748	-	688,748
Donated assets and services	199,038	-	199,038	170,987	-	170,987
ReStore income	4,320,608	-	4,320,608	3,967,670	-	3,967,670
Real estate sales	1,513,000	-	1,513,000	743,065	-	743,065
Miscellaneous income	75,295	-	75,295	23,319	-	23,319
Amortization of mortgage discounts	273,279	-	273,279	255,453	-	255,453
Net assets released from donor restrictions	1,219,025	(1,219,025)	-	966,407	(966,407)	-
Total Revenues, Gains, and Other Support	10,219,545	(269,025)	9,950,520	8,787,790	(348,157)	8,439,633
Expenses						
Program services						
House construction	4,732,771	-	4,732,771	4,165,415	-	4,165,415
ReStore services	3,734,115	-	3,734,115	3,515,288	-	3,515,288
Support services						
Management and general	1,175,859	-	1,175,859	1,213,240	-	1,213,240
Fundraising	970,900	-	970,900	731,291	-	731,291
Total Expenses	10,613,645	-	10,613,645	9,625,234	-	9,625,234
Excess (Deficit) of Revenues, Gains, and Other Support over Expenses	(394,100)	(269,025)	(663,125)	(837,444)	(348,157)	(1,185,601)
Other Changes in Net Assets						
Debt forgiveness - notes payable	37,500	-	37,500	37,500	-	37,500
Loss on the sales of homes	(68,783)	-	(68,783)	(19,548)	-	(19,548)
Total Other Changes in Net Assets	(31,283)	-	(31,283)	17,952	-	17,952
Change in Net Assets	(425,383)	(269,025)	(694,408)	(819,492)	(348,157)	(1,167,649)
Net Assets, beginning of year	14,471,837	1,455,341	15,927,178	15,291,329	1,803,498	17,094,827
Net Assets, end of year	$ 14,046,454	$ 1,186,316	$ 15,232,770	$ 14,471,837	$ 1,455,341	$ 15,927,178

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

Consolidated Statements of Functional Expenses

For the Years Ended June 30,	*2023*					*2022*				
	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	$ 218,385	$ 9,717	$ 4,732	$ 150,100	$ 382,934	$ 191,127	$ 11,277	$ 655	$ 134,995	$ 338,054
Amortization of capitalized interest	161,733	-	-	-	161,733	158,484	-	-	-	158,484
Bad debt	-	-	-	267,023	267,023	-	-	-	-	-
Computer and software maintenance	27,108	17,840	17,639	31,047	93,634	27,441	14,000	11,358	48,614	101,413
Conference/training expenses	34,259	3,964	12,134	1,162	51,519	18,769	2,144	32,643	1,123	54,679
Construction and rehabilitation costs on houses sold and settled	1,629,039	-	-	-	1,629,039	889,299	-	-	-	889,299
Depreciation and amortization	38,941	95,113	55,313	8,539	197,906	38,446	93,904	54,610	8,430	195,390
Discounts of mortgages receivable	193,797	-	-	-	193,797	49,302	-	-	-	49,302
Dues and subscriptions	8,779	-	4,328	994	14,101	7,279	14	3,595	1,105	11,993
Employee benefits	127,721	230,227	46,868	25,490	430,306	125,057	252,462	61,941	33,172	472,632
Habitat for Humanity International tithe	25,064	-	-	-	25,064	20,000	-	-	-	20,000
Homeownership	65,879	-	-	-	65,879	76,147	-	-	-	76,147
Impairment on inventory of homes	774,823	-	-	-	774,823	1,214,390	-	-	-	1,214,390
Insurance	9,139	17,958	3,353	1,824	32,274	9,746	13,885	4,827	2,585	31,043
Interest	15,321	-	43,512	-	58,833	55,982	163	40,638	-	96,783
Meals and entertainment	36,929	13,967	17,242	1,729	69,867	28,466	15,450	22,184	2,465	68,565
Miscellaneous	4,380	1,602	11,604	973	18,559	2,937	4,168	61	184	7,350
Office administration and supplies	41,728	75,219	15,312	8,328	140,587	38,738	78,342	19,187	10,276	146,543
Postage	1,786	3,220	656	357	6,019	1,586	3,201	785	421	5,993
Printing and production	9,053	16,320	2,083	1,807	29,263	8,453	17,065	4,187	2,242	31,947
Professional fees	70,498	95,729	68,952	10,599	245,778	75,898	96,453	66,736	12,674	251,761
Purchased merchandise	-	273,904	-	-	273,904	-	223,999	-	-	223,999
Remediation of houses previously sold	13,910	-	-	-	13,910	5,269	-	-	-	5,269
Rent and amortization of right-of-use assets	108,915	959,198	39,967	21,736	1,129,816	95,436	925,509	47,270	25,315	1,093,530
Repair and renew	13,288	-	-	-	13,288	8,212	-	-	-	8,212
Repairs and maintenance	29,169	103,506	10,704	5,821	149,200	17,053	92,714	8,447	4,524	122,738
Salaries	935,454	1,338,793	771,193	406,998	3,452,438	884,395	1,236,904	774,267	412,802	3,308,368
Taxes - other	209	15,280	998	-	16,487	452	17,274	998	-	18,724
Taxes - payroll	81,397	146,725	29,869	16,244	274,235	70,380	142,082	34,860	18,669	265,991
Telephone	29,834	53,777	10,948	5,954	100,513	25,612	51,706	12,686	6,794	96,798
Travel	6,015	4,393	1,416	348	12,172	7,105	4,010	4,428	1,218	16,761
Truck	-	147,205	-	-	147,205	-	128,852	-	-	128,852
Utilities	19,174	103,839	7,036	3,827	133,876	13,884	86,263	6,877	3,683	110,707
Volunteers	1,044	6,619	-	-	7,663	70	3,447	-	-	3,517
Total Expenses	$ 4,732,771	$ 3,734,115	$ 1,175,859	$ 970,900	$ 10,613,645	$ 4,165,415	$ 3,515,288	$ 1,213,240	$ 731,291	$ 9,625,234

