



FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

with

Independent Auditors' Report

NEWBERG AREA HABITAT FOR HUMANITY

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Independent Auditors' Report

The Board of Directors
Newberg Area Habitat for Humanity

Opinion

We have audited the accompanying financial statements of Newberg Area Habitat for Humanity (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements as of and for the year ended June 30, 2023, were reviewed by us, and our report thereon, dated February 6, 2024, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 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 the Organization'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 the Organization'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.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
February 25, 2025

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Financial Position

June 30,	2024 (Audited)	2023 (Reviewed)
ASSETS		
Cash and cash equivalents	\$ 346,636	\$ 233,256
Cash held for escrow	16,059	21,950
Other receivable	789	-
Grants receivable	-	91,199
Employee retention credits receivable (Note 6)	63,484	63,484
Mortgages receivable - net (Note 2)	1,769,011	1,739,475
Inventories (Note 3)	1,474,134	492,628
Prepaid expenses	10,094	10,948
Cash held for endowment (Note 9)	25,000	-
Land leased to homeowners (Note 4)	118,000	118,000
Property and equipment - net (Note 5)	1,007,060	1,032,467
Total assets	\$ 4,830,267	\$ 3,803,407
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 15,025	\$ 38,151
Accrued payroll liabilities	19,678	8,791
Escrow deposits	16,059	21,950
Notes payable (Note 7)	886,504	179,013
Total liabilities	937,266	247,905
Commitment (Note 12)		
Net assets:		
Without donor restrictions	3,824,801	3,546,502
With donor restrictions (Notes 8 and 9)	68,200	9,000
Total net assets	3,893,001	3,555,502
Total liabilities and net assets	\$ 4,830,267	\$ 3,803,407

The accompanying notes are an integral part of the financial statements.

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Activities

Years Ended June 30,	2024 (Audited)	2023 (Reviewed)
Changes in net assets without donor restrictions:		
Revenue, gains, and other support:		
Sale of Resale store inventory	\$ 270,557	\$ 214,601
Contributions and grants	207,063	208,929
Noncash contributions - Resale store	276,085	219,192
Noncash contributions - other	3,501	54,989
Amortization of discount on mortgages receivable	131,142	33,412
Gain from forgiveness of the Paycheck Protection Program loan	-	24,614
Employee retention credits receivable (Note 6)	-	63,484
Other	2,916	2,665
Net assets released from restrictions (Note 8)	9,000	4,967
Total revenue, gains, and other support	900,264	826,853
Expenses:		
Program services	520,769	416,181
Supporting services	101,196	105,034
Total expenses	621,965	521,215
Change in net assets without donor restrictions	278,299	305,638
Changes in net assets with donor restrictions:		
Contributions and grants	68,200	10,500
Net assets released from restrictions (Note 8)	(9,000)	(4,967)
Change in net assets with donor restrictions	59,200	5,533
Increase in net assets	337,499	311,171
Net assets, beginning of year	3,555,502	3,244,331
Net assets, end of year	\$ 3,893,001	\$ 3,555,502

The accompanying notes are an integral part of the financial statements.

NEWBERG AREA HABITAT FOR HUMANITY

Statement of Functional Expenses

Year Ended June 30, 2024 (Audited)

	Program Services			Supporting Services			Total
	Home-ownership	Resale Store	Total	Development	Management and General	Total	
Cost of goods sold							
- Resale store	\$ -	\$ 270,560	\$ 270,560	\$ -	\$ -	\$ -	\$ 270,560
Payroll and related expenses	64,830	102,294	167,124	11,842	59,286	71,128	238,252
Professional fees	1,789	-	1,789	-	14,846	14,846	16,635
Office expenses	46,376	11,863	58,239	5,295	514	5,809	64,048
Occupancy	1,156	11,492	12,648	-	1,156	1,156	13,804
Travel and vehicle expenses	-	2,576	2,576	-	-	-	2,576
Interest expense	9,914	-	9,914	-	8,086	8,086	18,000
Tithing (<i>Note 12</i>)	11,072	-	11,072	-	-	-	11,072
Depreciation	-	25,408	25,408	-	-	-	25,408
Insurance	25,311	-	25,311	-	-	-	25,311
Other expenses	3,398	128	3,526	-	171	171	3,697
Capitalized expenses	(67,398)	-	(67,398)	-	-	-	(67,398)
	<u>\$ 96,448</u>	<u>\$ 424,321</u>	<u>\$ 520,769</u>	<u>\$ 17,137</u>	<u>\$ 84,059</u>	<u>\$ 101,196</u>	<u>\$ 621,965</u>

The accompanying notes are an integral part of the financial statements.

