

**HELENA AREA HABITAT FOR
HUMANITY**

AUDITED FINANCIAL STATEMENTS

June 30, 2024 and 2023



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
Helena Area Habitat for Humanity
Helena, MT

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Our responsibilities under those standards are further described under the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Helena Area Habitat for Humanity 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 opinions.

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 Helena Area Habitat for Humanity'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 and *Government 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, including omissions, 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.



To the Board of Directors and Management
Helena Area Habitat for Humanity

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to the known 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 Helena Area Habitat for Humanity'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 Helena Area Habitat for Humanity'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2024, on our consideration of Helena Area Habitat for Humanity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Helena Area Habitat for Humanity's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Helena Area Habitat for Humanity's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.
Great Falls, Montana
October 11, 2024

**HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION**

	June 30	
	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 565,124	\$ 338,359
Reserved cash	310,086	361
Grants receivable	67,300	589,168
Mortgages receivable, current portion	8,495	8,170
Promises to give, current portion	6,477	5,250
Other receivable	13,819	29,332
Allowance for credit loss	(1,757)	-
	12,062	29,332
Donated inventory	56,581	45,981
Purchased inventory	2,028	834
Prepaid expenses	3,056	6,111
Homes under construction inventory	2,450,413	3,081,124
Total current assets	3,481,622	4,104,690
PROPERTY AND EQUIPMENT		
Construction in progress	93,000	93,000
Buildings and improvements	2,744,237	3,049,113
Vehicles	225,684	223,083
Furniture and fixtures	76,634	76,255
	3,139,555	3,441,451
Less accumulated depreciation	(347,818)	(253,384)
Total property and equipment	2,791,737	3,188,067
OTHER ASSETS		
Promises to give, net of current portion and discount	8,426	2,595
Land held for home construction	720,395	134,276
Right-of use asset, operating leases	169,029	-
Mortgages receivable, net current portion	153,202	161,300
Unamortized mortgage discount	(77,505)	(81,873)
Allowance for credit loss	(33,638)	-
	42,059	79,427
Total other assets	939,909	216,298
Total assets	\$ 7,213,268	\$ 7,509,055

See notes to financial statements.

**HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION**

	June 30	
	2024	2023
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 87,924	\$ 120,317
Accrued compensated absences	29,648	23,916
Accrued expenses	23,382	15,452
Funds held in trust	191,140	-
Lines of credit	1,395,203	1,688,002
Deferred income	129,000	500,000
Short-term lease liability, operating leases	31,358	-
Notes payable, current portion	55,517	481,223
Total current liabilities	1,943,172	2,828,910
 LONG-TERM LIABILITIES		
Long-term lease liability, operating leases	137,252	-
Notes payable, net of current portions and loan fee amortization	2,105,207	2,421,623
Total long-term liabilities	2,242,459	2,421,623
Total liabilities	4,185,631	5,250,533
 NET ASSETS		
Without donor restrictions:		
Undesignated - available for general activities	3,021,501	2,228,968
With donor restrictions	6,136	29,554
Total net assets	3,027,637	2,258,522
Total liabilities and net assets	\$ 7,213,268	\$ 7,509,055

See notes to financial statements.

**HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions of nonfinancial assets			
ReStore sales	\$ 483,659	\$ -	\$ 483,659
Other nonfinancial assets	36,236	-	36,236
	519,895	-	519,895
Contributions	828,806	-	828,806
Grant revenue	370,700	788,620	1,159,320
Critical home repair income	43,964	-	43,964
Mortgage discount amortization	4,368	-	4,368
Home sales	1,335,050	-	1,335,050
Rent	14,685	-	14,685
Gain on disposal of assets	247,578	-	247,578
Miscellaneous	473,726	-	473,726
Net assets released from restrictions:			
Satisfaction of grant restrictions	793,502	(793,502)	-
Pledges Written Off	3,333	(3,333)	-
Pledges paid	15,203	(15,203)	-
Total revenue and support	4,650,810	(23,418)	4,627,392
EXPENSES			
Program expenses:			
ReStore	583,695	-	583,695
Construction and partner family costs	2,886,737	-	2,886,737
Supporting services:			
Fundraising	144,466	-	144,466
Management and general	206,337	-	206,337
Total expenses	3,821,235	-	3,821,235
CHANGE IN NET ASSETS	829,575	(23,418)	806,157
Net assets, beginning of year	2,228,968	29,554	2,258,522
Prior period adjustment	(37,042)	-	(37,042)
Net assets, beginning of year	2,191,926	29,554	2,221,480
NET ASSETS, END OF YEAR	\$ 3,021,501	\$ 6,136	\$ 3,027,637

See notes to financial statements.

**HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions of nonfinancial assets			
ReStore sales	\$ 375,824	\$ -	\$ 375,824
Other nonfinancial assets	56,696	-	56,696
	432,520	-	432,520
Contributions	671,232	5,000	676,232
Grant revenue	377,690	104,935	482,625
Critical home repair income	48,504	-	48,504
Mortgage discount amortization	4,368	-	4,368
Home sales	1,502,732	-	1,502,732
Rent	19,934	-	19,934
Gain on disposal of assets	193,394	-	193,394
Miscellaneous	144,035	-	144,035
Recapture of second mortgages	50,473	-	50,473
Net assets released from restrictions:			
Satisfaction of grant restrictions	107,529	(107,529)	-
Pledges written off	6,497	(6,497)	-
Pledges paid	7,369	(7,369)	-
Total revenue and support	3,566,277	(11,460)	3,554,817
EXPENSES			
Program expenses:			
ReStore	499,963	-	499,963
Construction and partner family costs	2,394,709	-	2,394,709
Supporting services:			
Fundraising	175,103	-	175,103
Management and general	346,422	-	346,422
Total expenses	3,416,197	-	3,416,197
CHANGE IN NET ASSETS	150,080	(11,460)	138,620
Net assets, beginning of year	2,078,888	41,014	2,119,902
NET ASSETS, END OF YEAR	\$ 2,228,968	\$ 29,554	\$ 2,258,522

See notes to financial statements.