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

Consolidated Statements of Cash Flows

For the Years Ended June 30,	*2023*	*2022*
Cash Flows from Operating Activities		
Change in net assets	$ (694,408)	$ (1,167,649)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	197,906	195,390
Amortization of prepaid interest	20,798	19,099
Amortization of deferred financing costs	3,500	3,500
Amortization of capitalized interest on leveraged mortgages receivable	161,733	158,484
Amortization of right-of-use assets	803,240	-
Debt forgiveness - notes payable	(37,500)	(37,500)
Capitalized interest from leveraged mortgages receivable	(180,893)	(55,667)
Impairment on inventory of homes	774,823	1,214,390
Bad debt expense	267,023	-
Change in present value discount on contributions receivable	26,671	33,215
Mortgages receivable discount expense	193,797	49,302
Amortization of mortgage discounts	(273,280)	(255,454)
Effects of changes in operating assets and liabilities:		
Contributions receivable	(203,866)	483,046
Accounts receivable	743,548	(26,855)
Grants receivable	227,835	(115,681)
Inventory of homes	(890,498)	(1,330,254)
ReStore inventory	(23,965)	(7,180)
Prepaid expenses	7,711	(14,489)
Accounts payable and accrued liabilities	123,418	(71,531)
Deferred rent	-	(10,737)
Lease liabilities	(816,280)	-
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	431,313	(936,571)
Cash Flows from Investing Activities		
Acquisition of property and equipment	(177,391)	(116,766)
Origination and acquisition of mortgages receivable, net	(171,726)	248,663
Principal payments collected on mortgages receivable	552,046	606,307
Decrease in deposits	-	(16,081)
Net Cash and Cash Equivalents Provided by Investing Activities	202,929	722,123
Cash Flows from Financing Activities		
Payment of deferred financing cost	-	(10,222)
Payments on lines of credit and notes payable	(234,804)	(1,722,231)
Net Cash and Cash Equivalents Used in Financing Activities	(234,804)	(1,732,453)
Net Increase (Decrease) in Cash and Cash Equivalents	399,438	(1,946,901)
Cash and Cash Equivalents, beginning of year	3,489,397	5,436,298
Cash and Cash Equivalents, end of year	$ 3,888,835	$ 3,489,397
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 39,855	$ 77,684
Settlement costs	$ 15,890	$ 12,854
Decrease in leveraged mortgages receivable, net	$ (398,740)	$ (352,507)
Cash received on foreclosed homes or deeds in lieu	$ 25,000	$ 112,774
Supplemental Disclosure of Non-Cash Financing Activities		
Derecognition of deferred rent	$ 251,655	$ -
Recognition of right-of-use assets - operating	$ 3,475,943	$ -
Recognition of lease liabilities - operating	$ 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, 2023 and 2022.