NEWBERG AREA HABITAT FOR HUMANITY

Statement of Functional Expenses

Year Ended June 30, 2023 (Reviewed)

	Program Services			Supporting Services				Total
	Home- ownership	Resale Store	Total	Development	Management and General	Indirect Expenses	Total	
Cost of goods sold								
- Resale store	\$ -	\$ 214,601	\$ 214,601	\$ -	\$ -	\$ -	-	\$ 214,601
Payroll and related expenses	40,762	78,838	119,600	4,617	57,917	12,876	75,410	195,010
Professional fees	-	-	-	-	23,094	-	23,094	23,094
Office expenses	12,559	8,319	20,878	3,508	1,073	13,255	17,836	38,714
Occupancy	246	8,504	8,750	-	-	2,471	2,471	11,221
Travel and vehicle expenses	389	823	1,212	-	-	-	-	1,212
Interest expense	-	-	-	-	7,562	-	7,562	7,562
Tithing (<i>Note 12</i>)	3,334	-	3,334	-	-	-	-	3,334
Depreciation	-	25,196	25,196	-	-	-	-	25,196
Insurance	13,368	1,570	14,938	-	-	-	-	14,938
Other expenses	3,194	-	3,194	-	-	-	-	3,194
Allocation of indirect expenses	5,586	15,753	21,339	460	6,803	(28,602)	(21,339)	-
Capitalized expenses	(16,861)	-	(16,861)	-	-	-	-	(16,861)
	<u>\$ 62,577</u>	<u>\$ 353,604</u>	<u>\$ 416,181</u>	<u>\$ 8,585</u>	<u>\$ 96,449</u>	<u>\$ -</u>	<u>\$ 105,034</u>	<u>\$ 521,215</u>

The accompanying notes are an integral part of the financial statements.

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Cash Flows

Years Ended June 30,	2024 (Audited)	2023 (Reviewed)
Cash flows from operating activities:		
Cash receipts:		
Principal payments on mortgages receivable	\$ 101,606	\$ 151,854
Resale store	270,557	214,601
Contributions and grants	340,673	128,230
Other	2,916	2,829
	<u>715,752</u>	<u>497,514</u>
Cash disbursements:		
Land purchases and home construction costs	446,557	66,279
Payroll and related expenses	227,365	200,562
Interest	18,000	7,562
Tithing	11,072	3,334
Other	131,260	100,898
	<u>834,254</u>	<u>378,635</u>
Net cash provided (used) by operating activities	(118,502)	118,879
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	25,000	-
Proceeds from notes payable	310,469	-
Principal payments on notes payable	(84,478)	(7,821)
	<u>250,991</u>	<u>(7,821)</u>
Net cash provided (used) by financing activities	250,991	(7,821)
Net increase in cash and cash equivalents	132,489	111,058
Cash and cash equivalents and restricted cash, beginning of year	<u>255,206</u>	<u>144,148</u>
Cash and cash equivalents and restricted cash, end of year	\$ 387,695	\$ 255,206

The accompanying notes are an integral part of the financial statements.

NEWBERG AREA HABITAT FOR HUMANITY

Statements of Cash Flows - Continued

Years Ended June 30,	2024 (Audited)	2023 (Reviewed)
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 346,636	\$ 233,256
Cash held for escrow	16,059	21,950
Cash restricted for endowment	25,000	-
	\$ 387,695	\$ 255,206

**Supplemental disclosure of non-cash investing
and financing activities:**

Construction in progress financed with notes payable	\$ 481,500	\$ -
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The accompanying notes are an integral part of the financial statements.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements

1. Significant Accounting Policies

Organization - Newberg Area Habitat for Humanity (the Organization) is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian not-for-profit organization whose purpose is to create decent, simple housing for those in need, and to make decent shelter a matter of conscience everywhere. Although Habitat International assists with information, resources, training, publications, and in other ways, the Organization is primarily and directly responsible for the legal, organizational, fundraising, family selection and nurture, financial, and construction aspects of the work. The Organization, through its many volunteers, constructs affordable housing in Newberg, Oregon, transfers the homes to qualified families at below-market prices, and provides non-interest-bearing mortgage loans.

