

**HABITAT FOR HUMANITY FOR
RHODE ISLAND,
SOUTH COUNTY, INC.**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2024**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**



**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
TABLE OF CONTENTS
JUNE 30, 2024**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity for Rhode Island, South County, Inc.
Charlestown, Rhode Island

Opinion

We have audited the accompanying financial statements of Habitat for Humanity for Rhode Island, South County, Inc. (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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (*Continued*)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity for Rhode Island, South County, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

October 17, 2024

FINANCIAL STATEMENTS

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(With Summarized Financial Information for 2023)**

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 844,955	\$ 530,697
Restricted cash	134,806	141,625
Certificate of deposit	265,197	254,371
Investments	1,000	5,758
Other receivables	31,274	53,735
Completed homes available for sale	544,876	390,701
Construction in progress - homes for sale	790,280	537,960
Prepaid expenses	8,749	4,757
Current portion of operating lease, right-of-use asset	15,588	15,299
Total current assets	<u>2,636,725</u>	<u>1,934,903</u>
 PROPERTY AND EQUIPMENT, net	 568,969	 663,476
 OTHER ASSETS		
Land leased to homeowners	2,224,463	2,244,428
Property held for development	1,335,147	272,422
Beneficial interests in charitable trusts	102,398	92,309
Operating lease, right-of-use asset, net	6,348	21,936
Total other assets	<u>3,668,356</u>	<u>2,631,095</u>
Total assets	<u><u>\$ 6,874,050</u></u>	<u><u>\$ 5,229,474</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of long-term debt	\$ 12,316	\$ 11,719
Current portion of operating lease liability	15,588	15,299
Accounts payable and accrued expenses	97,087	48,202
Deferred revenue	895,000	-
Escrow funds payable	132,524	141,311
Notes payable	217,000	267,000
Total current liabilities	<u>1,369,515</u>	<u>483,531</u>
 OTHER LIABILITIES		
Long-term debt, net of current portion	57,919	70,092
Operating lease liability, net of current portion	6,348	21,936
Total other liabilities	<u>64,267</u>	<u>92,028</u>
Total liabilities	<u>1,433,782</u>	<u>575,559</u>
 NET ASSETS		
Without donor restrictions		
Invested in land, building, and equipment	4,007,663	3,059,410
General operating purposes	1,018,742	1,250,032
Total without donor restrictions	<u>5,026,405</u>	<u>4,309,442</u>
With donor restrictions	413,863	344,473
Total net assets	<u>5,440,268</u>	<u>4,653,915</u>
Total liabilities and net assets	<u><u>\$ 6,874,050</u></u>	<u><u>\$ 5,229,474</u></u>

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Financial Information for 2023)**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Land lease income and other	\$ 29,066	\$ -	\$ 29,066	\$ 28,370
Home sales	710,000	-	710,000	-
ReStore and merchandise sales	625,884	-	625,884	593,790
Investment income	14,236	-	14,236	4,638
Gain (loss) on sale of property and equipment	38,389	-	38,389	(210)
Miscellaneous income	5,549	-	5,549	3,106
Contributions	297,356	165,719	463,075	515,555
In kind contributions	578,043	-	578,043	66,883
Government grants	-	708,450	708,450	369,591
Net assets released from restrictions:				
Satisfaction of purpose restriction	814,368	(814,368)	-	-
Total revenue and support	<u>3,112,891</u>	<u>59,801</u>	<u>3,172,692</u>	<u>1,581,723</u>
EXPENSES				
Program services:				
Home construction and repairs	1,914,141	-	1,914,141	534,435
ReStore	281,918	-	281,918	282,134
Total program services	<u>2,196,059</u>	<u>-</u>	<u>2,196,059</u>	<u>816,569</u>
Supporting services:				
General and administrative	97,421	-	97,421	72,069
Fundraising	102,448	-	102,448	67,829
Total supporting services	<u>199,869</u>	<u>-</u>	<u>199,869</u>	<u>139,898</u>
Total expenses	<u>2,395,928</u>	<u>-</u>	<u>2,395,928</u>	<u>956,467</u>
Change in net assets from operating activities	716,963	59,801	776,764	625,256
NON-OPERATING ACTIVITIES				
Change in value of beneficial interests in charitable trusts	-	9,589	9,589	6,766
Change in net assets from non-operating activities	<u>-</u>	<u>9,589</u>	<u>9,589</u>	<u>6,766</u>
Change in net assets	716,963	69,390	786,353	632,022
NET ASSETS, beginning of year	<u>4,309,442</u>	<u>344,473</u>	<u>4,653,915</u>	<u>4,021,893</u>
NET ASSETS, end of year	<u>\$ 5,026,405</u>	<u>\$ 413,863</u>	<u>\$ 5,440,268</u>	<u>\$ 4,653,915</u>

