

WALTER HOVING HOME, INC.
DBA HOVING HOME

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED SEPTEMBER 30, 2023

WALTER HOVING HOME, INC.
DBA HOVING HOME

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Walter Hoving Home, Inc.
dba Hoving Home
Garrison, New York

Opinion

We have audited the accompanying financial statements of Walter Hoving Home, Inc., dba Hoving Home (Hoving Home), which comprise the statement of financial position as of September 30, 2023, 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 Hoving Home as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hoving Home 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 Hoving Home's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hoving Home'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 Hoving Home'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 Hoving Home's financial statements for the year ended September 30, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, appearing to read "Goehner Accountancy", is written in a cursive style.

Goehner Accountancy
February 28, 2024
Pasadena, California

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 STATEMENT OF FINANCIAL POSITION
 SEPTEMBER 30, 2023
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

ASSETS		September 30,	
		2023	2022
CURRENT ASSETS			
Cash	\$	984,790	\$ 153,994
Accounts receivable - net		105,442	20,200
Contributions receivable		49,522	197,522
Other receivables		-	350,791
Prepaid expenses		219,541	178,993
Total current assets		1,359,295	901,500
PROPERTY AND EQUIPMENT - NET		6,263,730	4,947,974
OTHER ASSETS			
Right of use assets - operating leases		142,203	-
TOTAL ASSETS	\$	7,765,228	\$ 5,849,474
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	187,892	\$ 202,508
Accrued expenses		184,523	338,073
Deferred revenue		37,440	35,925
Line of credit		75,000	-
Lease liability, current portion		78,298	-
Notes payable, current portion		64,722	50,435
Total current liabilities		627,875	626,941
LONG-TERM LIABILITIES			
Lease liability, less current portion		63,905	-
Notes payable, less current portion		546,251	623,865
Total long-term liabilities		610,156	623,865
TOTAL LIABILITIES		1,238,031	1,250,806
NET ASSETS			
Without donor restriction		5,970,294	4,363,781
With donor restriction		556,903	234,887
Total net assets		6,527,197	4,598,668
TOTAL LIABILITIES AND NET ASSETS	\$	7,765,228	\$ 5,849,474

The accompanying notes are an integral part of this statement.

WALTER HOVING HOME, INC.
DBA HOVING HOME
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

	September 30,			2022
	2023			
	Without donor restriction	With donor restriction	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,559,477	\$ 3,336,062	\$ 4,895,539	\$ 3,477,474
Gifts-in-kind	702,073	-	702,073	685,640
Program service revenue	314,826	-	314,826	238,490
Net merchandise sales	14,823	-	14,823	19,875
Loss on disposition of assets	(13,099)	-	(13,099)	(4,295)
Loss on extinguishment of debt	-	-	-	(20,663)
Other income	29,372	-	29,372	518
Bad debts	-	-	-	(2,808)
Employee Retention Credit	342,691	-	342,691	350,791
Net assets released from restriction:				
Time restrictions	197,826	(197,826)	-	-
Purpose restrictions	2,816,220	(2,816,220)	-	-
	<u>5,964,209</u>	<u>322,016</u>	<u>6,286,225</u>	<u>4,745,022</u>
Special events revenue	529,215	-	529,215	722,942
Special events expenses	<u>(178,266)</u>	<u>-</u>	<u>(178,266)</u>	<u>(210,409)</u>
Net revenue from special events	<u>350,949</u>	<u>-</u>	<u>350,949</u>	<u>512,533</u>
Total support and revenue	<u>6,315,158</u>	<u>322,016</u>	<u>6,637,174</u>	<u>5,257,555</u>
EXPENSES				
Program services	3,623,270	-	3,623,270	3,377,065
Management and general	457,887	-	457,887	380,673
Fundraising	<u>627,488</u>	<u>-</u>	<u>627,488</u>	<u>615,665</u>
Total expenses	<u>4,708,645</u>	<u>-</u>	<u>4,708,645</u>	<u>4,373,403</u>
CHANGE IN NET ASSETS	1,606,513	322,016	1,928,529	884,152
NET ASSETS AT BEGINNING OF YEAR	<u>4,363,781</u>	<u>234,887</u>	<u>4,598,668</u>	<u>3,714,516</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,970,294</u>	<u>\$ 556,903</u>	<u>\$ 6,527,197</u>	<u>\$ 4,598,668</u>

The accompanying notes are an integral part of this statement.

