

HABITAT FOR HUMANITY
GREATER BOSTON, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2023 AND 2022

HABITAT FOR HUMANITY GREATER BOSTON, INC.
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CAIN, BOURRET, JARRY & CRESSMAN LLC

CERTIFIED PUBLIC ACCOUNTANTS

Steven R. Bourret, CPA, CGMA
Carmel Pappas, CPA
Kara M. McSwiggin, CPA, MSA

David A. Jarry, CPA, MST
Kevin T. Jarry, CPA, MBA, MST
Renée B. Plummer, CPA

Kristin M. Cressman, CPA, MST
Beth A. Weeks, EA
Richard A. Kerouac, EA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity Greater Boston, Inc.
Boston, Massachusetts

Opinion

We have audited the accompanying financial statements of HABITAT FOR HUMANITY GREATER BOSTON, INC. (a Massachusetts not-for-profit corporation), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HABITAT FOR HUMANITY GREATER BOSTON, INC. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HABITAT FOR HUMANITY GREATER BOSTON, INC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HABITAT FOR HUMANITY GREATER BOSTON, INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HABITAT FOR HUMANITY GREATER BOSTON, INC. 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HABITAT FOR HUMANITY GREATER BOSTON, INC. 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited HABITAT FOR HUMANITY GREATER BOSTON, INC.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2023. In our opinion, the summarized comparative information for the statement of activities and changes in net assets presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cain, Bourret, Jarry & Cressman LLC

Dracut, Massachusetts

January 8, 2024

HABITAT FOR HUMANITY GREATER BOSTON, INC.**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2023 AND 2022****ASSETS**

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,375,334	\$ 2,430,141
Contributions and grants receivable	76,441	22,747
Housing - land and construction in progress	2,169,548	1,305,082
Inventory - Restore	329,719	304,144
Prepaid expenses	14,615	13,981
Current portion of mortgages receivable, net of unamortized discount	252,194	277,320
Total Current Assets	<u>4,217,851</u>	<u>4,353,415</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	-	49,714
Office equipment	6,790	8,074
Solar panels	-	35,566
Vehicles	63,823	-
Less: accumulated depreciation	(7,808)	(39,254)
Net Property and Equipment	<u>62,805</u>	<u>54,100</u>
OTHER ASSETS		
Loans receivable	79,503	75,757
Mortgages receivable, net of current portion and unamortized discount	3,994,693	4,301,637
Right-of-use asset	1,339,597	-
Security deposits	50,000	60,628
Total Other Assets	<u>5,463,793</u>	<u>4,438,022</u>
TOTAL ASSETS	<u>\$ 9,744,449</u>	<u>\$ 8,845,537</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 275,159	\$ 276,335
Agency accounts	10,055	9,823
Deferred rent	-	42,367
Deferred revenue	24,750	-
Massachusetts Housing Finance Authority loan, current portion	-	102,335
Operating lease liability, current	419,527	-
Total Current Liabilities	<u>729,491</u>	<u>430,860</u>
LONG-TERM LIABILITIES		
Economic Injury Disaster (EIDL) Loan	150,000	149,900
Operating lease liability, noncurrent	1,106,727	-
Total Long-Term Liabilities	<u>1,256,727</u>	<u>149,900</u>
TOTAL LIABILITIES	<u>1,986,218</u>	<u>580,760</u>
NET ASSETS		
Without donor restrictions	7,721,931	8,264,777
With donor restrictions	36,300	-
Total Net Assets	<u>7,758,231</u>	<u>8,264,777</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,744,449</u>	<u>\$ 8,845,537</u>

