

Audited
Financial
Statements

June 30,
2025

Hoffman Homes, Inc.



HOFFMAN

• HOMES •

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hoffman Homes, Inc.
Littlestown, Pennsylvania

Opinion

We have audited the accompanying financial statements of Hoffman Homes, Inc. (a Pennsylvania nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 referred to above present fairly, in all material respects, the financial position of Hoffman Homes, Inc. as of June 30, 2025 and 2024, and the changes in 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. 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 Hoffman Homes, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe 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 these 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 Hoffman Homes, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Hoffman Homes, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hoffman Homes, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Smith Elliott Hearn & Company, LLC

York, Pennsylvania
December 18, 2025

HOFFMAN HOMES, INC.
Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash	\$ 6,267,343	\$ 4,413,355
Certificates of deposit	2,142,064	2,043,469
Accounts receivable - fee for service	2,082,417	1,895,160
Prepaid expenses	143,407	134,552
Food inventory	68	1,188
Total current assets	<u>10,635,299</u>	<u>8,487,724</u>
Restricted Cash	89,793	481,581
Investments	8,958,116	7,291,135
Property, Plant and Equipment		
Property, plant and equipment - at cost	15,145,130	16,089,981
Less: accumulated depreciation and amortization	<u>(12,794,683)</u>	<u>(13,952,401)</u>
Net property, plant and equipment	2,350,447	2,137,580
Other Assets		
Right-of-use asset - operating lease	107,421	-
Prepays - noncurrent	42,065	-
Interest rate swap asset	83,402	185,774
Beneficial interest in perpetual trusts	<u>3,025,830</u>	<u>2,862,394</u>
	3,258,718	3,048,168
TOTAL ASSETS	<u>\$ 25,292,373</u>	<u>\$ 21,446,188</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 55,783	\$ 25,108
Accrued payroll and related benefits	1,045,353	897,533
Current portion of long-term debt	227,014	205,338
Current portion obligation under operating lease	22,541	-
Deferred revenue	68	1,188
Total current liabilities	<u>1,350,759</u>	<u>1,129,167</u>
Long-Term Liabilities		
Long-term debt, net of current portion	2,294,866	2,548,992
Obligation under operating lease, net	84,880	-
Total long-term liabilities	<u>2,379,746</u>	<u>2,548,992</u>
TOTAL LIABILITIES	<u>3,730,505</u>	<u>3,678,159</u>
NET ASSETS		
Without donor restrictions		
Undesignated	16,732,191	13,565,873
Board designated	854,905	-
Total without donor restrictions	<u>17,587,096</u>	<u>13,565,873</u>
With donor restrictions	<u>3,974,772</u>	<u>4,202,156</u>
TOTAL NET ASSETS	<u>21,561,868</u>	<u>17,768,029</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,292,373</u>	<u>\$ 21,446,188</u>

HOFFMAN HOMES, INC.
Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS			
Fees for services	\$ 13,832,924	\$ -	\$ 13,832,924
Education income	2,628,186	-	2,628,186
Contributions	400,872	237,396	638,268
Bequests	817,099	-	817,099
In-kind donations	81,078	-	81,078
Donated commodities	14,626	-	14,626
Food reimbursement	191,465	-	191,465
Net investment return	1,085,533	-	1,085,533
Irrevocable trust fund income	114,823	-	114,823
Changes in beneficial interest in perpetual trusts	-	163,436	163,436
Derivative revenues	72,955	-	72,955
Miscellaneous income	58,557	-	58,557
Net assets released from restrictions:			
Restrictions satisfied by fulfilling purpose	<u>628,216</u>	<u>(628,216)</u>	<u>-</u>
 Total revenues and gains	 19,926,334	 (227,384)	 19,698,950
EXPENSES			
Program expenses			
Clinical services	8,082,489	-	8,082,489
Culinary	453,794	-	453,794
Healthcare	1,242,160	-	1,242,160
Operations	1,009,836	-	1,009,836
Education (Hoffman Academy)	<u>2,118,793</u>	<u>-</u>	<u>2,118,793</u>
Total program expenses	12,907,072	-	12,907,072
Supporting services			
Administration	2,540,908	-	2,540,908
Development (fundraising)	<u>354,759</u>	<u>-</u>	<u>354,759</u>
Total supporting services	<u>2,895,667</u>	<u>-</u>	<u>2,895,667</u>
 Total expenses	 15,802,739	 -	 15,802,739
OTHER CREDITS AND CHARGES			
Unrealized (loss) on interest rate swaps	<u>(102,372)</u>	<u>-</u>	<u>(102,372)</u>
 Total other credits and charges	 <u>(102,372)</u>	 <u>-</u>	 <u>(102,372)</u>
 CHANGE IN NET ASSETS	 4,021,223	 (227,384)	 3,793,839
 NET ASSETS AT BEGINNING OF YEAR	 <u>13,565,873</u>	 <u>4,202,156</u>	 <u>17,768,029</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 17,587,096</u>	 <u>\$ 3,974,772</u>	 <u>\$ 21,561,868</u>