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Financial Information for 2023)**

	2024							
	PROGRAM SERVICES			SUPPORTING SERVICES				
	Home Construction and Repairs	ReStore	Total	General and Administrative	Fundraising	Total	Total	2023
Salaries	\$ 295,405	\$ 142,483	\$ 437,888	\$ 32,852	\$ 68,023	\$ 100,875	\$ 538,763	\$ 487,654
Payroll taxes and benefits	72,970	35,196	108,166	8,114	16,804	24,918	133,084	124,966
Total payroll related costs	368,375	177,679	546,054	40,966	84,827	125,793	671,847	612,620
Home construction costs	1,380,850	-	1,380,850	-	-	-	1,380,850	16,361
Travel and vehicle expense	11,810	31,345	43,155	1,903	211	2,114	45,269	30,341
Fundraising and publicity	-	26,330	26,330	-	11,954	11,954	38,284	26,709
Insurance	12,887	-	12,887	15,904	-	15,904	28,791	41,052
National affiliate contribution	25,000	-	25,000	-	-	-	25,000	12,500
Professional fees	-	-	-	22,651	-	22,651	22,651	21,173
Volunteer and program expense	11,456	8,850	20,306	-	-	-	20,306	10,924
Utilities	9,304	8,088	17,392	1,496	-	1,496	18,888	19,612
Storage	18,162	-	18,162	-	-	-	18,162	15,950
Repairs and maintenance	12,524	1,977	14,501	2,330	-	2,330	16,831	50,210
Office and supplies expense	7,670	436	8,106	4,119	1,945	6,064	14,170	14,114
Meeting and committee expense	12,405	-	12,405	909	630	1,539	13,944	6,645
Bank service charges	-	12,850	12,850	327	692	1,019	13,869	12,257
Workers compensation	4,707	2,270	6,977	524	1,084	1,608	8,585	12,421
Training expense	6,599	293	6,892	950	74	1,024	7,916	447
Property taxes	5,910	-	5,910	-	-	-	5,910	9,033
Telephone	2,144	901	3,045	1,476	899	2,375	5,420	5,487
Interest	4,140	-	4,140	-	-	-	4,140	4,992
Dues and subscriptions	2,738	-	2,738	110	-	110	2,848	3,944
Miscellaneous	-	348	348	1,877	-	1,877	2,225	687
Postage and freight	11	-	11	560	132	692	703	1,575
Total expenses before depreciation	1,896,692	271,367	2,168,059	96,102	102,448	198,550	2,366,609	929,054
Depreciation	17,449	10,551	28,000	1,319	-	1,319	29,319	27,413
Total expenses	<u>\$ 1,914,141</u>	<u>\$ 281,918</u>	<u>\$ 2,196,059</u>	<u>\$ 97,421</u>	<u>\$ 102,448</u>	<u>\$ 199,869</u>	<u>\$ 2,395,928</u>	<u>\$ 956,467</u>