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	<u>Without Donor</u>	<u>With Donor</u>	<u>2023</u>	<u>2022</u>
	<u>Restrictions</u>	<u>Restrictions</u>		
SUPPORT AND REVENUES				
Support				
Contributions	\$ 1,802,307	\$ -	\$ 1,802,307	\$ 1,318,754
Grants	-	263,000	263,000	264,214
Contributed nonfinancial assets:				
ReStore	1,244,965	-	1,244,965	1,147,091
Other	344,503	-	344,503	176,271
Special events, net	94,132	-	94,132	274,461
ReStore revenue	1,244,966	-	1,244,966	1,147,091
Net assets released from restrictions				
Satisfaction of program/donor restrictions	226,700	(226,700)	-	-
Total support	4,957,573	36,300	4,993,873	4,327,882
Revenues				
Sale of homes	-	-	-	809,350
Mortgage discount amortization	109,424	-	109,424	270,393
Miscellaneous income	10,780	-	10,780	10,023
Total revenues	120,204	-	120,204	1,089,766
TOTAL SUPPORT AND REVENUES	5,077,777	36,300	5,114,077	5,417,648
FUNCTIONAL EXPENSES				
Program service expenses - family services	646,693	-	646,693	420,418
Program service expenses - pre/post conveyance	1,358,716	-	1,358,716	2,159,857
Program service expenses - ReStore	2,405,851	-	2,405,851	2,238,388
General and administrative	293,383	-	293,383	243,676
Fundraising expenses	657,246	-	657,246	499,696
TOTAL FUNCTIONAL EXPENSES	5,361,889	-	5,361,889	5,562,035
EXCESS (DEFICIT) OF REVENUES				
AND SUPPORT OVER EXPENSES	(284,112)	36,300	(247,812)	(144,387)
OTHER INCOME (EXPENSES)				
Gain (loss) on disposal of fixed asset	(48,833)	-	(48,833)	(3,214)
Other income (PPP forgiveness)	-	-	-	231,651
Other expenses	(21,000)	-	(21,000)	-
Interest income	1,228	-	1,228	1,613
TOTAL OTHER INCOME (EXPENSES)	(68,605)	-	(68,605)	230,050
CHANGES IN NET ASSETS	(352,717)	36,300	(316,417)	85,663
NET ASSETS, BEGINNING OF YEAR	8,264,777	-	8,264,777	8,179,114
Prior period adjustment	(190,129)	-	(190,129)	-
NET ASSETS, END OF YEAR	<u>\$ 7,721,931</u>	<u>\$ 36,300</u>	<u>\$ 7,758,231</u>	<u>\$ 8,264,777</u>

See independent auditors' report and notes to financial statements

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	2023						
	Program Services				Supporting Services		Totals
	Cost of Homes			Total Program	General and	Fundraising	
	Homeowner	Sold and	ReStore	Expenses	Administrative	Expenses	
	Services	Program Support			Expenses		
Salaries	\$ 216,621	\$ 702,416	\$ 453,707	\$ 1,372,744	\$ 123,437	\$ 394,723	\$ 1,890,904
Payroll taxes	18,421	60,682	40,747	119,850	10,570	33,795	164,215
Benefits	22,773	74,141	48,303	145,217	12,856	40,659	198,732
Total salaries and related expenses	257,815	837,239	542,757	1,637,811	146,863	469,177	2,253,851
Advertising	105	-	2,238	2,343	1,105	2,817	6,265
Americorps	-	14,082	-	14,082	-	-	14,082
Applicant costs	1,353	678	-	2,031	-	-	2,031
Bad debt expense	3,179	-	-	3,179	-	-	3,179
Bank charges	-	-	32,882	32,882	501	9,596	42,979
Conferences	-	5,982	-	5,982	6,734	-	12,716
Consultants	3,232	77,767	4,250	85,249	5,050	46,389	136,688
Cost of goods sold	-	-	22,031	22,031	-	-	22,031
Depreciation	406	4,864	-	5,270	406	609	6,285
Dues, fees and subscriptions	-	25,000	-	25,000	519	-	25,519
Equipment rental	-	6,056	9,254	15,310	-	-	15,310
Insurance	3,932	25,561	9,831	39,324	5,898	3,932	49,154
Interest	-	13,006	-	13,006	-	-	13,006
Imputed interest expense	-	42,337	-	42,337	-	-	42,337
Office expenses and supplies	1,859	(11,112)	8,541	(712)	10,605	2,794	12,687
Payroll services	8,402	27,479	18,987	54,868	4,863	15,405	75,136
Postage	481	224	-	705	344	5,346	6,395
Printing	-	785	-	785	92	9,076	9,953
Professional fees	6,575	78,898	13,150	98,623	16,804	19,724	135,151
Real estate taxes	-	4,112	-	4,112	-	-	4,112
Rent	35,704	53,556	380,282	469,542	35,704	53,557	558,803
Site cleaning and disposal	-	19,033	73,179	92,212	-	-	92,212
Tithe expenses	-	90,000	-	90,000	10,600	-	100,600
Truck expenses	-	3,507	16,386	19,893	12	-	19,905
Telephone and information technology	10,527	29,916	4,272	44,715	9,428	14,878	69,021
Travel	3,484	8,602	2,887	14,973	21,320	3,166	39,459
Utilities	704	1,144	45,534	47,382	403	780	48,565
	<u>337,758</u>	<u>1,358,716</u>	<u>1,186,461</u>	<u>2,882,935</u>	<u>277,251</u>	<u>657,246</u>	<u>3,817,432</u>
Donated services and goods:							
ReStore gifts in-kind	-	-	1,219,390	1,219,390	-	-	1,219,390
Professional fees	308,935	-	-	308,935	16,132	-	325,067
	<u>308,935</u>	<u>-</u>	<u>1,219,390</u>	<u>1,528,325</u>	<u>16,132</u>	<u>-</u>	<u>1,544,457</u>
Totals	\$ 646,693	\$ 1,358,716	\$ 2,405,851	\$ 4,411,260	\$ 293,383	\$ 657,246	\$ 5,361,889