WALTER HOVING HOME, INC.
DBA HOVING HOME
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

	September 30,				2022
	2023				
	Program services	Management and general	Fundraising	Total	Total
PERSONNEL EXPENSES					
Salaries	\$ 1,018,747	\$ 272,118	\$ 215,044	\$ 1,505,909	\$ 1,370,137
Payroll taxes and employee benefits	327,227	39,705	53,161	420,093	351,154
Total personnel expenses	1,345,974	311,823	268,205	1,926,002	1,721,291
OTHER EXPENSES					
Conferences, conventions and meetings	8,923	7,933	1,337	18,193	16,310
Dues, memberships and subscriptions	4,702	7,430	336	12,468	15,215
Fundraising expenses	5,483	-	222,596	228,079	268,277
Grants and other assistance	8,531	-	-	8,531	27,057
Information technology	31,126	5,934	21,300	58,360	57,058
Insurance	154,639	7,180	3,735	165,554	162,124
Interest	32,467	335	669	33,471	37,073
Lease expense	126,007	4,133	8,149	138,289	108,432
Medical, wellness and ladies' needs	399,912	-	-	399,912	292,825
Merchant charges	2,157	2,588	38,387	43,132	38,489
Occupancy and residential	502,534	15,476	11,025	529,035	514,112
Postage and shipping	2,349	8,808	587	11,744	12,588
Professional fees	73,842	55,764	13,500	143,106	124,711
Program outreach and intake	29,043	-	-	29,043	79,076
Supplies	435,854	7,922	4,605	448,381	396,823
Taxes, permits and licenses	28,066	7,713	11,032	46,811	47,291
Telephone and telecommunications	70,314	2,318	4,636	77,268	73,867
Training and development	36,488	3,018	8,299	47,805	59,194
Travel and transportation	13,355	1,303	1,629	16,287	13,272
Vehicle expenses	80,993	1,694	2,624	85,311	82,593
Total other expenses	2,046,785	139,549	354,446	2,540,780	2,426,387
Depreciation	230,511	6,515	4,837	241,863	225,725
TOTAL EXPENSES	\$ 3,623,270	\$ 457,887	\$ 627,488	\$ 4,708,645	\$ 4,373,403

The accompanying notes are an integral part of this statement.

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

	September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,928,529	\$ 884,152
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization expense	241,863	225,725
Amortized interest	3,298	2,823
Loss on disposition of assets	13,099	4,295
Loss on extinguishment of debt	-	20,663
Donated stock	(6,956)	(12,632)
Donated assets	(32,223)	(165,964)
Expenses paid through escrow	-	968
Changes in operating assets and liabilities:		
Accounts receivable	(85,242)	(11,921)
Contributions receivable	148,000	(196,796)
Other receivables	350,791	(350,791)
Prepaid expenses	(40,548)	(31,197)
Accounts payable	(14,616)	65,282
Accrued expenses	(153,550)	189,558
Deferred revenue	1,515	21,011
CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,353,960</u>	<u>645,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	6,956	12,632
Proceeds from sale of fixed assets	1,080	705
Purchase of fixed assets	<u>(1,544,429)</u>	<u>(687,622)</u>
CASH USED FOR INVESTING ACTIVITIES	<u>(1,536,393)</u>	<u>(674,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing on line of credit	75,000	-
Capitalized loan fees	-	(24,773)
Principal payments on notes payable	<u>(61,771)</u>	<u>(49,480)</u>
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>13,229</u>	<u>(74,253)</u>
NET INCREASE (DECREASE) IN CASH	830,796	(103,362)
CASH AT BEGINNING OF PERIOD	<u>153,994</u>	<u>257,356</u>
CASH AT END OF PERIOD	<u>\$ 984,790</u>	<u>\$ 153,994</u>
SUPPLEMENTARY SCHEDULE:		
CASH PAID FOR INTEREST	\$ 27,415	\$ 34,249
CASH PAID FOR INCOME TAXES	\$ -	\$ -
DEBT REFINANCED THROUGH ESCROW	\$ -	\$ 725,461
LOAN FEES PAID THROUGH ESCROW	\$ -	\$ 8,210

The accompanying notes are an integral part of this statement.

WALTER HOVING HOME, INC.
DBA HOVING HOME
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NATURE OF ORGANIZATION

Walter Hoving Home, Inc., dba Hoving Home (the Organization), a 24-hour residential recovery center located in Garrison, New York; Las Vegas, Nevada; Oxford, New Jersey; Pasadena, California; and Rose Hill, North Carolina, is a non-profit organization serving women ages 17 and over by providing help in overcoming life-controlling problems, including addiction, abuse, and survivors of sex trafficking. The spiritually-based program is focused on rebuilding broken lives in a safe and structured atmosphere of warmth, trust, support and love. The Organization provides the environment for complete restoration – teaching and empowering women to make choices that lead to a thriving, healthy and productive life as they re-enter society.