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Financial Information for 2023)**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 786,353	\$ 632,022
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net gain on investments	(3,282)	(245)
(Gain) loss on sale of property and equipment	(38,389)	188
Donation of property available for sale	(420,000)	-
Donated stock	(10,176)	-
Change in value of beneficial interest in charitable trusts	(9,589)	(6,766)
Amortization of financing costs included in interest expense	121	121
Amortization of operating lease right-of-use asset	15,588	15,147
Depreciation	29,319	27,413
Changes in operating assets and liabilities:		
Other receivables	22,461	(41,786)
Completed homes available for sale	265,825	-
Construction in progress - homes for sale	(261,963)	(732,374)
Prepaid expenses	(3,992)	4,690
Property held for development	(1,062,725)	-
Accounts payable and accrued expenses	48,885	(5,362)
Deferred revenue	895,000	-
Escrow funds payable	(8,787)	12,247
Operating lease liability	(15,299)	(15,147)
Net cash provided by (used in) operating activities	<u>229,350</u>	<u>(109,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	18,216	-
Purchase of certificate of deposit	(10,826)	(254,371)
Contributions to beneficial interests in charitable trusts	(500)	(500)
Proceeds from sales of property and equipment	275,000	3,500
Purchases of property and equipment	(142,104)	(33,903)
Net cash provided by (used in) investing activities	<u>139,786</u>	<u>(285,274)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(50,000)	-
Repayments of long-term debt	(11,697)	(12,047)
Net cash used in financing activities	<u>(61,697)</u>	<u>(12,047)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	307,439	(407,173)
CASH, CASH EQUIVALENTS AND RESTRICTED		
CASH, beginning of year	<u>672,322</u>	<u>1,079,495</u>
CASH, CASH EQUIVALENTS AND RESTRICTED		
CASH, end of year	<u><u>\$ 979,761</u></u>	<u><u>\$ 672,322</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 3,890	\$ 4,871
Completed homes reclassified to available for sale	\$ -	\$ 390,701
Contribution of a home available for sale	\$ 420,000	\$ -
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 844,955	\$ 530,697
Restricted Cash	<u>134,806</u>	<u>141,625</u>
	<u><u>\$ 979,761</u></u>	<u><u>\$ 672,322</u></u>

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Habitat for Humanity for Rhode Island, South County, Inc. (the “Organization”) is a nonprofit corporation organized in 1990 under the General Laws of the State of Rhode Island. The Organization’s mission is to contribute to the elimination of substandard housing by creating decent homes in partnership with people in need. The Organization sponsors specific projects in habitat development within the South County area of Rhode Island.

The Organization’s program services include home construction, rehab and homeowner assistance programs. In addition, the Organization operates a retail thrift store (d/b/a the ReStore). The ReStore specializes in selling surplus new and used building and home improvement materials, appliances and furniture to the public. All net proceeds from the operation of the ReStore help support and enhance the Organization’s non-profit mission-related activities.

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the year ended June 30, 2023, from which the summarized information was derived. Certain reclassifications have been made to the 2023 amounts to conform to the 2024 presentation.

OPERATING MEASURE

The Organization has defined the change in net assets from operating activities to include all support, revenue, and expenses that are an integral part of the Organization’s programs and supporting activities and net assets released from restriction to support operating expenses. This measure of operations excludes the change in value of beneficial interests in charitable trusts.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

Without Donor Restrictions

Net assets without donor restrictions represent funds over which the Board of Directors retains full control in achieving any of the Organization’s institutional purposes. Included in net assets without donor restrictions are grants, which are earmarked by the Board of Directors for specific purposes.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

NET ASSET CATEGORIES *(Continued)*

With Donor Restrictions

Net assets with donor restrictions represent funds restricted by outside sources which may only be utilized in accordance with purpose or time restrictions established by the donor of such funds.

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. The Organization had cash equivalents of \$629,382 as of June 30, 2024.

RESTRICTED CASH

Restricted cash is comprised of cash escrow funds received from homeowners that are held in a separate bank account for homeowner association fees and maintenance. As of June 30, 2024, these funds totaled \$134,806. A corresponding liability is included in the accompanying statement of financial position

INVESTMENTS

Investments consist of marketable equity and debt securities all of which are carried at fair value. Fair value is determined based on quoted market price (Level 1 inputs as discussed in *Note 4*). Realized and unrealized gains and losses on these investments are reported in the statement of activities as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the income and gains are recognized.

COMPLETED HOMES AVAILABLE FOR SALE

This amounts represents the building cost of homes that have been completed and that are currently held for sale by the Organization to qualified applicants.

CONSTRUCTION IN PROGRESS – HOMES FOR SALE

Construction in progress represents costs incurred on uncompleted construction projects as of the date of the financial statements.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and leasehold improvements are recorded at cost, if purchased, or fair market value, if donated. Depreciation is provided over the estimated useful lives of property and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25-40 years
Vehicles	5 years
Tools and equipment	5 years

Repairs and maintenance are charged to expense as incurred.

PROPERTY HELD FOR DEVELOPMENT/LAND LEASED TO HOMEOWNERS

Property held for development consists of all property either donated or purchased by the Organization to be used for new construction of housing.

Land leased to homeowners is the value of land either donated or purchased by the Organization that has been developed and the home has been sold to a qualified homeowner.