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	2022						
	Program Services				Supporting Services		Totals
	Homeowner Services	Cost of Homes Sold and Program Support	ReStore	Total Program Expenses	General and Administrative Expenses	Fundraising Expenses	
Salaries	\$ 123,438	\$ 513,969	\$ 396,107	\$ 1,033,514	\$ 121,969	\$ 326,891	\$ 1,482,374
Payroll taxes	10,224	41,419	31,637	83,280	9,601	26,473	119,354
Benefits	14,665	55,442	50,450	120,557	21,247	31,434	173,238
Total salaries and related expenses	148,327	610,830	478,194	1,237,351	152,817	384,798	1,774,966
Advertising	133	52	1,672	1,857	2,060	293	4,210
Americorps	-	19,288	-	19,288	-	-	19,288
Applicant costs	7,236	-	-	7,236	-	-	7,236
Bank charges	-	-	29,404	29,404	8,996	-	38,400
Conferences	9,525	-	-	9,525	-	-	9,525
Consultants	4,577	61,500	-	66,077	3,033	32,755	101,865
Cost of goods sold	-	-	24,326	24,326	-	-	24,326
Cost of homes sold	-	997,584	-	997,584	-	-	997,584
Depreciation	-	9,235	-	9,235	-	-	9,235
Dues, fees and subscriptions	-	26,000	-	26,000	-	-	26,000
Equipment rental	-	10,576	8,124	18,700	-	-	18,700
Insurance	-	22,291	-	22,291	11,711	-	34,002
Interest	-	8,939	-	8,939	-	-	8,939
Imputed interest expense	-	138,160	-	138,160	-	-	138,160
Office expenses and supplies	1,538	7,880	1,002	10,420	8,660	2,728	21,808
Postage	512	460	-	972	642	4,378	5,992
Printing	396	-	(1,416)	(1,020)	-	11,023	10,003
Professional fees	24,939	24,939	24,245	74,123	24,939	-	99,062
Real estate taxes	-	5,591	-	5,591	-	-	5,591
Rent	35,161	40,624	417,346	493,131	20,448	47,109	560,688
Repairs and maintenance	-	19,196	547	19,743	-	-	19,743
Site cleaning and disposal	-	18,713	54,678	73,391	-	-	73,391
Tithe expenses	-	100,000	-	100,000	-	-	100,000
Truck expenses	-	104	20,290	20,394	-	-	20,394
Telephone and information technology	7,621	18,318	7,267	33,206	4,890	13,625	51,721
Travel	304	16,815	3,871	20,990	4,385	681	26,056
Utilities	1,912	2,762	35,160	39,834	1,095	2,306	43,235
	244,797	2,159,857	1,105,678	3,510,332	243,676	499,696	4,253,704
Donated services and goods:							
ReStore gifts in-kind	-	-	1,132,710	1,132,710	-	-	1,132,710
Professional fees	175,621	-	-	175,621	-	-	175,621
	175,621	-	1,132,710	1,308,331	-	-	1,308,331
Totals	\$ 420,418	\$ 2,159,857	\$ 2,238,388	\$ 4,818,663	\$ 243,676	\$ 499,696	\$ 5,562,035

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (316,417)	\$ 85,663
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,285	9,235
Loss on disposal of fixed asset	48,833	3,214
Mortgage amortization income	(109,424)	(270,393)
Imputed interest expense	42,337	138,160
Payroll Protection Plan (PPP) Loan Forgiven	-	(231,651)
Sale of mortgages	-	758,326
Sale of housing and property financed with mortgage receivable, net of cost	-	272,834
Decrease (increase) in assets:		
Contributions and grants receivable	(53,694)	135,836
Inventory - Restore	(25,575)	(14,381)
Prepaid expenses and other current assets	(634)	(13,981)
Loan receivable	(3,746)	(68,014)
Right-of-use asset	347,336	-
Security deposits	10,628	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,176)	41,284
Agency accounts	232	4,962
Deferred rent	-	42,367
Deferred revenue	24,750	-
Operating lease liability	(393,173)	-
Net Cash Provided (Used) by Operating Activities	<u>(423,438)</u>	<u>893,461</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(63,823)	(32,133)
Construction of housing and improvements	(864,469)	(790,581)
Cash received from mortgage notes receivable	<u>399,158</u>	<u>692,564</u>
Net Cash Provided (Used) in Investing Activities	<u>(529,134)</u>	<u>(130,150)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(102,235)</u>	<u>(280,644)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,054,807)	482,667
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,430,141</u>	<u>1,947,474</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,375,334</u>	<u>\$ 2,430,141</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 13,006</u>	<u>\$ 8,939</u>