HOFFMAN HOMES, INC.
Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS			
Fees for services	\$ 14,305,634	\$ -	\$ 14,305,634
Education income	1,972,500	-	1,972,500
Contributions	125,319	439,631	564,950
Bequests	107,657	-	107,657
In-kind donations	73,193	-	73,193
Donated commodities	17,021	-	17,021
Food reimbursement	193,212	-	193,212
Bad debt recovery	110,219	-	110,219
Net investment return	1,071,116	-	1,071,116
Irrevocable trust fund income	121,624	-	121,624
Changes in beneficial interest in perpetual trusts	-	187,588	187,588
Gain on sale of SWAP	81,400	-	81,400
Derivative revenues	48,058	-	48,058
Miscellaneous income	7,401	-	7,401
Net assets released from restrictions:			
Restrictions satisfied by fulfilling purpose	425,237	(425,237)	-
Total revenues and gains	18,659,591	201,982	18,861,573
EXPENSES			
Program expenses			
Clinical services	7,218,150	-	7,218,150
Culinary	434,483	-	434,483
Healthcare	1,084,437	-	1,084,437
Operations	899,739	-	899,739
Education (Hoffman Academy)	1,727,042	-	1,727,042
Total program expenses	11,363,851	-	11,363,851
Supporting services			
Administration	2,640,237	-	2,640,237
Development (fundraising)	313,173	-	313,173
Total supporting services	2,953,410	-	2,953,410
Total expenses	14,317,261	-	14,317,261
OTHER CREDITS AND CHARGES			
Unrealized (loss) on interest rate swaps	(35,263)	-	(35,263)
Total other credits and charges	(35,263)	-	(35,263)
CHANGE IN NET ASSETS	4,307,067	201,982	4,509,049
NET ASSETS AT BEGINNING OF YEAR	9,258,806	4,000,174	13,258,980
NET ASSETS AT END OF YEAR	\$ 13,565,873	\$ 4,202,156	\$ 17,768,029

HOFFMAN HOMES, INC.
Statement of Functional Expenses
Year Ended June 30, 2025

	Program Expenses					Supporting Services			Total
	Clinical Services	Culinary	Healthcare	Operations	Education (Academy)	Administration	Development (Fundraising)		
Salaries	\$ 5,898,317	\$ 141,425	\$ 972,846	\$ 336,694	\$ 1,663,361	\$ 9,012,643	\$ 1,045,083	\$ 181,280	\$ 10,239,006
Employee benefits*	1,453,405	41,894	218,153	95,408	282,942	2,091,802	265,167	42,192	2,399,161
Contracted services***	546,729	-	-	90,692	53,883	691,304	230,088	16,962	938,354
Utilities**	2,810	-	-	314,870	-	317,680	51,835	-	369,515
Depreciation expense	-	-	-	-	-	-	270,856	-	270,856
Food and food service supplies	-	269,179	-	-	-	269,179	-	-	269,179
Insurance - property and liability	-	-	-	-	-	-	244,686	-	244,686
Interest expense	-	-	-	-	-	-	174,570	-	174,570
Office supplies/equipment	15,777	-	1,669	13	108,758	126,217	12,053	4,004	142,274
Maintenance and repairs	-	1,296	-	95,188	-	96,484	-	-	96,484
Bad debt expense	-	-	-	-	-	-	91,582	-	91,582
Housekeeping and sanitation	61,376	-	-	25,315	-	86,691	-	-	86,691
Staff development/recruitment	65,487	-	4,343	-	1,105	70,935	237	257	71,429
Computer expenses	3,047	-	122	-	8,061	11,230	46,470	4,264	61,964
Medical/dental supplies and expense	13,650	-	45,027	-	-	58,677	-	-	58,677
Development	-	-	-	-	-	-	71	58,885	58,956
In-kind donations	-	-	-	25,332	-	25,332	-	31,346	56,678
Advertising	684	-	-	-	683	1,367	36,550	12,674	50,591
Travel/vehicle expense	1,945	-	-	26,324	-	28,269	732	-	29,001
Membership fees	13,529	-	-	-	-	13,529	11,358	685	25,572
Lease expense	-	-	-	-	-	-	24,070	-	24,070
Bank fees	-	-	-	-	-	-	19,538	420	19,958
Postage	-	-	-	-	-	-	13,648	-	13,648
Behavior management	5,080	-	-	-	-	5,080	-	-	5,080
Miscellaneous expense	653	-	-	-	-	653	2,314	1,790	4,757
	<u>\$ 8,082,489</u>	<u>\$ 453,794</u>	<u>\$ 1,242,160</u>	<u>\$ 1,009,836</u>	<u>\$ 2,118,793</u>	<u>\$ 12,907,072</u>	<u>\$ 2,540,908</u>	<u>\$ 354,759</u>	<u>\$ 15,802,739</u>