The Organization operates a Resale store located in Newberg, Oregon, which is an outlet for selling donated building materials.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Amounts designated for specific purposes by the Board of Directors are reported as net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant estimates made by management include the valuation of donated resale store inventory, discounts on mortgages receivable, and the allocation of expenses by functional classification.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Escrow Accounts - The Organization maintains escrow accounts on behalf of homeowners. These accounts are used to collect homeowner deposits to be used to pay escrow expenses (such as property taxes and homeowners' insurance premiums). The total balance of these accounts at June 30, 2024 and 2023, was \$16,059 and \$21,950, respectively.

Concentration of Credit Risk - The Organization's cash holdings (including cash held for escrow) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. On occasion, amounts on deposit with financial institutions may exceed FDIC limits.

Inventories - Inventories consist of construction in progress and raw materials. Inventories are stated at the lower of cost or net realizable value for purchased items and estimated fair value at the date of donation for donated items, determined by the first-in-first-out (FIFO) method. Costs incurred for construction in progress are allocated to each house based on specific identification. Once completed, homes will be sold, and the cost of homes will be recorded.

Resale Store Inventory - The Organization operates a Resale store that predominantly sells donated materials to the public. Donated inventories on hand at year end are valued at estimated fair value. Purchased inventories are valued at the lower of cost or net realizable value.

Property and Equipment - Property and equipment are recorded at cost, if purchased, and at estimated fair value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years for personal property, and 39 years for real property. Maintenance and repairs are charged to expense when incurred; major renewals and betterments are capitalized.

Contributions and Grants - The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give (including grants); or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued Contributions and Grants - Continued

The Organization reports contributions of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when acquired long-lived assets are placed in service.

Noncash Contributions - Contributions of assets other than cash (property, construction materials, land, and equipment) are recorded at their estimated fair value. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their estimated fair values in the period received.

Noncash contributions consisted of the following during the years ended June 30:

	2024	2023
Noncash contributions - Resale store	\$ 276,085	\$ 219,192
Non cash contributions - other:		
Professional services	-	54,565
Construction materials	<u>3,501</u>	<u>424</u>
	<u>3,501</u>	<u>54,989</u>
	<u>\$ 279,586</u>	<u>\$ 274,181</u>

The Organization estimates the value of donated goods received at the Resale Store based on their expected selling price. Professional services are valued at standard hourly rates charged for those services. The value of construction materials was determined by the estimated cost of the materials if purchased. There were no donor-imposed restricted associated with the noncash contributions. Professional services and construction materials were utilized by the Organization in its program and supporting services.

A substantial number of volunteers donate significant amounts of their time to the Organization for general construction and office labor. However, as these services do not require specialized skills or materially enhance the value of nonfinancial assets, the value of such services is not recorded in the financial statements.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Revenue Recognition - Revenue from sales of homes is recognized at the point in time the home is sold, and title passes to a qualified homebuyer. Mortgages are non-interest bearing and have been discounted at various rates ranging from 3.48 to 6.67 percent. The rates are based on the prevailing market rates at the inception of the mortgages. The rates were based on the Freddie Mac 30 year fixed-rate mortgage rates. Discounts are amortized using the effective interest method over the lives of the mortgages, and the amortization of mortgage discount is recognized as revenue.

Resale store sales are also recognized at a point in time, which is when control is transferred to the customer. The amount recorded as revenue reflects the consideration the Organization receives in exchange for its inventory.

Mortgages Receivable - Mortgages receivable consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. The Organization considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept a deed in lieu of foreclosure where homeowner mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished and sold to other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgages receivable at June 30, 2024 or 2023.