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1. ORGANIZATION AND PURPOSE

Habitat for Humanity Greater Boston, Inc. (the Organization) is a charitable nonprofit Massachusetts corporation organized in December 1987. It is an affiliate of Habitat for Humanity International (HFHI), an organization with a grassroots structure which is dedicated to eliminating poverty housing from the earth and making poverty housing and homelessness socially and politically unacceptable in the world. The Organization's mission is to help low-income families become homeowners in the Greater Boston area using the Habitat model of volunteer labor, donated materials and charitable contributions to construct housing. Each Habitat family helps build their home by providing at least 300 hours of "sweat equity". When the home is complete, Habitat sells it to the family for an affordable price and provides the family with a no-interest mortgage loan. The Organization is responsible for raising funds for all of its projects, its annual operating budget and for "tithing" 10% of its unrestricted revenues to HFHI projects overseas.

The Organization's program divisions are as follows:

Homeowner Services: The Homeowner Service division interacts with applicants for the Habitat homeowner program and assists the Family Selection Committee with the family selection process. It also monitors the "sweat equity" program and conducts a series of education classes on topics relating to homeownership, including budgeting, credit and financial management, condominium associations, home repairs and legal matters. Existing Habitat families with financial problems receive credit counseling and, when appropriate, referrals to other social service programs. The Organization also helps families living in condominium associations communicate effectively with each other so they can manage the association's finances.

Construction and Sale of Habitat Homes: The Organization builds homes in partnership with low-income families, volunteers, and donors. The division identifies and acquires land for projects, works with architects on the design of homes, and works with lawyers on permitting and real estate documentation. It also obtains permits for projects and functions as a general contractor during construction, including procuring construction materials and managing subcontractors.

ReStore Operations: In 2011, the Organization opened its Habitat ReStore. The ReStore is a retail business that accepts donations of new and gently-used building materials, furniture, appliances, and housewares and resells them to the general public through a retail store front warehouse. The Habitat ReStore helps to protect the environment by keeping hundreds of tons of material out of our landfills and provides a low-cost outlet for home improvement materials, and making home renovations and improvements more affordable.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles and standards in the United States (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets whose use is not subject to donor-imposed stipulations. Contributions are available for unrestricted use unless specifically restricted by the donor.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- *Net assets with donor restrictions* – Net assets that are either available for use, but expendable only for those purposes specified by the donor, or net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions restricted for capital improvements are released to unrestricted revenue at the time funds are expended for the specified improvement.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents for the years ended June 30, 2023 or 2022.

Pledges and Other Receivables

Receivables, other than mortgages, are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to expense, based on its assessment of the current status of individual accounts. Bad debt expense for the years ended June 30, 2023 and 2022 was \$3,179 and \$0, respectively. No allowance for doubtful accounts was considered necessary for the years ended June 30, 2023 or 2022.

Mortgages Receivable

The Organization is a charity engaged in providing homeownership opportunities to low-income families living or working in the Greater Boston area. Upon completion of construction, the home is conveyed to a selected family for an affordable price. The Organization takes back a non-interest bearing note and the note is secured by a first mortgage on the home. The Organization takes a second note, secured by a second mortgage, for the difference between the first note and the home's fair market value as determined by an independent appraisal. The first note receivable is then discounted in accordance with Internal Revenue Code Section 1288. The discounted amount, which represents the underlying mortgage receivable, is recorded at its face value less the calculated discount. The Organization utilizes the rate published by the Internal Revenue Service under the Applicable Federal Rates (AFR) Rulings for Low-Income Housing Tax Credits. The mortgages have an original maturity of 20 to 35 years and arise in connection with the Organization's homebuilding initiatives in Greater Boston. These mortgages are secured by the underlying real estate that is located in the Greater Boston area.

The Organization believes that all mortgages are fully collectible, and as such, no allowance for doubtful accounts is necessary for the years ended June 30, 2023 or 2022.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of donated building supplies and other home improvement items to be sold at the Organization's ReStore. The Organization believes that the inventory of donated goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. Accordingly, donated inventory is valued at zero prior to being offered for sale. At the end of its fiscal year, the Organization estimates the value of donated goods on hand and records the amount as merchandise inventory with corresponding adjustments to cost of sales using a three-month average of sales.