Donated property is recorded a fair market value as determined by an appraisal at the date of the donation. Purchased property is recorded at cost.

PROPERTY HELD IN PERPETUITY

In March 1999, the Town of South Kingstown transferred property to the Organization for \$1 under the condition that the property be renovated and used to provide tenancy for a developmentally disabled person or persons in perpetuity.

BENEFICIAL INTEREST IN CHARITABLE TRUSTS

The Organization is the beneficiary of three charitable trusts held by the Rhode Island Foundation. The Organization's beneficial interests in the trusts are carried at the present value of the estimated future cash receipts, which are measured by the fair market value of the underlying assets of the trust less allocable expenses as calculated by the Rhode Island Foundation (Level 3 inputs *Note 4*). Changes in the value of the Organization's beneficial interest serve to increase or decrease net assets without donor restrictions, as applicable.

OPERATING LEASE RIGHT-OF-USE ASSET

The operating lease right-of-use asset is an intangible asset that represents the value of the lessee's right to use a leased asset. For the Organization, the asset represents the right to use a vehicle. This asset is presented net of accumulated amortization. The amortization of this asset is included in lease expense.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

REVENUE AND REVENUE RECOGNITION

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. The Organization recognizes contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a 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 whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

Contributed services are required to be recorded in the accompanying financial statements at their estimated fair value at the time such services are provided to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Organization.

Contributed Nonfinancial Assets

Contributed nonfinancial assets (including the usage of assets such as rent) are recognized at their estimated fair market value as an increase to net assets. The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets without donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service. See *Note 10* for more details on the Organization's contributed nonfinancial assets.

Donated Services

The Organization recognizes contributions of services at their estimated fair market value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet the criteria for recognition in the financial statements. No donated services have been recognized in the accompanying financial statements.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE AND REVENUE RECOGNITION *(Continued)*

Grants and Contracts

Grants and contracts are generally characterized as exchange transactions in which the grantor or contractor requires the performance of specific activities.

Entitlement or cost reimbursement grants and contracts are based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures, and remaining funds are reported as deferred revenue. For performance-based grants and contracts, revenue is recognized when performance obligations have been met and remaining funds are reported as deferred revenue.

ReStore

ReStore sales are attributable to the sale of donated non-monetary items. Substantially all of the items sold in the ReStore are donated to the Organization. Given the uncertainty in valuing these non-monetary donations, the Organization recognizes revenue throughout the course of the year as items are sold.

The Organization does not recognize or record the fair market value of donated items to the ReStore at the time of donation as there is no objective measurement basis for determining fair value. The Organization recognizes and records the value of donated items when they are sold. Such sales are reported as ReStore and merchandise sales on the Statement of Activities.

Home Sales

Revenue from the sale of newly constructed and rehabilitated homes is recognized at closing when title passes to the buyer.

Land Lease and Other

In connection with the sale of certain affordable homes noted above, the Organization retains ownership of the underlying land which is leased to the homeowners. In addition, certain properties are held for lease prior to sale or in accordance with donor restrictions. Such leases are on an annual basis and the income is recognized monthly.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements of the Organization report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation which is allocated based on the area in which the underlying assets are used. Payroll, payroll taxes and related service fees, employee benefits, insurance, workers compensation are allocated based on activity and time spent by the organization's personnel. Utilities, telephone, and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

ADVERTISING

The Organization expenses advertising costs as incurred. Advertising expenses were \$25,057 for the year ended June 30, 2024 and are included in fundraising on the statements of functional expenses.

ALLOWANCE FOR CREDIT LOSSES

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changes 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 consist of trade accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosure only.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 17, 2024, the date the financial statements were available to be issued. Subsequent events are discussed in *Note 13* to the financial statements.

INCOME TAXES

The Organization is exempt from federal and state income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The federal income tax returns of the Organization are subject to examination by the IRS, generally for three years after they have been filed.

The Organization did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents, restricted cash, certificate of deposit, investments, pledges receivable, and other receivables, and the beneficial interest in charitable trusts.

Cash, Cash Equivalents, Restricted Cash and Certificate of Deposit

The Organization places its cash, cash equivalents, restricted cash and certificate of deposit in high quality financial institutions. From time to time, the Organization maintains deposits in excess of FDIC insurance limits. Management believes this to be a normal business risk.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 – CONCENTRATIONS OF CREDIT RISK *(Continued)*

Investments

The Organization invests in a professionally managed portfolio. Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risks. However, investments are subject to risk of the securities market as a whole.