HELENA AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024

	<u>PROGRAM SERVICES</u>			<u>SUPPORT SERVICES</u>			<u>Total</u>
	<u>ReStore</u>	<u>Construction and Partner Family Costs</u>	<u>Program Services Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Support Services Total</u>	
Salaries	\$ 207,977	\$ 702,383	\$ 910,360	\$ 60,330	\$ 65,889	\$ 126,219	\$ 1,036,579
Payroll taxes and related benefits	48,736	167,129	215,865	10,687	9,272	19,959	235,824
Advertising costs	6,387	9,463	15,850	11,098	627	11,725	27,575
Bad debt	-	-	-	3,333	-	3,333	3,333
Bank fees/credit card service fees	11,744	-	11,744	10	2,172	2,182	13,926
Campaign	-	-	-	42,492	-	42,492	42,492
Cost of homes sold	-	1,699,364	1,699,364	-	-	-	1,699,364
Depreciation	68,857	17,704	86,561	-	9,503	9,503	96,064
Home repairs	-	19,210	19,210	-	-	-	19,210
In-kind labor and services	261	4,168	4,429	-	-	-	4,429
Insurance	15,826	22,255	38,081	-	-	-	38,081
Interest	94,729	193	94,922	-	9,196	9,196	104,118
Lease	-	28,684	28,684	878	9,899	10,777	39,461
Maintenance	12,675	3,182	15,857	-	-	-	15,857
Miscellaneous	1,099	29,057	30,156	173	1,176	1,349	31,505
Organizational dues	-	5,000	5,000	-	5,000	5,000	10,000
Professional fees	-	153,356	153,356	-	45,500	45,500	198,856
Supplies	35,328	48,847	84,175	523	5,610	6,133	90,308
Taxes and licenses	3,966	200	4,166	-	6,099	6,099	10,265
Telephone	3,185	11,530	14,715	248	1,570	1,818	16,533
Travel and training	4,939	30,513	35,452	1,443	3,179	4,622	40,074
Utilities	15,072	2,167	17,239	-	9,531	9,531	26,770
Vehicle	3,061	15,292	18,353	-	2,258	2,258	20,611
Indirect cost allocation	49,853	(82,960)	(33,107)	13,251	19,856	33,107	-
Total expenses	<u>\$ 583,695</u>	<u>\$ 2,886,737</u>	<u>\$ 3,470,432</u>	<u>\$ 144,466</u>	<u>\$ 206,337</u>	<u>\$ 350,803</u>	<u>\$ 3,821,235</u>

See notes to financial statements.

HELENA AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	<u>PROGRAM SERVICES</u>			<u>SUPPORT SERVICES</u>			<u>Total</u>
	<u>ReStore</u>	<u>Construction and Partner Family Costs</u>	<u>Program Services Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Support Services Total</u>	
Salaries	\$ 188,244	\$ 509,547	\$ 697,791	\$ 86,664	\$ 93,345	\$ 180,009	\$ 877,800
Payroll taxes and related benefits	44,112	96,001	140,113	21,671	13,766	35,437	175,550
Advertising costs	4,373	15,400	19,773	1,347	13,999	15,346	35,119
Bad debt	-	2,095	2,095	6,497	-	6,497	8,592
Bank fees/credit card service fees	9,372	2	9,374	-	3,254	3,254	12,628
Campaign	-	-	-	35,781	-	35,781	35,781
Cost of homes sold	-	1,503,139	1,503,139	-	50,694	50,694	1,553,833
Depreciation	59,888	18,855	78,743	-	13,498	13,498	92,241
In-kind labor and services	43	45,107	45,150	-	76	76	45,226
Insurance	21,619	22,263	43,882	-	1,712	1,712	45,594
Interest	89,729	485	90,214	-	27,435	27,435	117,649
Lease	-	22,852	22,852	1,755	15,511	17,266	40,118
Maintenance	4,005	1,436	5,441	-	24,026	24,026	29,467
Miscellaneous	1,602	26,309	27,911	927	2,415	3,342	31,253
Professional fees	-	77,705	77,705	-	29,900	29,900	107,605
Supplies	16,647	71,833	88,480	4,409	9,564	13,973	102,453
Taxes and licenses	-	14,351	14,351	-	6,391	6,391	20,742
Telephone	2,485	8,815	11,300	407	1,344	1,751	13,051
Travel and training	2,355	17,194	19,549	508	2,469	2,977	22,526
Utilities	13,260	4,847	18,107	-	7,645	7,645	25,752
Vehicle	2,466	16,908	19,374	-	3,843	3,843	23,217
Indirect cost allocation	39,763	(80,435)	(40,672)	15,137	25,535	40,672	-
Total expenses	<u>\$ 499,963</u>	<u>\$ 2,394,709</u>	<u>\$ 2,894,672</u>	<u>\$ 175,103</u>	<u>\$ 346,422</u>	<u>\$ 521,525</u>	<u>\$ 3,416,197</u>

See notes to financial statements.

**HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS**

	Years ended June 30	
	2024	2023
CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ 806,157	\$ 138,620
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	96,064	92,241
Amortization of right of use asset - operating	7,297	-
Donated inventory received (non-cash)	(10,600)	(11,470)
Gain on disposal of assets	(247,578)	(193,394)
Mortgage discount amortization	(4,368)	(4,368)
(Increase) decrease in:		
Grants receivable	521,868	(542,331)
Promises to give	(7,058)	13,645
Other receivable	17,270	(24,737)
Purchased inventory	(1,194)	2,387
Prepaid expenses	3,055	(6,111)
Home construction in process	630,711	(1,224,756)
Land held for home construction	(586,119)	(134,276)
Allowance for credit loss	(3,404)	-
Increase (decrease) in:		
Accounts payable	(32,393)	21,619
Accrued compensated absences	5,732	3,329
Accrued expenses	7,930	(18,254)
Funds held in trust	191,140	-
Escrow accounts liability	-	(556)
Deferred income	(371,000)	500,000
Lease liability - operating lease	(7,716)	-
Net cash provided (used) by operating activities	<u>1,015,794</u>	<u>(1,388,412)</u>
CASH FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(103,883)	(2,402,919)
Proceeds from disposal of property and equipment	651,950	650,409
Proceeds from notes receivable	7,773	8,569
Net cash provided (used) by investing activities	<u>555,840</u>	<u>(1,743,941)</u>
CASH FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	(292,799)	701,429
Principal payments on long-term debt	(742,345)	(18,931)
Proceeds from long-term debt	-	2,370,000
Net cash provided (used) by financing activities	<u>(1,035,144)</u>	<u>3,052,498</u>
CHANGE IN CASH AND CASH EQUIVALENTS	536,490	(79,855)
Cash and cash equivalents, beginning of year	<u>338,720</u>	<u>418,575</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 875,210</u>	<u>\$ 338,720</u>
Cash and cash equivalents per statement of financial position:		
Cash and cash equivalents	\$ 565,124	\$ 338,359
Reserved cash	310,086	361
Cash and cash equivalents, end of year	<u>\$ 875,210</u>	<u>\$ 338,720</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 103,902</u>	<u>\$ 117,090</u>

See notes to financial statements.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Nature of Organization:

Helena Area Habitat for Humanity (a nonprofit organization) was incorporated in 1992. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Habitat is committed to construction and renovation of quality, simple, and decent homes in partnership with income challenged families in the greater Helena community. In addition to home construction, Habitat also operates the Repair and Preservation program as part of its broader community development strategy, the Neighborhood Revitalization Initiative. The Repair and Preservation program helps revitalize the appearance of neighborhoods, strengthen community connections while preserving the affordable housing stock in the Helena area. It is available to qualifying homeowners as funding is available.

Habitat operates a thrift store called ReStore to aid in supporting its mission. The ReStore collects donated items that can be used to repair and furnish a home. The donations are inspected and prepared for sale in the store. Items that don't meet the standards for being sold in the store are recycled. A small portion of the stores inventory is purchased. Sales from the ReStore are a significant part of Habitat's operations.

Basis of Accounting and Presentation:

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Accounting Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents:

For the purpose of the cash flow statement, management generally considers all checking and investment cash accounts with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents are deposited at one financial institution and are potentially exposed to concentrations of custodial risk. Habitat's bank accounts are subject to \$250,000 coverage by the Federal Deposit Insurance Corporation (FDIC). From time to time, certain accounts that are subject to the limited FDIC limits may exceed their insured limits.

Reserved Cash:

Habitat services the mortgages on three homes it built or renovated. Included in reserved cash are amounts received from homeowners for insurance and property taxes (escrow funds). Escrow funds reserved cash at June 30, 2024 and 2023, was \$554 and \$1,038, respectively. Currently no new homes are accepted into this program.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Reserved Cash (Continued):

Habitat constructs homes using funds obtained through the USDA Homeownership Direct Loan Program (Section 502). These funds are required to be held in a trust account on behalf of the partner families that build their home through this program. The use of these funds are restricted for direct construction costs by the program. Partner families are required to approve all expenses. Funds held in this trust account at June 30, 2024 and 2023 were \$191,140 and \$0, respectively.

Habitat received donations to update the parking lot at the ReStore. The project had not been started as of June 30, 2024. Funds reserved for the ReStore parking lot at June 30, 2024 and 2023 were \$120,048 and \$0, respectively.

Accounts Receivable:

Accounts receivable are stated at unpaid balances. For the year ended June 30, 2023 management considers receivables to be fully collectible, and no allowance for uncollectible receivables has been recorded. For the year ended June 30, 2024 management implemented ASU No. 2016-13 and assessed the allowance for credit loss by transaction. Bad debt expense for the years ended June 30, 2024 and 2023 were \$0 and \$2,095 respectively.

Fair Value of Financial Instruments:

Habitat determines the fair value of its financial instruments in accordance with GAAP, which requires that valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Habitat's policy for determining the timing of significant transfers between levels is at the end of the reporting period. No such transfers occurred in the years ended June 30, 2024 and 2023.

Habitat's financial instruments include mortgages receivable. The valuation methodology for these instruments is more fully described in Note 12.

Mortgage Receivables and Related Discount:

In pursuit of its mission, Habitat finances homes constructed under its program for partner families, with the homes securing the mortgages. In accordance with GAAP, these interest-free mortgages are discounted using a rate set annually by Habitat International. Each year, a portion of the outstanding mortgage discount is amortized and recognized as revenue.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Mortgage Receivables and Related Discount (Continued):

Habitat follows policies and procedures that are consistent with those of Habitat International to work with partner families who are past due on their payment obligations. These include late payment notices with information regarding credit counseling and the potential of foreclosure, imposition of late fees, and entering into alternative payment arrangements. As of June 30, 2023 Habitat considered its self to be a secured creditor and did not consider it necessary to provide an allowance for uncollectible balances. As of June 30, 2024, after adopting ASU No. 2016-13, an allowance for credit loss based on discounted cash flows is used.