House Construction in Progress

Property held for development consists of costs to develop homes for projects located in Massachusetts. Property held for development is recorded on the cost method. Costs associated with the acquisition, development, and construction of property, including property taxes, interest, and associated general and administrative costs are capitalized as a cost of the property, and are reported net of contingent liabilities.

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2023 or 2022.

As of June 30, 2023, the Organization had 13 structures and 75 units in varying stages of development, including 72 residential units and 3 commercial units.

As of June 30, 2022, the Organization had 9 structures and 41 units in varying stages of development, including 39 residential units and 2 commercial units.

Property and Equipment

Property and equipment purchased by the Organization with unrestricted funds are recorded at cost. Donated property and equipment is recorded at fair value at the date of the gift. Depreciation is provided for in amounts sufficient to amortize the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. When assets are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in the change in net assets. Depreciation expense for the years ending June 30, 2023 and 2022 was \$6,285 and \$9,235, respectively.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Leasehold improvements	7 years
Office equipment	5 years
Furniture and equipment	7 years
Vehicle	5 years
Solar panels	30 years

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick days, and other personal days off, depending on job classification, length of service, and other factors. Unused vacation days may be carried over from one calendar year to the next up to a maximum of 5 days. Any accrued and unused vacation will be paid to an employee upon their departure.

For the years ended June 30, 2023 and 2022, unused sick days are cumulative and may be carried from one year to the next up to a maximum of 60 days; however, employees are not entitled to compensation for any accumulated but unused sick leave.

Accrued compensated absences for the years ended June 30, 2023 and 2022 were \$49,798 and \$0, respectively.

Revenues and Support Recognition

Revenue Recognition

In accordance with ASC Topics 606 and Topic 958, the Organization recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Transfer to Homeowners

Mortgage income includes the annual amortization of the discount for the present time value of money on the primary mortgage and recognition for the release of the contingent mortgage (See Note 6) upon the premature sale by a homeowner.

Contributions and Contributed Services

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved.

Contributions received with donor-imposed restrictions that will lapse are reported as temporarily restricted revenues when they are received. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as temporarily restricted revenues, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Contributed Services (Continued)

Contributions of services are reported as temporarily restricted revenues and expenses at the fair value of the services received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. The Organization adopted FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 953) for the fiscal year ending June 30, 2022, and the required expanded disclosures are included in Note 9.

A substantial number of volunteers have made significant contributions of their time to the Organization's program of building and rehabbing houses, and other supporting services. The value of this contributed time is not reflected in the accompanying financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, such as design work, legal services, plumbing, HVAC and electrical work are provided by individuals possessing those skills and/or licenses that would otherwise need to be purchased if not provided by donation are recognized as temporarily restricted revenue. Contributions of materials to be used in program operations are reported as revenues and expenses of the temporarily restricted net asset category at the time the materials are received.

Fundraising and Special Events

Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received.

ReStore Sales

Retail store sales represent merchandise sales of building materials, furniture, appliances, and housewares donated to the Organization. Retail store revenues are recognized when the related goods are sold. The Organization collects sales tax on Restore sales and remits the funds collected to the appropriate taxing authority.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Taxes and Uncertain Tax Positions

The Organization is exempt from federal and state income taxation under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3) of the Code and Section 830 CMR 63.38T.1 of Massachusetts General Laws. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expenses. The Organization is not a private foundation. Only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal or state income tax. The Organization accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, *Income Taxes*. Management is not aware of any transactions that would negatively impact the Organization's tax-exempt status.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Any interest or penalties assessed to the Organization would be recorded in operating expenses for the year. No interest or penalties from any tax authorities were recorded in the accompanying financial statements.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes and Uncertain Tax Positions (Continued)

The Organization's federal tax returns and state reports for the years ended June 30, 2021 through June 30, 2023 (open years) are subject to examination by the Internal Revenue Service and Massachusetts Attorney General's Office.

Fair Value Measurements

The Organization reports financial instruments at fair value in accordance with Financial Accounting Standards Board (FASB) ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity, and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

There have been no changes in the valuation methodologies used by the Organization as compared to the prior year.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued expenses, operating lease liabilities, and loans payable. These financial instruments are stated at cost, which approximates fair value.

Functional Allocation of Expenses

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Change in Accounting Principle

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 953). ASU 2020-07 was issued in order to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for nonprofit organizations. ASU 2020-07 does not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements. The ASU is effective for annual periods beginning after June 15, 2021 and has been adopted by the Organization for fiscal year ending June 30, 2022.