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.

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Under this new standard, contributed nonfinancial assets are required to be presented as a separate line item on the statement of activities. Additionally, the standard requires the disclosure and disaggregation of contributed nonfinancial assets by category based on the type of gift received. For each category, disclosures should include qualitative information regarding monetization or utilization, policies, donor-imposed restrictions, valuation techniques and fair value measurement of the asset. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. All changes should be retrospectively applied to all periods presented. The Organization implemented ASU 2020-07 during the year ended June 30, 2022. The adoption of ASU 2020-07 did not have an effect on the Organization's net assets or changes in net assets for the year ended June 30, 2022.

Effective July 1, 2022, the Organization adopted ASU 2016-02, *Leases* (ASC 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.

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

Recently Adopted Accounting Pronouncement – cont'd.

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 are 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.

Recently Issued Accounting Pronouncements

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 (GAAP) 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.

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.

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.

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

Functional Allocation of Expenses - cont'd.

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.

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 pledges receivable. The allowance is based on historical experience and management's analysis of specific promises made. As of June 30, 2023 and 2022, the Organization had unconditional promises to give totaling $1,389,904 and $1,453,061, respectively, net of allowance for uncollectible pledges totaling $175,000 and $0, respectively. Contributions receivable includes amounts receivable in more than one year in the amount of $449,000 and $521,767 as of June 30, 2023 and 2022, 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 4.49% and 2.99% as of June 30, 2023 and 2022, respectively.

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

Contributions Receivable – cont'd.

As of June 30, 2023 and 2022, discounts on contributions receivable totaled $89,213 and $62,542, respectively.

As of June 30, 2023, the anticipated receipts of contributions receivable are as follows:

For the years ended June 30,:	
2024	$ 1,115,904
2025	374,000
2026	75,000
Total	1,564,904
Less: allowance for uncollectible pledges	(175,000)
Less: present value discount	(89,213)
Contributions receivable, net	$ 1,300,691

Mortgages Receivable

Mortgages receivable consists 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 3.60% to 3.70% as of June 30, 2023 and equaling 1.91% as of June 30, 2022. Amortization revenue is recorded using the straight-line method over the lives of the mortgages.

The Organization is a secured creditor. Management therefore records a provision for loan losses at the time that it is determined that the mortgage balance exceeds the fair market value of the related home. Management has not provided a provision for loan losses as of June 30, 2023 and 2022 because the fair market value of the homes exceeds the related mortgage balances.

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

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.

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

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 3.60% to 3.70% as of June 30, 2023 and from 2.05% to 2.97% as of June 30, 2022. 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 $744,823 and $1,214,390 is included in house construction expenses in the consolidated statements of activities for the years ended June 30, 2023 and 2022, respectively. When homes are sold the related costs and impairments are removed by recording construction and rehabilitation costs on houses sold and settled.

Details for inventory of homes as of June 30, 2023 and 2022 are as follows:

	2023	2022
Inventory of homes	$ 5,953,059	$ 6,278,289
Less CIP impairment	(2,576,837)	(3,017,742)
Inventory of homes, net	$ 3,376,222	$ 3,260,547

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.* During the year ended June 30, 2023, there were no right-of-use assets that were deemed to be impaired.

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

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 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:

	Years
Buildings	40
Furniture, fixtures and equipment	5
Vehicles	5
Computer equipment	3

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 $197,906 and $195,390 for the years ended June 30, 2023 and 2022, respectively.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with ASC 360. ASC 360 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, 2023 and 2022, 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, 2023 and 2022.

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

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, 2023 and 2022.

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.

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.

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

Income Taxes – cont'd.

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, 2023 and 2022, 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, 2023 and 2022. 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 4, 2023, 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.