Property and Equipment:

Habitat records purchased property and equipment at cost. Donated property and equipment is recorded at fair value on the date received. Depreciation expense for the years ended June 30, 2024 and 2023, was \$96,064 and \$92,241, respectively. Depreciation is computed using the straight-line method over the following estimated useful lives for items purchased over the \$1,500 capitalization threshold:

Building and improvements	5-39 years
Furniture, fixtures, and vehicles	5-20 years

Classification of Net Assets:

Contributions received are recorded as without donor restrictions and with donor restrictions depending on the existence and nature of donor restrictions.

Habitat reports information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions - represents those amounts that are available for use in carrying out the mission of Habitat. Habitat's policy is to record contributions and grants as without donor restrictions when it is expected the contributions and grants will be expended in the same year. Management and the board of directors, may at their discretion, designate funds for a specific purpose.

Net assets with donor restrictions - represents those amounts that are donor restricted for specific purposes or dependent on the passage of time. When a donor restriction expires, that is, when a stipulated time 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. Other donor-imposed stipulations require that funds be maintained permanently by Habitat. Generally, the donors of these assets permit use of investment income for general or specific purposes.

Revenue from Contracts with Customers:

Revenue is earned from three types of contracts: grant administration, home sales, and ReStore. The length of the contracts varies but is typically less than one year. Revenue is recognized as follows.

Grant administration - revenue is recognized as the costs of administering the grant are incurred.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Revenue from Contracts with Customers (Continued):

Home sales - revenue is recognized at a point in time when the family purchasing the home has met all the requirements to purchase the home. Generally these requirements are met near closing of the home. Habitat has elected to use the closing of the home sale as the bench mark for recognizing revenue from the sale of the home.

ReStore - revenue is recognized at the time of sale. If inventory sold is later found to be defective the policy is to offer replacement inventory of equal value to the original sale. Habitat does not have a reserve account for returned items.

Advertising Costs:

Advertising costs are expensed when incurred. Advertising expenses were \$27,575 and \$35,119 in 2024 and 2023, respectively.

Income Taxes:

Habitat is as a tax-exempt non-profit organization under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income tax is included in the financial statements.

Homes Under Construction Inventory:

Land acquired for homes along with materials, labor, supplies, services and other costs are recorded as construction in progress and expensed at the time ownership of the property transfers.

Inventory:

Habitat accepts contributions of used building materials. These contributed materials are reflected as donated inventory in the statement of financial position. Purchased inventory is stated as the lower of cost or net realizable value utilizing the first-in, first-out (FIFO) method.

Functional Expenses:

Expenses have been allocated to program, fundraising, and general and administrative based on relative utilization in the statement of functional expenses. The 10% de minimis rate has been elected for allocating indirect costs across all areas of Habitat and are also reflected in the statement of functional expenses.

Promises to Give:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that will be collected beyond one year are reported at the present value of the anticipated cash flows using the discount rate established at the date of the pledge. Conditional promises to give are recognized when the specified conditions are satisfied. Promises to give are reviewed periodically to determine their collectability and whether any promises should be charged off. At June 30, 2024 and 2023, substantially all promises to give are considered collectible, thus no allowance has been recorded. Bad debt expense for the years ended June 30, 2024 and 2023 were \$3,333 and \$6,497 respectively.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

New Accounting Pronouncements:

ASU No. 2016-02 (effective fiscal year 2023)

In February of 2016, FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. Under Topic 842, a lessor records a lease as sales-type, direct-financing, or operating. A lease is a sales-type lease if any one of five criteria are met indicating that the lease effectively transfers control of the underlying asset to the lessee. If those five criteria are not met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee, the lease is a direct-financing lease. All leases that are not sales-type or direct-financing leases are operating leases.

The Organization adopted Topic 842 using a retrospective method and therefore, the ASUs have been applied to all periods presented. The Organization elected the practical expedient that permitted the Organization to not reassess under the new standard the prior conclusions about lease identification, lease classification, and initial direct costs. The Organization has analyzed the provisions of FASB's ASU Topic 842, Leases, and for the year ended June 30, 2023, it was concluded that no changes were necessary to conform with the new standard because leases were for one year or less from the date of the balance sheet. During the year ended June 30, 2024, a multi-year lease was entered into and the required adjustments and disclosures were made as outlined in Topic 842.

ASU No. 2016-13 (effective fiscal year 2024)

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses ("ASC Topic 326"): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASU's amending certain aspects of ASU 2016-13.

On July 1, 2023, Habitat adopted the new accounting standard and all of the related amendments using the modified retrospective method. Upon adoption of the standard on July 1, 2023, Habitat recorded a \$37,042 beginning balance to the allowance for credit losses from unrestricted net assets. Results for reporting periods beginning after July 1, 2023 are presented under ASC 326. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Habitat assists families that are financially stable to purchase homes, who would not qualify for financing on the open market. This is accomplished by participating in Rural Developments' Mutual Self-Help program and by leveraging the Habitat's assets to build homes and sell them to the family at cost. Habitat promotes volunteerism to help lower the costs of building homes. Families participating in the home ownership programs are required to meet volunteer and financial requirements in order to purchase a home. Habitat records cost associated with building homes as inventory until the home is sold. When the new homeowner assumes ownership of the home, the sale and associated costs of building the home are recognized on the statement of activities. Costs associated with the acquisition, development of lots, and home builds that do not add to the value of the end product are expensed in the period incurred as direct construction costs.