See independent auditors' report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard

Effective July 1, 2022, the Organization adopted FASB ASC 842. In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization's lease obligations. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. This ASU is effective for fiscal years beginning after December 15, 2021. The adoption of FASB 842 did not have a material impact on the Organization's statement of activities and changes in net assets or cash flows for the years ended June 30, 2023 or 2022.

Comparative Data

The amounts shown for the year ended June 30, 2022 in the accompanying statement of activities and changes in net assets are included to provide a basis for comparison with 2023 and present summarized totals only. Accordingly, the 2022 totals within the statement of activities and changes in net assets are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's statement of activities and changes in net assets for the year ended June 30, 2022, from which the summarized information was derived.

Note 3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in bank accounts at high quality credit financial institutions. The balances, at times, may exceed federally insured limits (FDIC). Pursuant to Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the standard maximum insurance amount was permanently raised to \$250,000. At June 30, 2023 and 2022 Habitat exceeded the FDIC insured limit by approximately \$1,124,000 and \$2,179,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. The Organization monitors the credit-worthiness of the financial institutions in which it deposits money.

The Organization's concentration of credit risk with respect to mortgages receivable depends on its partner families' ability to repay, which may vary with economic conditions within this geographic area.

Note 4. LOANS RECEIVABLE

The Organization has two loans receivable from condominium associations and one loan receivable from a homeowner. As of June 30, 2023 and 2022 the loan receivable balances due totaled \$79,503 and \$75,757, respectively. No allowance for doubtful accounts was considered necessary for the years ended June 30, 2023 or 2022.

Note 5. MORTGAGES RECEIVABLE

Transfers to homeowners represent the sale of houses built by the Organization in exchange for mortgage notes with no interest. As discussed in Note 2 these mortgages are payable over 20 – 35 years and discounted for the present time value of money. Mortgage payments received after 30 days are considered late and subject to the Organization's delinquency policy. Notices of filing of foreclosure will be made if payments are 90 days delinquent, the homeowner is not on a payment plan and has not been granted a grace period. The Organization has a policy of working with homeowners to ensure that accounts are brought up to date and all remedies exhausted before any legal action will commence. At June 30, 2023, the Organization had 48 loans outstanding with a gross value of \$5,783,565 and a discounted value of \$4,246,887. At June 30, 2022, the Organization had 49 loans outstanding with a gross value of \$6,176,425 and a discounted value of \$4,578,957.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 5. MORTGAGES RECEIVABLE (Continued)

During the year ended June 30, 2022, seven mortgages with a principal balance of \$947,033 and a carrying value of \$758,326 (net of discounts) were sold to First Republic Bank for \$758,326. As a result of the sale, a discount of \$188,707 was released. There was no gain or loss recognized on this transaction, as the purchase price was equal to the carrying value of the mortgages. The transfer of these financial assets meets all of the conditions of a sale per ASC 860, *Transfers and Servicing*.

Note 6. CONTINGENT MORTGAGES RECEIVABLE

Homeowners who purchase housing through the Organization's program are subject to additional payments should the house be sold before the full term of the mortgage is completed. The remaining payments on the original mortgage would be due at the closing and they would be subject to a second predetermined (contingent) mortgage. Contingent mortgage receivables are not reported in the accompanying financial statements since these mortgages have no value unless a homeowner fails to comply with the covenants and restrictions of the terms of the home sale. The Organization recognized income from second contingent mortgages totaling \$0 and \$84,600 for the years ending June 30, 2023 and 2022, respectively, and these amounts are included in sale of homes revenue in the accompanying financial statements.

Note 7. LINE OF CREDIT

The Organization has available a line of credit with Dedham Institute for Savings in the amount of \$500,000 to be drawn upon as needed. The interest rate on the line of credit was 7.75% and 4.25% per annum as of the years ended June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022 the Organization made principal payments on the line of credit that amounted to \$0 and \$228,050, respectively, and interest expense amounted to \$0 and \$4,576, respectively. As of June 30, 2023 and 2022, the balance outstanding was \$0.

The Organization has available a line of credit with Brookline Bank in the amount of \$500,000 to be drawn upon as needed. The line of credit bears interest at 8.25% per annum as of the year ended June 30, 2023. As of June 30, 2023 and 2022, the balance outstanding was \$0 and the Organization has not drawn on this line of credit during the year ended June 30, 2023 or 2022.