In connection with the issuance of the original non-interest-bearing mortgages, in many cases the Organization also issues a second mortgage. These second mortgages represent the difference between the original mortgage and the appraised value of the home. The second mortgage is to protect the value of the collateral. Second mortgages are due at the maturity (regardless of homeowner compliance) and thus are recorded and are included in the financial statements.

For mortgages issued prior to 2010, rather than a second mortgage, a provision in the mortgage agreement provided that the difference between the amount payable by the homeowner and the appraised value of the home would be due to the Organization only if the homeowner does not comply with the terms of the mortgage. The mortgage agreements also state that the amount payable by the homeowner is reduced each year the homeowner complies with the terms of the mortgage. These amounts are not included in the financial statements as the amounts are only due to the Organization if the homeowner does not comply with the terms of the mortgage. At June 30, 2024, the amount payable to the Organization if terms of these mortgages are not complied with totaled \$53,536.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Endowment - As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. No net assets without donor restrictions were functioning as an endowment as of June 30, 2024 and 2023.

The Organization manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors interpreted UPMIFA as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Organization; and the investment policies of the Organization.

Currently, the Organization's endowment fund is held with cash and cash equivalents and will be invested when the fund reaches \$50,000.

Warranties - The Organization provides a one-year warranty on all of its homes. The warranty is generally for defects in materials and/or workmanship. Warranty costs are expensed as incurred. The Organization has experienced minimal warranty costs and therefore does not believe an accrual for such costs is necessary.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Income Taxes - The Organization is exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Functional Allocation of Expenses - Costs of providing various program and other activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses report certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related expenses, office expenses, and occupancy, which are allocated on the basis of estimated time and effort.

Subsequent Events - Management has evaluated subsequent events through February 25, 2025, the date the financial statements were available for issue.

Adoption of New Accounting Standard - In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were mortgages receivable.

The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

2. Mortgages Receivable - Net

	2024	2023
Mortgages receivable	\$ 2,895,192	\$ 2,996,798
Discount on mortgages receivable	<u>(1,126,181)</u>	<u>(1,257,323)</u>
Mortgages receivable - net of discount	<u>\$ 1,769,011</u>	<u>\$ 1,739,475</u>

3. Inventories

	2024	2023
Construction in progress	\$ 1,445,575	\$ 469,745
Raw materials:		
Construction	6,000	5,000
Resale store	<u>22,559</u>	<u>17,883</u>
	<u>\$ 1,474,134</u>	<u>\$ 492,628</u>

As of June 30, 2024, construction in progress included two homes in the construction phase and five homes in the predevelopment phase.

4. Land Leased to Homeowners

To promote current and future affordability to homeowners, the Organization retained title to certain land as opposed to selling homes including the land. In lieu of selling the land, the Organization entered into a long-term land lease arrangement with the homeowners at a nominal annual rental amount. All lease agreements are for a term of 99 years. Concurrent with the recognition of the sale, the cost of the land was transferred from construction in progress to land leased to homeowners. At June 30, 2024 and 2023, land leased to homeowners totaled \$118,000.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

5. Property and Equipment - Net

	2024	2023
Land	\$ 191,740	\$ 191,740
Building	941,307	941,307
Equipment and computer software	54,873	55,378
Vehicles	<u>23,113</u>	<u>23,113</u>
	1,211,033	1,211,538
Less accumulated depreciation	<u>(203,973)</u>	<u>(179,071)</u>
Property and equipment - net	<u>\$ 1,007,060</u>	<u>\$ 1,032,467</u>

6. Employee Retention Credits

The Employee Retention Credit (ERC), established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides fully refundable tax credits against the employer share of federal payroll taxes for employers who meet certain criteria.