Families that participate in Rural Developments' Mutual Self-Help program are awarded funds directly from Rural Development to build their home. Habitat acts as custodian of these funds on behalf of the participant. Habitat receives these funds directly from Rural Development and directly pays for the materials and labor used to construct the home. The timing of the participating family receiving approval and receiving financial assistance does not always coincide with best build times for the climate. From time-to-time Habitat will pay costs up front after the family has been approved so the family can take advantage of good weather to build their home. Habitat is reimbursed for these costs when funds become available. The organization receives federal funds to providing technical and supervisory assistance to families participating in the Rural Development Self-Help program. Revenue is recognized as costs are incurred.

Habitat operates a ReStore where most merchandise is donated. Donations are monetized by selling the item out right in the store or by recycling. Revenue is recognized at the time of sale. If an item sold in the store is found to be defective after the sale the purchaser is given opportunity to exchange for a similarly valued item.

Contract revenue by source:

	<u>2024</u>	<u>2023</u>
Revenue recognized at point in time:		
Home sales	\$ 1,335,050	\$ 1,502,732
ReStore sales	<u>483,659</u>	<u>375,824</u>
	1,818,709	1,878,556
Revenue recognized over time:		
Grant income	<u>1,159,320</u>	<u>482,625</u>
Total contract income	<u>\$ 2,978,029</u>	<u>\$ 2,361,181</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

2. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Contract assets are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Donated and purchased inventory (ReStore)	\$ 58,609	\$ 46,815	\$ 37,732
Homes under construction inventory	2,450,413	3,081,124	1,856,367
Land held for home construction	<u>720,395</u>	<u>134,276</u>	<u>-</u>
	<u>\$ 3,229,417</u>	<u>\$ 3,262,215</u>	<u>\$ 1,894,099</u>

There were 26 homes and 25 homes under construction in 2024 and 2023, respectively.

Contract liabilities are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Deferred revenue	<u>\$ 129,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>

Beginning and ending contact balances are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Grants receivable	<u>\$ 67,300</u>	<u>\$ 589,168</u>	<u>\$ 46,837</u>
Contract assets	<u>\$ 3,229,417</u>	<u>\$ 3,262,215</u>	<u>\$ 1,894,099</u>
Contract liability	<u>\$ 129,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>

3. AVAILABILITY AND LIQUIDITY

Management has identified the following assets as available for general operations at June 30:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 565,124	\$ 338,359
Grants receivable	67,300	589,168
Mortgages receivable, current	8,495	8,170
Promises to give current	6,477	5,250
Other receivables	12,062	29,332
Inventory, donated and purchased	<u>58,609</u>	<u>46,815</u>
Financial assets available to meet general expenditures over the next twelve months.	<u>\$ 718,067</u>	<u>\$ 1,017,094</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

3. AVAILABILITY AND LIQUIDITY (Continued)

Financial assets available for general expenditure include those without donor or other restrictions limiting their use within one year of the balance sheet date. In addition, Habitat receives contributions restricted by donors and grantors, and considers those restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Cash balances are routinely monitored in light of projected cash needs and excess balances are transferred to a savings account, where they are managed to provide for short-term liquidity and to grow the fund's value over time.

Habitat has several lines of credit available that can be accessed for unanticipated needs or in the event of cash flow shortages. The lines of credit are described in Note 7.

4. FUNDS HELD AT THE MONTANA COMMUNITY FOUNDATION

The Montana Community Foundation held \$110,240 and \$93,808 as of June 30, 2024 and 2023, respectively, on behalf of Habitat. The Montana Community Foundation has been granted variance power over these assets. Accordingly, these are assets of the Montana Community Foundation whose earnings are to be used to support Habitat and are reported by Habitat as contribution revenue when received. The assets are not included in the accompanying financial statements. For the years ended June 30, 2024 and 2023, Habitat did not receive any distributed earnings for those years.

5. NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Grants awarded for construction of homes or projects	\$ -	\$ 16,637
Promises to give	6,136	12,917
Total	\$ 6,136	\$ 29,554

Net assets released from restriction for the following purposes at June 30:

	2024	2023
Grants awarded for construction of homes or projects	\$ 793,502	\$ 107,528
Promises to give	18,536	13,867
Total	\$ 812,038	\$ 121,395

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

6. LONG-TERM DEBT

Habitat had long-term debt at June 30, 2024 and 2023 as follows:

	2024	2023
Note payable to Valley Bank, due in monthly installments of \$1,339, including interest of 4.375% per annum through August 2036; secured by real estate property.	\$ 150,108	\$ 159,378
Note payable to Valley Bank, due in monthly installments of \$1,798, including interest of 5.250% per annum through March 2044; secured by real estate property. Was paid off early July 2023.	-	271,804
Note payable to Montana Board of Housing, due in monthly installments of \$429, including interest of 2% per annum through August 2049; secured by real estate property.	101,410	104,500
Note payable to Valley Bank of Helena, interest due in monthly installments beginning September 2022, interest rate of 4.890%, principal balance due August 2023. The terms of the loan were modified to a 25 year adjustable rate mortgage. Starting September 2023 monthly installments of \$11,274 are due with a fixed interest rate of 4.890%. Starting September 2028 the mortgage switches to an adjustable interest rate. The interest rate is calculated at the Federal Home Loan Bank of Des Moines Five Year Long-term Fixed-rate Advance index plus 2.500%. The minimum interest rate is set at 4.890% and the maximum at 8.890%. At the time the loan was modified the adjustable rate was calculated to be 6.990%. This note is secured by real estate property.	1,911,819	1,950,000
Note payable to Highland Meadows, LLC, interest due quarterly starting May 2023 with a lump sum payment in March 2024, interest rate of 3%. This note is secured by real estate property.	-	420,000
	2,163,337	2,905,682
Less: Unamortized debt issuance costs	(2,613)	(2,836)
	2,160,724	2,902,846
Less: current portion	(55,517)	(481,223)
	\$ 2,105,207	\$ 2,421,623