Other Receivables

Other receivables consist primarily of rebates from the installation of solar panels. Management believes they represent minimal credit risk.

Beneficial Interests in Charitable Trusts

Investments held by the charitable trust in which the Organization has beneficial interests are subject to the risks of the securities markets as a whole.

NOTE 3 – LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	
Cash and cash equivalents	\$ 844,955
Restricted cash	134,806
Certificate of deposit	265,197
Investments	1,000
Other receivables	<u>31,274</u>
	1,277,232
Less: those unavailable for general expenditures within one year due to:	
Escrow funds payable	132,524
Contractual or donor imposed restrictions	<u>413,863</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 730,845</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to the above, the Organization has a line of credit with a local bank in the amount of \$200,000 to help ensure and manage any unanticipated liquidity needs.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 – FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described below:

Level 1

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

Level 2

Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual Funds (including equities and money market funds)

Mutual Funds are valued at the quoted price of shares held by the Organization at year end.

Beneficial Interests in Charitable Trusts

Beneficial interest in assets held by community foundation are measured at the present value of expected future cash flows.

There have been no changes in the methodologies used at June 30, 2024.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 – FAIR VALUE MEASUREMENT (*Continued*)

The following is a summary of the source of fair value measurements for the Organization's investments in mutual funds and beneficial interest which are measured on a recurring basis as of June 30, 2024.

Description	Fair Value	Assets (Level 1)	Assets (Level 3)
Investments			
Money market funds	\$ 1,000	\$ 1,000	\$ -
Beneficial interest in assets held by community foundation	102,398	-	102,398
	<u>\$ 103,398</u>	<u>\$ 1,000</u>	<u>\$ 102,398</u>

At June 30, 2024 the reconciliation of the fair market value of the beneficial interests in charitable trusts (See *Note 5*) consists of the following:

Beginning balance, July 1, 2023	\$ 92,309
Net change in value	9,589
Contributions	500
Ending balance, June 30, 2024	<u>\$ 102,398</u>

The Organization is the beneficiary of the earnings from three funds maintained by the Rhode Island Foundation.

Investment income consists of the following for the year ended June 30, 2024:

Interest and dividends	\$ 10,954
Unrealized loss	(2,670)
Realized gain	5,952
	<u>\$ 14,236</u>

NOTE 5 – BENEFICIAL INTERESTS IN CHARITABLE TRUSTS

The Organization is a beneficiary of multiple charitable trusts held by the Rhode Island Foundation. The funds are subject to the Foundation's investment guidelines and spending rules and are restricted for the benefit of the Organization. Changes in the value of the beneficial interests totaled \$9,589, for the year ended June 30, 2024, and have been reported as a increase in net assets with donor restrictions in the accompanying statement of activities.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2024 is as follows:

Land	\$ 37,500
Buildings and improvements	513,788
Property available for rent	218,204
Furniture and equipment	56,635
Vehicles	36,565
	<u>862,692</u>
Less: accumulated depreciation	293,723
	<u><u>\$ 568,969</u></u>

Depreciation expense for the year ended June 30, 2024 was \$29,319.

NOTE 7 – LEASE AGREEMENT

The Organization has one operating lease for a vehicle.

As of July 1, 2022, the Organization changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, *Leases*. Upon the adoption, the Organization recognized a right-of-use asset and an operating lease liability totaling \$67,377 using a weighted-average discount rate of 1.00%. Operating cash flows for this operating lease totaled \$15,588 for the year ended June 30, 2024.