The Organization elected to account for ERC tax credits received as a government grant using accounting guidance provided by Accounting Standards Codification 958-605: *Not-for-Profit Entities - Revenue Recognition*. The Organization determined it qualified for the ERC during the year ended June 30, 2023. Employer retention credits totaling \$63 484 were applied for and recognized as revenue during the year ended June 30, 2023. As of June 30, 2024, this amount was not yet collected, and was recorded as a receivable on the accompanying statement of financial position. All but \$19,878 was collected after the fiscal year-end.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

7. Notes Payable

	2024	2023
Note payable to First Federal Savings & Loan Association of McMinnville, payable in monthly installments of \$1,000, including interest at 4 percent per annum. The interest rate will be redetermined in June 2026, based on the five-year rate as set by Federal Home Loan Bank of Des Moines, plus an applicable margin. The note is secured by property with a carrying value of \$1,003,798 and is due June 2031.	\$ 174,404	\$ 179,013
Note payable to private party, payable in monthly installments of \$671, including interest at 5 percent per annum. The note is secured by construction in progress and is due January 2027.	124,090	-
Note payable to private party, payable in monthly installments of \$4,435, including interest at 5 percent per annum. The note is secured by construction in progress and is due September 2027.	156,321	-
Note payable to Oregon Housing and Community Services (OHCS), bearing interest at 1 percent per annum, and secured by construction in progress. The principal balance, and all unpaid accrued interest, is due December 2031.	121,500	-
Note payable to OHCS, bearing interest at zero percent, secured by construction in progress, and due December 2045. The balance can be forgiven, provided certain homes are sold to qualifying families and other requirements specified in the loan agreements have been met.	293,669	-
Note payable to Habitat for Humanity of Oregon, payable in monthly installments of \$280, without interest. The note is secured by construction in progress and is due May 2029.	16,520	-
	<u>\$ 886,504</u>	<u>\$ 179,013</u>

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

7. Notes Payable - Continued

Total future principal payments required under the note payable agreement are as follows as of June 30, 2024:

Years Ending June 30,	Amount
2025	\$ 56,837
2026	59,519
2027	180,459
2028	18,845
2029	9,098
Thereafter	<u>561,746</u>
	<u><u>\$ 886,504</u></u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2024	2023
Construction costs	\$ 43,200	\$ 9,000
Endowment fund	<u>25,000</u>	<u>-</u>
	<u><u>\$ 68,200</u></u>	<u><u>\$ 9,000</u></u>

During the years ended June 30, 2024 and 2023, net assets of \$9,000 and \$4,967, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors.

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

9. Endowment Fund

The Organization's endowment fund is currently held with cash and cash equivalents. Changes in endowment net assets for the year ended June 30, 2024, were as follows:

Endowment net assets, July 1, 2023	\$ -
Contribution restricted for endowment	<u>25,000</u>
Endowment net assts, June 30, 2024	<u><u>\$ 25,000</u></u>

10. Liquidity and Availability of Financial Assets

The Organization's financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date consist of the following:

	2024	2023
Cash and cash equivalents	\$ 346,636	\$ 233,256
Other receivable	789	-
Grants receivable	-	91,199
Employee retention credits receivable	63,484	63,484
Current portion of mortgages receivable	<u>98,460</u>	<u>98,460</u>
Total financial assets available within one year	509,369	486,399
Less net assets restricted by donors for specific purposes	<u>(43,200)</u>	<u>(9,000)</u>
	<u><u>\$ 466,169</u></u>	<u><u>\$ 477,399</u></u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

To help manage unanticipated liquidity needs, the Organization has a line of credit through US Bank for borrowings up to \$125,000 and a line of credit with First Federal Savings & Loan Association for borrowings up to \$200,000 (*Note 11*).

NEWBERG AREA HABITAT FOR HUMANITY

Notes to Financial Statements - Continued

11. Line of Credit

The Organization has a \$125,000 unsecured line of credit available with US Bank. Interest on the line of credit is at the bank's prime rate (8.5 percent at June 30, 2024). At June 30, 2024 and 2023, there were no outstanding borrowings.

The Organization has a \$200,000 line of credit available with First Federal Savings & Loan Association, secured by real estate. Interest on the line of credit is at the bank's prime rate plus 1.25 percent (9.75 percent at June 30, 2024). At June 30, 2024 and 2023, there were no outstanding borrowings.

12. Transactions with Habitat International

The Organization annually remits a portion of its unrestricted contributions (excluding in-kind contributions and grants) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2024 and 2023, the total amount remitted was \$11,072 and \$3,334, respectively.