Amortization of the debt issuance costs is reported as interest expense in the statements of activities.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

6. LONG-TERM DEBT (Continued)

Future maturities of the long-term debt are as follows:

2025	\$ 55,517	
2026	57,979	
2027	60,729	
2028	63,464	
2029	57,581	
Thereafter	<u>1,868,067</u>	
		<u><u>\$ 2,163,337</u></u>

7. LINE OF CREDIT

Habitat's lines of credit are as follows:

	<u>2024</u>	<u>2023</u>
Valley Bank Line of credit with \$1,676,677 limit and 5.25% interest rate. Expires May 2024.	\$ -	\$ 467,644
Valley Bank Line of credit with \$332,470 limit and 4.25% interest rate. Expires June 2023.	-	331,773
Stockman Bank with \$1,477,506 limit and 5.50% interest rate. Expires November 2024.	1,227,629	554,682
Valley Bank of Helena with \$337,500 limit and 6.50% interest rate. Expiration date were extended from June 2024 to October 2024.	55,651	333,903
NeighborWorks Montana with \$210,000 limit and 6.50% interest rate. Expires November 2024.	<u>111,923</u>	<u>-</u>
Total	<u><u>\$ 1,395,203</u></u>	<u><u>\$ 1,688,002</u></u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

8. LEASES

Habitat leases office space. Agreements are assessed whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the terms of the lease.

Habitat uses the risk-free discount rate at the commencement date of each lease in determining the present value of the lease payments in accordance with its policy. The weighted average operating lease term was 4.84 and zero years for the years ended June 30, 2024 and 2023, respectively. The weighted average discount rate for operating leases was 5.43% and 0.00% for the year ended June 30, 2024 and 2023, respectively.

Additional information about Habitat's leases are as follows:

	2024	2023
Lease costs (included in operating expenses)		
Operating lease costs	\$ 9,481	\$ -
Short-term lease costs	29,980	40,118
Total lease costs	\$ 39,461	\$ 40,118

Maturities of finance lease liabilities are as follows for the years ending June 30:

2025	\$ 39,600
2026	39,600
2027	39,600
2028	39,600
2029	33,000
Total lease payments	191,400
Interest	(22,790)
Present value of lease liabilities	\$ 168,610

9. RELATED PARTY TRANSACTIONS

Habitat interacts with Habitat International in various financial transactions. Habitat tithes a portion of certain general cash contributions to Habitat International for use in global operations. For the years ended June 30, 2024 and 2023, Habitat's tithing expenses were \$10,000 and \$0, respectively.

During the years ended June 30, 2024 and 2023, Habitat received contributions of \$5,870 and \$6,734, respectively, from various board members.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

10. CONTRIBUTED SERVICES

Contributed service revenue results under GAAP when contributions create or enhance nonfinancial assets or when specialized skills are provided by individuals possessing those skills that would typically need to be purchased if not provided by contribution. For the years ended June 30, 2024 and 2023, Habitat’s contributed service revenues were \$36,236 and \$56,696, respectively.

Individuals and organizations contributed 7,869 and 4,061 hours to assist in the construction of partner homes during the years ended June 30, 2024 and 2023. These in-kind contributions do not meet GAAP standards for recognition and therefore are not included in the financial statements.

11. CONTRIBUTED NONFINANCIAL ASSETS

Habitat received contributions of nonfinancial assets from various sources that are recorded as revenue when they are received and expenses when they are used in the statement of activities. Below is a description of different types of nonfinancial assets received.

- Habitat operates a thrift store which receives donated merchandise. These donations are monetized by either selling the item out right or by recycling. The store aims to turn over donated inventory within one month. Inventory is valued at the time of sale. The proceeds are not restricted and are used to promote and construct partner family homes.
- Suppliers and contractors from time to time donate materials to construct partner family homes. The supplier or contractor communicates their intention to donate by invoicing the project and indicating the portion of the invoice they are donating. These donations are valued at the time of donation and the donation becomes part of the construction costs of the home it is benefiting.
- Real estate donations require an appraisal and are valued at the appraisal price. How the real estate is used is determined on a case-by-case basis. Homes that can be repaired to the standard set for partner families are placed in the partner family home program, repaired, and sold to a partner family. If it is determined that it would be more advantageous to sell the property, it is sold on the open market and proceeds are used to benefit the partner family program.

For the year ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statement of activities include:

	2024	2023
Restore	\$ 483,659	\$ 375,824
Building materials	36,236	56,696
Total	\$ 519,895	\$ 432,520

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

12. MORTGAGES RECEIVABLE, DISCOUNT AND SUPPLEMENTAL MORTGAGES, AND ALLOWANCE FOR CREDIT LOSSES

When Habitat transfers ownership of a home to a partner family, Habitat may finance the purchase at the home's appraised value, or it may assist the family in applying for a traditional mortgage with a local financial institution. The first mortgage is a note for the cost of building the home with payments due monthly. The terms of the first mortgage vary depending on the amount of the mortgage and the partner family's ability to pay and are secured by the home and land. Mortgages held by Habitat are interest free and currently have terms ranging from 4 to 35 years with the longest mortgage maturing in October 2054. Monthly payments range from \$442 to \$811.

The first mortgages held by Habitat are valued in the financial statements at fair value. Fair value is determined annually by discounting the face amount of the mortgage using the rate established by Habitat International at the time of the mortgage origination (level 2 input). Discount rates are established each year for sales that occur in that fiscal year. The discount is amortized over the life of each mortgage individually.