The Organization is funded primarily from private sources – individual donors, private foundations, etc. – and neither solicits nor receives any government funding for its programs. Since the founding of the Organization over 50 years ago, women have been able to participate in the Organization's programs of restoration regardless of their ability to pay for the services provided. This differentiates the Organization from most other organizations offering residential recovery fee-based programs in that no one is turned away from the Hoving Home because they lack the funds to cover the costs of the program.

Generous contributions from its donors enable the Organization to provide a comprehensive twelve-month program – which consists of five phases and embodies a holistic and individualized approach to care, recovery and restoration – and to achieve a higher success rate than other recovery programs for women. The Hoving Home also provides a program for mothers with young children where mothers can participate in the recovery and restoration programs while having a safe and loving environment to raise their children and with much-needed support.

LIQUIDITY

The following table reflects the Organization's financial assets as of September 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or restricted by donors. The Organization evaluates future liquidity requirements based on expected future expenditures along with capital projects. In addition, the Organization is able to utilize up to \$250,000 of short-term borrowings through a line of credit, if necessary (see LINE OF CREDIT). The Organization continues to develop its fundraising resources to increase revenues, diversify the funding base and ensure long-term sustainability.

Financial assets:

Cash	\$	984,790
Accounts receivable - net		105,442
Contributions receivable		49,522
Less amounts unavailable for general expenditure within one year due to:		
Purpose restriction by donor		<u>(507,381)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>632,373</u></u>

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). A summary of significant accounting policies is described below:

WALTER HOVING HOME, INC.
DBA HOVING HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction, as described below:

Without donor restriction includes funds which are expendable for the support of the Organization's operations.

With donor restriction includes funds that have been restricted by donors for specific purposes, for use according to specific timetables, or both. These include both contributions that have already been received as well as those pledged to the Organization to be received in future years.

As of September 30, 2023, \$507,381 was subject to a purpose restriction for the purchase of property and equipment and the expansion of program capacity, and \$49,522 was subject to time restrictions.

CASH

Liquid assets having a maturity of three months or less are included as cash.

FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that items recorded at fair value be valued as level one, two or three based on the various inputs and methodologies used to value the holdings as summarized below:

Level 1 - quoted prices and active markets for identical holdings

Level 2 - significant observable market-based inputs, other than Level 1 quoted prices, or unobservable inputs that are based on comparable market data

Level 3 - significant observable inputs that are not based on comparable market data

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is recorded based on management's experience. At September 30, 2023, the allowance for doubtful accounts was \$5,617.

CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of amounts pledged to the Organization. These receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded at September 30, 2023.

INVESTMENTS

Investments are reported as follows:

Investments in marketable debt securities, mutual funds, government securities and equity securities with readily determinable fair market values, are reported at fair value.

Donated investments are recorded at market value on the date received and thereafter, are carried in accordance with the above provisions.

No investments were held by the Organization as of September 30, 2023.

WALTER HOVING HOME, INC.
DBA HOVING HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost. Depreciation is computed on a straight-line basis over estimated useful lives of 5 to 50 years. Maintenance and repairs are charged against revenue in the year expenses are incurred, and renewals and betterments exceeding \$3,000 are capitalized.

LOAN FEES

Costs incurred with obtaining financing through banks are capitalized and amortized as a component of interest expense over the lives of the respective financing arrangements using the straight-line method. In accordance with GAAP, these costs are reflected as a direct deduction from the face amount of the related debt obligations. GAAP requires that the effective interest method be used to amortize the costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method.

Loan fees as of September 30, 2023 are reflected net of accumulated amortization of \$5,360 (see NOTES PAYABLE). Amortized interest expense for the year ended September 30, 2023 was \$3,298.

REVENUE RECOGNITION

Contributions

Contributions are recorded when cash or unconditional promises-to-give have been received, or when ownership of donated assets is transferred to the Organization. The Organization records contributions as with donor restriction if donors restrict their use for a specific purpose or for use according to a specific time schedule, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. It is the Organization's policy to record contributions with donor restriction that are received and expended in the same accounting period as contributions with donor restriction and as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is acquired.

Noncash contributions (gifts-in-kind) are recorded at fair market value upon receipt, when the contributions are significant in amount and when there is a reasonable basis for valuation.