Mortgages receivable as of June 30, 2023 and 2022 are as follows:

	2023	2022
Mortgages receivable	$ 7,358,629	$ 7,738,948
Less: discount on mortgages	(2,982,859)	(3,062,341)
Mortgages receivable, net	$ 4,375,770	$ 4,676,607

2. MORTGAGES RECEIVABLE – cont'd.

As of June 30, 2023, 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,:		
2024	$	434,187
2025		424,734
2026		409,601
2027		404,104
2028		398,667
Thereafter		5,287,336
Total	$	7,358,629

3. LEVERAGED MORTGAGES RECEIVABLE

The Organization leverages mortgages receivable to banks. Leveraged mortgages receivable as of June 30, 2023 and 2022 are as follows:

		2023		2022
Leveraged mortgages receivable	$	8,660,089	$	8,825,860
Less: discount on leveraged mortgages		(3,287,166)		(3,054,197)
Leveraged mortgages receivable, net	$	5,372,923	$	5,771,663

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, 2023 and 2022.

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

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, 2022:

	Level 1:	Level 2:	Level 3:	Total
Leveraged mortgages receivable liability	$ -	$ 5,771,663	$ -	$ 5,771,663

5. PROPERTY AND EQUIPMENT

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

	2023	2022
Land and buildings	$ 626,140	$ 626,140
Furniture, fixtures and equipment	152,116	138,125
Leasehold improvements	707,059	630,277
Vehicles	762,340	697,769
Computer equipment	440,710	418,663
	2,688,365	2,510,974
Less: accumulated depreciation	(1,732,564)	(1,534,658)
Property and equipment, net	$ 955,801	$ 976,316

6. LINES OF CREDIT AND NOTES PAYABLE

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

	2023	2022
M&T Bank Revolving Note	$ 128,218	$ 166,435
Neighborhood Housing Services of Baltimore, Inc.	243,055	259,722
PNC Community Development Company, LLC	689,445	806,068
Small Business Administration Economic Disaster Relief Loan	486,451	497,528
Department of Housing and Community Development	402,342	454,631
Community Development Block Grant 42	75,000	112,500
	2,024,511	2,296,884
Less: Unamortized deferred financing costs	(40,951)	(44,520)
Less: Current portion of lines of credit and notes payable	(204,593)	(200,845)
Long Term Portion of Lines of Credit and Notes Payable	$ 1,778,967	$ 2,051,519

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

Future minimum principal payments are as follows:

For the years ending June 30,:	
2024	$ 204,593
2025	209,094
2026	213,794
2027	177,563
2028	177,008
Thereafter	967,459
Total	$ 1,949,511
CDBG-42 forgivable portion	75,000

The future maturities table above is reduced by the $75,000 forgivable portion of the Community Development Block Grant 42 debt.

Interest expense on the lines of credit and notes payable totaled $23,097 and $57,535 for the years ended June 30, 2023 and 2022, respectively. In addition, the Organization paid interest of $16,758 and $20,149 for the years ended June 30, 2023 and 2022, respectively, which has been capitalized as part of inventory of homes on the consolidated statements of financial position.

M&T Bank – Credit Line

The Organization has a $50,000 credit line with M&T, bearing interest at the bank's prime rate plus 1.5%, (8.25% and 4.75% as of June 30, 2023 and 2022 respectively) and due on demand. The credit line is secured by all deposits or other sums credited by or due from M&T to the Organization, as well as any cash, securities, instruments or other property. There were no outstanding borrowings as of June 30, 2023 and 2022.

M&T Bank – Revolving Note

The Organization has a $200,000 revolving demand note with M&T, that is secured by all deposits or other sums credited by or due from M&T 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.

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

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 amend the interest rate to the prime rate. Line of credit is secured by mortgages receivable in the amount of $2,313,292 and $2,318,071 as of June 30, 2023 and 2022, respectively. This line of credit contains covenants with which the Organization must comply. As of June 30, 2023 and 2022, the Organization was in compliance with, or had received a waiver for, all covenants associated with this line of credit. There were no borrowings as of June 30, 2023 and 2022.

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 $131,777 and $152,575 of prepaid interest, at a rate of 2.75%, as of June 30, 2023 and 2022, respectively, and $30,000 of loan fees. The note is secured by approximately $593,016 and $739,750 of mortgages receivable as of June 30, 2023 and 2022, 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. The note has since been amended for the inclusion of new mortgage loans, and the exclusion of released mortgage loans.

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.

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 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, 2023 and 2022, the proceeds from the note were expended for program-related and general expenditures relating to real estate development.