* Includes Social Security, Unemployment Tax, Workers Compensation, Medical, Life, Dental, Pension and Employee Assistance Program.

** Includes telephone, electricity, fuel oil, water & sewer, cable TV and propane gas.

*** Includes legal, accounting, psychiatric and other professional services.

HOFFMAN HOMES, INC.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Expenses					Supporting Services			
	Clinical Services	Culinary	Healthcare	Operations	Education (Academy)	Total	Administration	Development (Fundraising)	Total
Salaries	\$ 5,218,434	\$ 115,994	\$ 843,843	\$ 311,600	\$ 1,334,148	\$ 7,824,019	\$ 1,034,803	\$ 160,191	\$ 9,019,013
Employee benefits*	1,312,811	35,928	187,787	79,769	242,324	1,858,619	203,204	34,049	2,095,872
Contracted services***	491,501	-	1,906	250	18,052	511,709	219,028	13,900	744,637
Utilities**	2,716	-	-	293,744	-	296,460	53,249	-	349,709
Depreciation expense	-	-	-	-	-	-	292,777	-	292,777
Food and food service supplies	-	274,795	-	-	-	274,795	-	-	274,795
Insurance - property and liability	-	-	-	-	-	-	223,314	-	223,314
Interest expense	-	-	-	-	-	-	195,213	-	195,213
Office supplies/equipment	15,838	-	2,560	999	111,010	130,407	12,791	973	144,171
Maintenance and repairs	-	7,766	-	87,687	-	95,453	-	-	95,453
Bad debt expense	-	-	-	-	-	-	229,706	-	229,706
Housekeeping and sanitation	66,869	-	-	36,265	-	103,134	305	-	103,439
Staff development/recruitment	76,050	-	3,276	-	1,108	80,434	4,317	468	85,219
Computer expenses	2,557	-	93	-	20,400	23,050	81,647	3,618	108,315
Medical/dental supplies and expense	11,078	-	44,972	-	-	56,050	-	-	56,050
Development	-	-	-	-	-	-	1,036	68,968	70,004
In-kind donations	-	-	-	55,634	-	55,634	-	17,559	73,193
Advertising	-	-	-	-	-	-	16,171	8,065	24,236
Travel/vehicle expense	1,803	-	-	33,374	-	35,177	-	-	35,177
Membership fees	14,154	-	-	417	-	14,571	10,026	2,205	26,802
Lease expense	-	-	-	-	-	-	35,962	-	35,962
Bank fees	-	-	-	-	-	-	14,762	592	15,354
Postage	-	-	-	-	-	-	11,846	3	11,849
Behavior Management	3,731	-	-	-	-	3,731	-	-	3,731
Miscellaneous expense	608	-	-	-	-	608	80	2,582	3,270
	<u>\$ 7,218,150</u>	<u>\$ 434,483</u>	<u>\$ 1,084,437</u>	<u>\$ 899,739</u>	<u>\$ 1,727,042</u>	<u>\$ 11,363,851</u>	<u>\$ 2,640,237</u>	<u>\$ 313,173</u>	<u>\$ 14,317,261</u>

* Includes Social Security, Unemployment Tax, Workers Compensation, Medical, Life, Dental, Pension and Employee Assistance Program.