Note 8. LONG-TERM DEBT

The Organization has a note payable to MassHousing in the original amount of \$600,000. The note is secured by five mortgages conveyed to buyers. The note bears interest at 2.5% per annum and requires monthly payments of principal and interest in the amount of \$4,471. Beginning in May 2020 and expiring on July 1, 2021, the Organization entered into a COVID-19 Payment Deferral Agreement with MassHousing, under which principal and interest payments are deferred to the maturity date of the loan. Interest does not accrue on the unpaid principal and interest payments during the forbearance period. During the years ended June 30, 2023 and 2022, interest expense amounted to \$541 and \$2,242, respectively. As of June 30, 2023 and 2022, the principal balance due amounted to \$0 and \$102,335, respectively.

On June 26, 2020, the Organization received loan proceeds in the amount of \$150,000 under the COVID-19 Economic Injury Disaster Loan (EIDL) Program. The EIDL, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans to help small businesses and other entities overcome the effects of the pandemic by providing borrowers with working capital to meet ordinary and necessary operating expenses. The loans and accrued interest are not forgivable and must be repaid. The note bears interest at 2.75% per annum and has a loan term of 30 years. Payments are deferred for the first 30 months, with payments beginning immediately thereafter.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 8. LONG-TERM DEBT (Continued)

Principal payments due in the next five years and in the aggregate:

2024	\$ -
2025	2,095
2026	3,671
2027	3,773
2028	3,878
Thereafter	<u>136,583</u>
Total	<u>\$ 150,000</u>

Note 9. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets included in the financial statements are as follows:

	<u>2023</u>	<u>2022</u>
Professional legal fees	\$ 325,067	\$ 175,621
Donated architectural services	16,000	-
Donated appliances	3,436	-
Donated supplies	-	650
Donated goods - ReStore	<u>1,244,965</u>	<u>1,147,091</u>
	<u>\$ 1,589,468</u>	<u>\$ 1,323,362</u>

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. All gifts-in-kind were utilized by the Organization in its normal course of business for the year ended June 30, 2023 and 2022.

During the year ended June 30, 2023 and 2022, the Organization received donations for professional legal fees. The Organization recorded a corresponding revenue and expense for these services within the accompanying financial statements.

During the year ending June 30, 2023, the Organization received donations for professional architectural services. The Organization recorded revenue and a corresponding increase to construction in progress for these services within the accompanying financial statements.

During the year ending June 30, 2023, the Organization received donated appliances and the Organization recorded revenue and a corresponding increase to construction in progress within these financial statements using an estimated fair value.

During the year ending June 30, 2022, the Organization received donated supplies and the Organization recorded a corresponding revenue and expense using an estimated fair value.

The Organization receives donated items to be sold at its Restore locations. Donated ReStore goods are valued at the gross selling price received, and a corresponding in-kind expense is recorded in the statement of functional expenses.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 9. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

All gifts-in-kind received by the Organization for the year ended June 30, 2023 and 2022 were considered to be without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

Note 10. LEASING ACTIVITIES

The Organization records its operating leases in accordance with FASB ASC 842 whereby the lease is recorded as a right-of-use asset at the present value of the lease payments with a corresponding operating lease obligation for terms exceeding 12 months. Principal payments on the leases are considered amortization of the right-of-use asset.

The Organization has an operating lease for its office space located at Massachusetts Avenue in Boston with a lease commencement date of April 1, 2022 and a rent commencement date of July 1, 2022. The lease is for a term of five years and terminates on July 31, 2027. The Organization accounts for rent expense on a straight-line basis over the term of the lease.

The Organization leases additional space, for its ReStore activities, of approximately 21,120 square feet as the lessee under a non-cancelable operating lease agreement. The original lease term is for ten (10) years with two (2) five (5) year options. The original lease expires in July 2026.

Rent expense for the years ended June 30, 2023 and 2022 was \$558,803 and \$560,688, respectively.

For the year ended June 30, 2023, the Organization recorded a right-of-use asset of \$1,339,597 and operating lease liabilities of \$1,526,254. The Federal discount rate of 5.25% was used to calculate the present value of the base lease payments at June 30, 2023.

The maturities of operating lease liabilities as of June 30, 2023 were as follows:

	<u>Mass. Ave</u>	<u>ReStore</u>	<u>Total</u>
FY2024	\$ 172,856	\$ 316,800	\$ 489,656
FY2025	177,940	316,800	494,740
FY2026	183,024	316,800	499,824
FY2027	188,108	-	188,108
Total lease payments	721,928	950,400	1,672,328
Less: Imputed interest	(73,238)	(72,836)	(146,074)
Present value of lease payments	<u>\$ 648,690</u>	<u>\$ 877,564</u>	<u>\$ 1,526,254</u>

Note 11. CONTRIBUTION TO HABITAT FOR HUMANITY INTERNATIONAL, INC.