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

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 both years ended June 30, 2023 and 2022, $37,500 was forgiven. The outstanding balance of the forgivable note totaled $75,000 and $112,500 as of June 30, 2023 and 2022, respectively.

7. EMPLOYEE RETENTION CREDIT

The employee retention credit (ERC) was created by the Coronavirus Aid, Relief and Economic Security (CARES) Act in 2020. It allowed for a payroll tax credit of up to 50% of employee wages up to a maximum of $10,000, per employee. During the calendar year 2020, the credit was not available to recipients of the Paycheck Protection Program (PPP) loans, such as the Organization. However, in 2021, the Consolidated Appropriations Act allowed for recipients of PPP loans to retroactively claim the credit via amended quarterly payroll returns. The Organization obtained ERC's during the year ended June 30, 2021 totaling $680,340. The Organization did not receive any ERC's for the year ended June 30, 2022. Balances due under the ERC totaling $0 and $680,340 as of June 30, 2023 and 2022, respectively, are included in accounts receivable on the accompanying consolidated statements of financial position.

8. REAL ESTATE SALES

During the years ended June 30, 2023 and 2022, the Organization sold 9 and 5 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.

9. DONATED ASSETS AND SERVICES

During the years ended June 30, 2023 and 2022, 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.

9. DONATED ASSETS AND SERVICES – cont'd.

The donated materials and equipment, and the services rendered, were used during the respective years ended June 30, 2023 and 2022, 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	2023	2022	Utilization	Donor Restrictions	Fair Value Technique
Materials and equipment - capitalized in homes inventory	$ 105,861	$ 106,634	Operations	None	Estimated based on purchase price
Donated services - individual support meeting requirements for recognition	93,177	64,353	Operations	None	Standard industry pricing for similar services
Donated assets and services	$ 199,038	$ 170,987			

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Purpose restrictions		
Workforce development	$ 696,606	$ 1,012,973
Home sponsorships	315,957	359,863
Other	23,248	10,000
Chesapeake Matched Savings Account	505	505
Total purpose restrictions	1,036,316	1,383,341
Contributions receivable with time restriction, net	150,000	72,000
Net Assets With Donor Restrictions	$ 1,186,316	$ 1,455,341

11. LOSS ON SALE OF HOMES

During the year ended June 30, 2023, 1 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.

During the year ended June 30, 2022, 3 homes were sold that were originally held as inventory to be sold within the House construction program. The proceeds totaled $112,774 and the carrying value of the homes totaled $131,960 resulting in a loss of $19,186. Additionally, the Organization had 1 write-off resulting in a loss of $362.

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.

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 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 and other applicable disclosures for operating leases are as follows for the year ended June 30, 2023:

Lease cost		
Operating lease cost	$	894,672
Total lease cost	$	894,672
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases		907,712
Right-of-use assets obtained in exchange for new operating lease liabilities	$	3,475,943
Less: right-of-use asset - operating accumulated amortization		(803,240)
Right-of-use assets - operating, net	$	2,672,703
Weighted average remaining lease term		3.63 years
Weighted average discount rate		2.87%

12. LEASES – cont'd.

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, 2023.

For the Years Ending June 30,:	Total	Lease Liability - Operating	Present Value Discount
2024	$ 954,649	$ 884,752	69,897
2025	859,789	815,073	44,716
2026	707,046	682,843	24,203
2027	261,702	250,252	11,450
2028	262,227	258,160	4,067
Thereafter	20,237	20,237	-
Future minimum lease payments	$ 3,065,650	$ 2,911,317	$ 154,333

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 $52,212 and $54,274 for the years ended June 30, 2023 and 2022, 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 $25,064 and $20,000 to HFHI the years ended June 30, 2023 and 2022, 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,:

	2023	2022
Current Financial Assets		
Cash and cash equivalents	$ 3,888,835	$ 3,489,397
Contributions receivable - current portion	1,115,904	931,294
Accounts receivable	253,704	997,252
Mortgages receivable - current portion	434,187	445,768
Grants receivable	345,782	573,617
Total Current Financial Assets	$ 6,038,412	$ 6,437,328
Less: Net assets with donor restrictions for specified purposes	(1,036,316)	(1,383,341)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 5,002,096	$ 5,053,987

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.

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.