** Includes telephone, electricity, fuel oil, water & sewer, cable TV and propane gas.

*** Includes legal, accounting, psychiatric and other professional services.

HOFFMAN HOMES, INC.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,793,839	\$ 4,509,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	270,856	292,777
Donated equipment (noncash contribution)	(24,400)	-
Bad debt expense (recovery)	-	119,487
Net realized and unrealized (gain) on investments	(673,830)	(773,034)
Unrealized holding (gain) on certificate of deposit	(98,595)	(43,469)
Unrealized loss on interest rate swaps	102,372	35,263
Changes in beneficial interest in perpetual trusts	(163,436)	(187,588)
Amortization of right-of-use asset - operating lease included in lease expense	29,210	-
(Increase) decrease in assets:		
Accounts receivable - fee for service	(187,257)	(297,743)
Accounts receivable - overpayment of pension liability	-	271,335
Prepaid expenses	(50,920)	(6,379)
Food inventory	1,120	(412)
Increase (decrease) in liabilities:		
Accounts payable	30,675	(33,388)
Accrued payroll and related benefits	147,820	184,118
Deferred revenue	(1,120)	412
Lease liability - operating	(29,210)	-
Net Cash Provided By Operating Activities	<u>3,147,124</u>	<u>4,070,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash purchases of property, plant and equipment	(459,323)	(365,410)
Purchase of certificate of deposits	(2,136,445)	(2,000,000)
Proceeds from the sale of certificates of deposits	2,136,445	-
Purchase of investments	(2,986,266)	(8,742,144)
Proceeds from sale of investments	1,993,115	8,586,910
Net Cash (Used) By Investing Activities	<u>(1,452,474)</u>	<u>(2,520,644)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(232,450)	(56,322)
Net Cash (Used) By Financing Activities	<u>(232,450)</u>	<u>(56,322)</u>
Net Increase In Cash and Cash Equivalents	1,462,200	1,493,462
CASH AT BEGINNING OF YEAR	<u>4,894,936</u>	<u>3,401,474</u>
CASH AT END OF YEAR	<u>\$ 6,357,136</u>	<u>\$ 4,894,936</u>
Cash	\$ 6,267,343	\$ 4,413,355
Restricted Cash	89,793	481,581
Total Cash	<u>\$ 6,357,136</u>	<u>\$ 4,894,936</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 174,570</u>	<u>\$ 195,213</u>
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES		
Recognition of right-of-use asset and lease liability - operating lease upon adoption of Accounting Standards Update Topic 842, Leases	<u>\$ 128,472</u>	<u>\$ -</u>

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Hoffman Homes, Inc. (“Organization”) is a private, not-for-profit, Pennsylvania Corporation related to the United Church of Christ.

The purpose of Hoffman Homes, Inc. is to provide comprehensive psychiatric care, treatment, and education to emotionally and behaviorally troubled children and their families. Hoffman Homes, Inc. is committed to providing services that are cost effective and responsive to the unique needs of each child, always in close cooperation with the parents/guardians, referring agencies, case management organizations, school systems, and funding sources. Hoffman Homes, Inc. grants credit to the agencies that place the youth in their facilities. The agencies that purchase services from Hoffman Homes, Inc. are located in Pennsylvania.

Hoffman Homes, Inc. also operates the Hoffman Academy (“Academy”) under the Pennsylvania State Board of Academic Schools. The Academy provides differentiated instruction to meet the diverse needs of students with complex behavioral concerns. All programs are operated according to the guidelines established by the Pennsylvania Department of Revenue and the Pennsylvania Department of Education. Students have their needs assessed and then receive instruction designed specifically to their academic level.

Hoffman Homes, Inc. also offers a shelter program to males and females ages seven through twenty-one who are in the custody of young adult or youth services. The shelter provides placement for individuals while the county pursues a permanent living resource. Individuals receive guidance from staff trained in trauma-informed practices to provide support, hope, and resources to help displaced youth who are often experiencing emotional distress and mental health challenges.

Hoffman Homes, Inc. also provides a transitional living program for females ages sixteen through twenty-one. This program provides skill development and support to effectively transition youth and young adults into the community setting. This new program allows the Organization to extend the same feelings of hope and peace to older individuals while guiding them to thrive in their local communities.

Basis of Accounting

The financial statements of Hoffman Homes, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, support is recognized when services are rendered, and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including those that are Board designated. Board designated net assets of \$854,905 and \$0 as of June 30, 2025 and 2024, respectively, have been set aside by the Board of Directors for the purpose of funding employee tuition reimbursements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, the Organization reports the transfer on the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less. There are no cash equivalents as of June 30, 2025 and 2024.