At June 30, 2024, the operating lease right-of-use asset consisted of the following:

Cost	\$ 67,377
Less accumulated amortization	<u>45,441</u>
Net carrying balance	<u><u>\$ 21,936</u></u>

At June 30, 2024, the lease had a weighted-average lease term of 1.5 years with future minimum lease payments as follows:

Year ending June 30,	
2025	\$ 15,588
2026	<u>6,495</u>
Total undiscounted cash flows	22,083
Less: present value discount	<u>147</u>
Operating lease liability, net	<u><u>\$ 21,936</u></u>

For the year ended June 30, 2024, \$19,272 of operating lease expense is included in travel and vehicle expense and consists of \$15,588 of amortization and \$3,684 of vehicle lease expense.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 – NOTE PAYABLE AND LONG-TERM DEBT

Note payable and long-term debt consists of the following:

Note Payable

Washington Trust, \$200,000. Line of credit, interest at prime plus 1%.	\$ <u>-</u>
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Long-term debt

Washington Trust \$350,000 term loan, payments of \$1,299 monthly including interest at 4.98% due October 2029	\$ 70,547
Less: unamortized financing costs	312
Less: current maturities	12,316
	\$ 57,919

The mortgage is collateralized by certain real estate owned by the Organization.
As of June 30, 2024, annual maturities of the mortgage payable are as follows:

Year ending June 30,	
2025	\$ 12,316
2026	12,943
2027	13,603
2028	14,296
2029	15,024
Thereafter	2,365
	\$ 70,547

Interest expense for the year ended June 30, 2024 consists of the following:

Interest expense	\$ 3,890
Amortization of financing costs	121
	\$ 4,011

Total interest expense including finance charges totaled \$4,410 for the year ended June 30, 2024.

In connection with the buyback of properties previously sold through the affordable housing program, the Organization is obligated to pay Rhode Island Housing \$217,000 contingent upon the resale of the properties to qualified applicants. Such amounts are non-interest bearing and represent the outstanding mortgage balance guaranteed by RI Housing at the time of buyback.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024:

Time restrictions:	
Beneficial interests in a community foundation	\$ 102,398
Real estate held in perpetuity	120,916
Purpose restrictions:	
Home construction	119,921
Housing education	50,436
Donor development	9,682
Home repairs	7,638
Youth advocacy	2,500
Volunteer management system	372
	<u>\$ 413,863</u>

Net assets with donor restrictions released from restriction during the year ended June 30, 2024 are as follows:

Time restrictions:	
Bequest	\$ 45,712
Purpose restrictions:	
Home construction	747,947
Housing education	1,548
Volunteer Coordinator	9,161
Volunteer programs/support	10,000
	<u>\$ 814,368</u>

NOTE 10 – CONTRIBUTED ASSETS

Contributed assets recognized within the statement of activities are as follows for the year ended June 30, 2024:

Support	
Contributed stock	\$ 10,176
Building materials	25,216
Scrap metal	5,523
Services	117,128
Property available for sale	420,000
	<u>578,043</u>
Revenue	
ReStore merchandise	625,884
	<u>\$ 1,203,927</u>

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 – CONTRIBUTED ASSETS (*Continued*)

Unless otherwise noted, contributed assets did not have donor-imposed restrictions.

Contributed stock are valued at their mean value on the date of receipt.

Contributed building materials were utilized in the Organization's home construction and repairs program.

It is the Organization's policy to sell all scrap metal for salvage. Scrap metal is valued at the actual cash proceeds received.

Contributed services recognized comprise professional services for advertising and contractors working on various construction projects. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed ReStore merchandise consists of construction materials and household items donated for sale in the Restore. The Organization recognized and records the value of such donated items when they are sold.

NOTE 11 – DISAGGREGATION OF REVENUE

The following table disaggregates the Organization's revenue and support for the year ended June 30, 2024:

Revenue from contracts with customers	
Satisfied over time	
Land lease income and other	\$ 29,066
Satisfied at a point in time	
Home sales	710,000
ReStore and merchandise sales	625,884
Total revenue from contracts with customers	<u>1,364,950</u>
Other revenue and support	
Investment income	14,236
Gain on sale of property and equipment	38,389
Miscellaneous income	5,549
Contributions of cash and other financial assets	463,075
Contributions of non-financial assets	578,043
Government grants	708,450
Total other revenue and support	<u>1,807,742</u>
Total revenue and support	<u><u>\$ 3,172,692</u></u>

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 – EMPLOYEE BENEFIT PLANS

The Organization has a Simple Retirement Plan eligible to all qualifying employees. The Organization contributed a matching contribution up to 4% of salary for the year ended June 30, 2024. For the year ended June 30, 2024, the employer contribution was \$14,975.

NOTE 13 – SUBSEQUENT EVENTS

In August 2024, the Organization purchased a warehouse in Charlestown, RI for \$550,000. The Organization assumed mortgage in the amount of \$450,000 as part of the purchase.