Program Service Revenue and Merchandise Sales

The Organization recognizes revenue from program fees and other various program activities at a point in time. Revenue is recognized when control of the goods is passed to the consumer or services are rendered. Fee and sales related revenues are recognized when an agreement for services to be provided is entered or title of goods provided have been transferred. Program fees received but not earned are classified as deferred revenue.

WALTER HOVING HOME, INC.
DBA HOVING HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

Effective October 1, 2022, the Organization adopted FASB ASC Topic 842, Leases (ASC 842). The new standard requires recognition of a Right-of-Use (ROU) asset and liability for future lease payments for contracts that meet the definition of a lease and requires disclosure of certain other information about leasing arrangements.

In addition, ASC 842 offers various practical expedients upon adoption, of which the Organization has elected the following:

1. An entity need not reassess whether any expired or existing contracts are or contain leases
2. An entity need not reassess the lease classification for any expired or existing leases (for example, all existing leases that were classified as operating leases in accordance with previous GAAP guidance for leases will be classified as operating leases, and all existing leases that were classified as capital leases in accordance with previous GAAP guidance for leases will be classified as finance leases)
3. An entity need not reassess initial direct costs for any existing leases
4. An entity may use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use assets

The Organization categorizes leases with contractual terms longer than 12 months as either operating or finance. Lease liabilities are recognized at the present value of the fixed lease payments, reduced by any incentives received. Lease ROU assets are recognized based on the initial present value of the fixed lease payments, less any lease incentives, plus any direct costs incurred in executing the lease. In measuring the present value, the Organization uses the interest rate stated or implicit in the lease agreement. If the interest rate is not easily determinable based on the terms of the lease agreement, the Organization uses the risk-free rate at the commencement of the lease. When the lease includes an option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that the Organization will exercise the option, the option is considered in determining the classification and measurement of the lease. Lease agreements with lease and non-lease components are combined as a single lease component for all classes of underlying assets.

Costs associated with operating leases are recognized on a straight-line basis over the term of the lease. Finance lease assets are amortized on a straight-line basis over the lease term, with the interest component of the lease included in interest expense. Certain leases include variable payments based on factors such as price indices, common area maintenance, the lessor's operating costs, or other incidental costs, which are expensed as incurred.

Leases with an initial term of 12 months or less are expensed on a straight-line basis over the lease term. The Organization does not recognize a ROU asset or lease liability for leases with terms of less than 12 months.

WALTER HOVING HOME, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONTRIBUTED SERVICES

Generally accepted accounting principles require the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of the Organization. However, since the above requirements were not met, the value of the contributed services has not been recorded in the financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements 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 personnel, office and occupancy expenses, which are allocated on a basis of time and efforts.

INCOME TAXES

The Organization operates as a non-profit corporation under section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; accordingly, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

ACCOUNTS RECEIVABLE AND CONTRACT LIABILITIES

Opening and closing balances of accounts receivable and deferred revenue consist of the following as of September 30, 2023:

Accounts receivable - gross, beginning of year	\$ <u>25,817</u>
Accounts receivable - gross, end of year	\$ <u>111,059</u>
Deferred revenue, beginning of year	\$ 35,925
Previously deferred revenue recognized	(35,925)
Amounts collected with remaining performance obligations	<u>37,440</u>
Deferred revenue, end of year	\$ <u>37,440</u>

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

PROPERTY AND EQUIPMENT

At September 30, 2023, property and equipment consisted of:

Land	\$	2,601,108
Land improvements		51,028
Buildings		6,374,986
Furniture and fixtures		815,152
Automobiles		488,522
Water treatment system		672,699
Artwork		469,250
Construction in process		<u>253,752</u>
Total		11,726,497
Less accumulated depreciation		<u>(5,462,767)</u>
Total property and equipment - net		<u>6,263,730</u>
Less debt secured by property and equipment		<u>(643,451)</u>
Net investment in property and equipment	\$	<u><u>5,620,279</u></u>

Depreciation expense for the year ended September 30, 2023 was \$241,863.

LINE OF CREDIT

The Organization has a line of credit with Valley National Bank for up to \$250,000. The line bears interest at the bank's prime rate and renews annually. Collateral consists of property located in Oxford, New Jersey. The outstanding balance on the line of credit as of September 30, 2023 was \$75,000.

Interest expense on the line of credit for the year ended September 30, 2023 was \$2,071, and is included in interest expense reflected on the Statement of Activities.