Habitat for Humanity International, Inc. has a suggested 10% tithing based on internal calculations for unrestricted funds, however, there is no penalty for tithing less than this amount. This amount is used for Habitat for Humanity International's worldwide housing programs. For the years ended June 30, 2023 and 2022, contributions to Habitat for Humanity International, Inc. amounted to \$100,600 and \$100,000, respectively.

Note 12. TAX DEFERRED ANNUITY PLAN

The Organization maintains a 403(b) tax-deferred retirement plan which is funded entirely by contributions from its employees. At the present time, the Organization does not contribute to the plan. The plan covers any employees electing to participate. During the years ended June 30, 2023, and 2022, expenses incurred in connection with the plan were immaterial.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 13. RESTORE PROGRAM

The Organization established its ReStore in January 2011. The ReStore is set-up to receive donated goods such as building materials and household items that would otherwise be destined for landfills. The Organization stores and sells these goods to the public at discount prices. This raises money for the Organization's programs and makes discounted materials available for the public. The ReStore received approximately \$1,244,966 and \$1,147,091 in donated materials and goods during the years ended June 30, 2023 and 2022. For the year ended June 30, 2023 the ReStore Program generated \$1,244,966 of revenues with associated costs of \$1,186,461. This resulted in net income of \$58,505 on ReStore activities. For the year ended June 30, 2022 the ReStore Program generated \$1,147,091 of revenues with associated costs of \$1,105,678. This resulted in net income of \$41,413 on ReStore activities.

Note 14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,375,334	\$ 2,430,139
Contributions and grants receivable	76,441	22,747
Mortgage notes receivable, current portion	<u>373,061</u>	<u>277,320</u>
 Total financial assets and liquidity resources available within one year	 <u>\$ 1,824,836</u>	 <u>\$ 2,730,206</u>

Note 15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors. For the years ended June 30, 2023 and 2022, all donor-restricted contributions and releases from donor restrictions were for the purposes of specified home builds.

Note 16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$190,129 was recorded to record deferred rent on the ReStore lease that should have been recorded at the inception of the lease. The balance of this deferred rent at June 30, 2022 was \$190,129 and this adjustment resulted in an increase in deferred rent and a decrease in net assets without donor restrictions as of June 30, 2023.

Note 17. CONTINGENCIES

The Organization routinely invests in properties in order to prepare a request for proposal (RFP) for a given municipality. Such an investment may include costs for architects, engineers, and other costs incurred prior to gaining title to the property. From time to time, a project may not come to fruition and the invested costs would be written off. For the years ended June 30, 2023 and 2022, the Organization had invested approximately \$511,200 and \$212,900, respectively, in properties it did not yet own. For the years ended June 30, 2023 and 2022, the Organization wrote off \$21,000 and \$0, respectively, for investments in properties that will not be developed by the Organization. This amount is included in other expenses in the accompanying financial statements.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

Note 18. OTHER SIGNIFICANT MATTERS

On February 24, 2021, the Organization received loan proceeds in the amount of \$229,610 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses or non-profits for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business or non-profit organization. The loans and accrued interest are forgivable after a prescribed period as long as the borrower uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, utilities, while also maintaining its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the prescribed period.

On January 14, 2022, the Organization was notified by the Small Business Administration that its entire loan proceeds in the amount of \$229,610, received under the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), was considered forgiven. This amount, along with \$2,041 in forgiven interest expense, is classified as Other Income in the accompanying Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

Note 19. COVID-19 PAYROLL TAX CREDITS

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Company qualified for the tax credit for the second quarter of 2020 under the CARES Act. For the fiscal year ended June 30, 2022, the Company received \$81,351 and this amount is included in grants revenue in the accompanying financial statements. See subsequent event disclosure (Note 20) related to the CARES employee retention credit.

Note 20. SUBSEQUENT EVENTS

Management has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2023 through January 8, 2024, the date the financial statements were first available to be issued.

The Internal Revenue Service (IRS), in September 2023, issued a moratorium on the processing of new CARES Employee retention credit claims through at least December 31, 2023 amid increased fraud and compliance concerns. The Organization believes that they are not at an adverse risk in the event of an IRS audit related to the employee retention credit. The IRS has increased the statute of limitations for potential audit to 5 years from the date the credits were received.

In October 2023, the Organization cancelled their line of credit with Brookline Bank.

There were no other subsequent events that require recognition or disclosure in the financial statements.