To provide assistance to families in keeping monthly payments within a required percentage of income, Habitat often takes a second mortgage on a family property at the time of closing, whether the mortgage is held by Habitat or another lender. The second mortgage serves to fill the gap between the appraised value of the home and the first mortgage balance as determined based on the family's ability to pay. Some second mortgages are forgiven over time.

Second mortgages come due for payment in full if a home is sold prior to forgiveness, default, transfer of title, refinancing of the first mortgage by a third-party lender (if a Habitat-financed mortgage), or payment of the first mortgage in full. Second mortgages are reported as in-kind partner family assistance grants and are considered a program expense by Habitat. For the year ended June 30, 2024 and June 30, 2023, Habitat did not provide in-kind partner family grants.

None of these supplemental mortgages are reported in the financial statements because collection is uncertain and no estimate of future payments is available. At June 30, 2024 and 2023, Habitat held second mortgages on two properties.

In accordance with its policies, no provision for loan losses has been provided because Habitat is a secured creditor and the fair value of the homes exceeds that of the related mortgage note balances.

The following schedule summarizes the payment status of mortgages receivable at June 30:

	<u>2024</u>		<u>2023</u>	
	<u>Number of</u>		<u>Number of</u>	
	<u>Loans</u>	<u>Loan Amount</u>	<u>Loans</u>	<u>Loan Amount</u>
Current	3	\$ 161,697	3	\$ 169,470
30 days past due	0	-	0	-
31-60 days past due	0	-	0	-
More than 60 days past due	0	-	0	-
Total gross	<u>3</u>	<u>161,697</u>	<u>3</u>	<u>169,470</u>
Allowance for credit losses		<u>(33,638)</u>		<u>-</u>
Totals		<u>\$ 128,059</u>		<u>\$ 169,470</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

12. MORTGAGES RECEIVABLE, DISCOUNT AND SUPPLEMENTAL MORTGAGES
(Continued)

The following summarizes the activity in the mortgage accounts for the year ended June 30:

	<u>Due 1 Year</u>	<u>Due 2-25 Years</u>	<u>Discount</u>	<u>Allowance for Credit Loss</u>	<u>Fair Value</u>
Beginning balance July 1, 2023	\$ 8,170	\$ 161,300	\$ (81,873)	\$ -	\$ 87,597
Payments received	(7,773)	-	-	-	(7,773)
Transfer to current	8,098	(8,098)	-	-	-
Loan delinquency forgiven	-	-	-	-	-
Implement ASU No. 2016-13	-	-	-	(37,042)	-
Change in credit loss	-	-	-	3,404	-
Discount amortized	-	-	4,368	-	4,368
Ending balance June 30, 2024	<u>\$ 8,495</u>	<u>\$ 153,202</u>	<u>\$ (77,505)</u>	<u>\$ (33,638)</u>	<u>\$ 84,192</u>

	<u>Due 1 Year</u>	<u>Due 2-26 Years</u>	<u>Discount</u>	<u>Allowance for Credit Loss</u>	<u>Fair Value</u>
Beginning balance July 1, 2022	\$ 7,730	\$ 170,309	\$ (86,241)	\$ -	\$ 91,798
Payments received	(8,569)	-	-	-	(8,569)
Transfer to current	9,009	(9,009)	-	-	-
Loan delinquency forgiven	-	-	-	-	-
Discount amortized	-	-	4,368	-	4,368
Ending balance June 30, 2023	<u>\$ 8,170</u>	<u>\$ 161,300</u>	<u>\$ (81,873)</u>	<u>\$ -</u>	<u>\$ 87,597</u>

The allowance for credit losses is a valuation account that is deducted from, or added to, the mortgage receivable amortized cost basis to present the net amount expected to be collected from mortgages receivable. Receivables are charged off against the allowance when management believes the uncollectibility of a receivable balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using discounted cash flows and relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

13. PROMISES TO GIVE

Unconditional promises to give are as follows:

	2024	2023
Unconditional promises to give before amortized discount	\$ 15,137	\$ 7,917
Less: amortized discount	(234)	(72)
Net unconditional promises to give	14,903	7,845
Less: current portion	(6,477)	(5,250)
 Long-term	 \$ 8,426	 \$ 2,595
 Amounts due in:		
2025	\$ 6,477	
2026	5,842	
2027	1,611	
2028	973	
 Total	 \$ 14,903	

The discount rate used was 1.38% at June 30, 2024 and 2023.

Habitat was awarded the following federal grants from Rural Development. These grants are considered a conditional promise to give. Revenue is recognized with grant conditions are met, by incurring allowable expenditures for the specified purpose, in compliance with grant conditions. Each grant is spendable over a two year period.

- Grant agreement dated September 2022 for \$637,360.
- Grant agreement dated November 2023 for \$345,000.
- Grant agreement dated March 2024 for \$737,120.