NOTES PAYABLE

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Note payable secured by property; bearing interest at 4.125% per annum; monthly payments of \$7,507, including principal and interest due monthly; maturing March 2032	\$ <u>64,722</u>	\$ <u>578,729</u>	\$ <u>643,451</u>
Less: unamortized debt issuance costs			<u>(32,478)</u>
			\$ <u><u>610,973</u></u>

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTES PAYABLE (continued)

At September 30, 2023, future maturities were as follows:

2024	\$	64,722
2025		67,442
2026		70,278
2027		73,232
2028		76,311
Thereafter		<u>258,988</u>
	\$	<u><u>610,973</u></u>

Interest expense for notes payable for the year ended September 30, 2023 was \$31,400, and is included in interest expense reflected on the Statement of Activities.

NONCASH TRANSACTIONS

GIFTS-IN-KIND

Gifts-in-kind for the year ended September 30, 2023 reflected on the Statement of Activities were as follows:

Stock	\$	6,956
Property and equipment		32,223
Rent		31,200
Services		22,689
Program supplies		<u>609,005</u>
	\$	<u><u>702,073</u></u>

During the year ended September 30, 2023, the Organization recognized contributed nonfinancial assets within revenue, including stock, property and equipment, rent, professional services, and supplies. Unless otherwise noted, gifts-in-kind did not have donor-imposed restrictions.

The Organization recorded contributed rent and related expense for the use of facilities in Rose Hill, North Carolina. The value of the free rent is considered a level 2 classification measured based on the market rate for comparable properties.

Property and equipment, and program supplies are valued based upon estimates of fair market value or wholesale values that would be received for selling the items in their principal market considering their condition and utility for use at the time goods are contributed by the donor, and are considered a level 2 classification. The Organization utilized the donated program supplies in various program operations during the year ended September 30, 2023.

Contributed services recognized comprise services from attorneys and other professional services provided to the Organization for various matters during the year ended September 30, 2023. Contributed

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NONCASH TRANSACTIONS (continued)

GIFTS-IN-KIND (continued)

services are valued at the estimated fair market value based on current rates for similar services, and are considered a level 2 classification.

During the year ended September 30, 2023, the Organization received donated stock valued at \$6,956. The fair value of the donated stock is considered a level 1 classification.

LEASE COMMITMENTS

The Organization leases property and equipment under non-cancellable operating leases expiring through September 2028. The Organization also leases other equipment under short-term lease agreements.

For the year ended September 30, 2023, the Organization recognized the following lease expense:

Gift-in-kind lease expense	\$	31,200
Operating lease expense		54,518
Short-term lease expense		46,211
Variable lease expense		<u>6,360</u>
Total lease expense	\$	<u><u>138,289</u></u>

Other information regarding cash flows related to operating leases, ROU assets obtained in exchange for new operating lease liabilities, weighted average remaining lease terms for operating leases, as well as weighted average discount rates used in determining present value discounts are as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 54,518
ROU assets obtained in exchange for new operating lease liabilities	\$ 186,301
Weighted-average remaining lease term in years for operating leases	2.16
Weighted-average discount rate for operating leases	4.66%

The future maturities of operating lease liabilities are as follows:

2024	\$	82,911
2025		47,911
2026		9,121
2027		4,524
2028		<u>4,524</u>
Less: present value discount		<u>(6,788)</u>
Total operating lease liabilities	\$	<u><u>142,203</u></u>

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PENSION AND RETIREMENT PLAN

The Organization has a money purchase pension plan; however, no contributions were made to the plan during the year ended September 30, 2023.

The Organization has a 401(k) contribution plan. Employees are eligible to make elective deferrals beginning on the date of hire. The Organization's matching contribution is discretionary. The Organization made matching contributions totaling \$1,960 to this plan during the year ended September 30, 2023, which are included in payroll taxes and benefits in the Statement of Functional Expenses.

RELATED PARTY TRANSACTIONS

During the year ended September 30, 2023, the Organization paid a Board member's construction company \$7,715 for project management services, which were capitalized and included in fixed assets. As of September 30, 2023, there were no amounts owed to this vendor.

During the year ended September 30, 2023, the Organization received \$1,562,555 in contributions from members of its Board of Directors.

In March 2023, the organization purchased vacant land in Las Vegas, Nevada in the amount of \$1,215,612 from a member of the Board of Directors. This land will be used to develop a new facility, increasing capacity for the Organization's programs in Las Vegas.

CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the Organization's cash and investment accounts may exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits.

During the year ended September 30, 2023, one donor provided 20% of total contribution revenue.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date at which these financial statements were available to be issued, and determined the following require disclosure.