As June 30, 2024 and 2023, approximately \$704,660 and \$377,690 of these grants had been earned and \$1,014,820 and \$303,400 were available to be spent, respectively.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2024 and 2023

14. ADMINISTRATION OF SECTION 523, MUTUAL SELF-HELP PROGRAM, INCLUDING SECTION 502 LOANS

As part of the duties of administering the Section 523, Mutual Self-Help Program, Helena Area Habitat for Humanity manages a custodial bank account for all participants from which each individual participant's construction costs are paid and into which loan proceeds are deposited. Each individual participant's construction costs and loan balances are maintained outside of Helena Area Habitat for Humanity's books. However, the total of the custodial account is included on the balance sheet of Helena Area Habitat for Humanity as reserved cash offset by the trust fund liability. Helena Area Habitat for Humanity's personnel prepare the checks, which can be written only for construction-related costs and require the signatures of two authorized representatives of the organization. All invoices are reviewed and approved by the construction supervisor and program manager, who also assign the expense to the applicable house. At monthly meetings between the construction supervisor, the program manager/502 bookkeeper, and the participating borrowers, each participant's construction expenses and loan draws are reviewed with them individually. As part of our audit, the files for two participants were examined (total participants for the year were eleven) and reviewed in detail. The bank reconciliation and disbursements were tested for propriety. Selected draw requests were traced from the request to the bank deposit. Selected checks were traced to supporting documents. We found no exceptions to the compliance requirement.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2024, the date on which the financial statements were available to be issued.

- The following properties were sold:
 - 7/9/2024 2901 Elderberry unit 6 was sold for \$236,000
 - 7/9/2024 2901 Elderberry unit 3 was sold for \$246,000
 - 9/10/2024 2901 Elderberry units 1, 2, 7, and 8 were sold for \$647,408

\$970,384.47 of these funds were used to pay down a line of credit held by Stockman Bank. This reduced the balance to \$257,245.

- 7/9/2024 a grant of \$50,000 was received for the Critical Home Repair program.
- 7/26/2024 equipment (Telehandler) was sold for \$26,000.
- 7/5/2024 received a \$46,798 draw on the NeighborWorks Montana line of credit.
- 9/5/2024 established Eleanor Development Corp, a wholly-owned subsidiary. The Articles of Incorporation were certified by the Montana Secretary of State.

SINGLE AUDIT SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Management
Helena Area Habitat for Humanity
Helena, MT

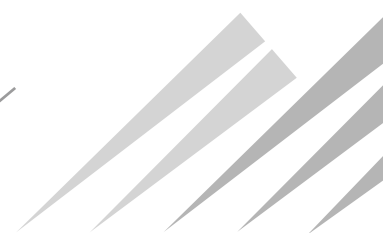
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Helena Area Habitat for Humanity (a nonprofit 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, and have issued our report thereon dated October 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Helena Area Habitat for Humanity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Helena Area Habitat for Humanity's internal control. Accordingly, we do not express an opinion on the effectiveness of Helena Area Habitat for Humanity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses or significant deficiency may exist that were not identified.



To the Board of Directors and Management
Helena Area Habitat for Humanity

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Helena Area Habitat for Humanity’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Junkermier, Clark, Campanella, Stevens, P.C.
Great Falls, Montana
October 11, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors and Management
Helena Area Habitat for Humanity
Helena, MT

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Helena Area Habitat for Humanity's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Helena Area Habitat for Humanity's major federal programs for the year ended June 30, 2024. Helena Area Habitat for Humanity's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Helena Area Habitat for Humanity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Helena Area Habitat for Humanity and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Helena Area Habitat for Humanity's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Helena Area Habitat for Humanity's federal programs.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Helena Area Habitat for Humanity's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirement referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Helena Area Habitat for Humanity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of noncompliance, 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 Helena Area Habitat for Humanity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Helena Area Habitat for Humanity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Helena Area Habitat for Humanity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Directors and Management
Helena Area Habitat for Humanity

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 11, 2024

**HELENA AREA HABITAT FOR HUMANITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ALN	Contract Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
<i>Montana Rural Development (USDA)</i>				
Rural Self-Help Housing Technical Assistance	10.420	31-025-81-0476317	\$ 428,219	\$ -
Very Low-Income Housing Repair Loans and Grants	10.417	31-025-81-0476317	<u>33,091</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>461,310</u>	<u>-</u>
U.S Department of the Treasury				
<i>Passed through Lewis and Clark County, Montana</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP4035	<u>470,085</u>	<u>-</u>
Total U.S. Department of the Treasury			<u>470,085</u>	<u>-</u>
Total federal awards			<u><u>\$ 931,395</u></u>	<u><u>\$ -</u></u>

See notes to Schedule of Expenditures of Federal Awards and see Independent Auditors' Report

HELENA AREA HABITAT FOR HUMANITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

1. GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Helena Area Habitat for Humanity under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Helena Area Habitat for Humanity, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Helena Area Habitat for Humanity.

2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

Helena Area Habitat for Humanity has elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

HELENA AREA HABITAT FOR HUMANITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Helena Area Habitat for Humanity.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Helena Area Habitat for Humanity, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Helena Area Habitat for Humanity expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs required to be reported in accordance with the Uniform Guidance Section 200.516 in Part III of this schedule.
7. The program tested as a major program is as follows:

Coronavirus State and Local Fiscal Recovery Funds, ALN #21.027
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Helena Area Habitat for Humanity did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No findings were noted during the audit.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAM AWARD AUDIT

No findings or questioned costs were noted during the audit.

HELENA AREA HABITAT FOR HUMANITY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2024

The following is a schedule of findings and the implementation status of those findings which arose during the audit for the year ending June 30, 2023:

2023-001 Grant Revenue Recognition Timing

Condition and Criteria:

Habitat entered into a grant agreement with a local government where \$500,000 in grant funds would be passed through to Habitat to purchase land to be developed into affordable housing. Prior to year end Habitat received authorization to bill the local government in full for the grant funds. Habitat did not close on the property until after the end of the year. The full \$500,000 was recognized as revenue in the June 30, 2023 fiscal year.

Revenue should be recognized when the performance obligation has been met. In this case the performance obligation, the purchase of the land, was not completed until after year end. Grant revenue from this transaction should have been recognized in the June 30, 2024 fiscal year when the performance obligation was completed.

Status:

Resolved.