Restricted Cash

Amount represents cash that has been restricted by donors, as well as amounts received for escrow payments.

Accounts Receivable – Fee for Service

Accounts receivable balances are reviewed by management monthly. Any account over sixty days past due based on contractual terms is analyzed. Management believes that at June 30, 2025 and 2024, no allowance for credit loss is necessary as all accounts are deemed collectible. If an allowance is needed it is determined based on factors surrounding the credit risk of specific receivables and historical trends. Account balances generally are written off when management determines such balances uncollectible.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise is made. Conditional promises to give are recognized when the conditions on which they depend on are substantially met. There were no promises to give as of June 30, 2025 and 2024.

Property and Equipment

Hoffman Homes, Inc. capitalizes all expenditures for property and equipment with a useful life greater than one year and a cost in excess of \$1,000. Purchased property and equipment are carried at cost. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the respective assets.

Equipment, new construction costs, furnishings, building improvements, land, and vehicles are stated at cost. Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of the asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the Statements of Activities.

Donations of property and equipment are recorded as contributions at their estimated fair value on the date received. Hoffman Homes, Inc., does not apply time restrictions with respect to donated property and equipment.

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

	Years
Buildings	5 - 30
Furniture and fixtures	5 - 20
Equipment	5 - 20
Vehicles	3 - 7
Land improvements	5 - 20
Water tower	25
Sewage treatment plants	30

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value. The unrealized gain or loss is reported as an increase or decrease in net assets without restrictions unless their use is restricted by explicit donor-imposed stipulations or by law. The realized gain or loss on the sale of investments is computed on a specific identification basis and is included as an increase or decrease in net assets without restrictions unless the use is restricted by donor-imposed stipulations or by law.

Investments of the Organization are exposed to various risks, such as interest rate, market, currency, and credit risks. Market risks include global events, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect investment assets reported in the financial statements.

Beneficial Interest in Perpetual Trusts

Hoffman Homes, Inc. recognizes its interests in irrevocable perpetual trust agreements of which it has been named an income beneficiary. The assets reported in the Statements of Financial Position represent Hoffman Homes, Inc.'s beneficial interest in the fair market value of the irrevocable perpetual trusts. Upon Hoffman Homes, Inc. being named an income beneficiary of an irrevocable perpetual trust, the initial interest is recognized as net assets with donor restrictions. Hoffman Homes, Inc. also recognizes changes in the fair market value of its beneficial interests in perpetual trusts in the net assets with donor restrictions section of the Statements of Activities.

Compensated Absences

Employees of the Organization are entitled to paid time off and sick bank days. It is the Organization's policy to pay accrued paid time off when an employee resigns with proper notice. Sick bank days are only available for use during an extended illness and are not paid out upon separation of employment. The liability resulting from these policies has been recorded in the financial statements.

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization follows Accounting Standard Board Update (ASU) 2014-09 Revenue From Contracts with Customers, (Topic 606) (ASC 606). The sources of revenue for the Organization are contributions and grants, fundraising, program fees, investment income, and miscellaneous income. Certain revenue transactions are recognized as earned based on contractual terms, as transactions occur, or as services are provided. All revenues determined to be in the scope of ASC 606 are presented within the Statements of Activities and are recognized as the performance obligations are met.

Following is further detail of the various types of revenue the Organization earns and when it is recognized under ASC 606.

Program fees –revenue received is not recognized until the revenue is earned, which is at the time when services are provided. These amounts are mainly billed to insurance companies and other responsible parties once services have been provided. Any unearned amounts for program income payments would be included in deferred revenue. Program fees consist of fees for services and education income.

Accounts receivable related to the above revenue stream is as follows as of:

	Accounts Receivable
July 1, 2023	
Fees for services	\$ 1,405,329
Education income	311,575
	<u>\$ 1,716,904</u>
June 30, 2024	
Fees for services	\$ 1,493,248
Education income	401,912
	<u>\$ 1,895,160</u>
June 30, 2025	
Fees for services	\$ 1,713,574
Education income	368,843
	<u>\$ 2,082,417</u>

Contributions and grants, bequests, in-kind donations, donated commodities, food reimbursement, trust fund income, derivative revenues, gains on sale, fundraising, investment income, changes in beneficial interest in perpetual trusts, and miscellaneous income are recognized on the accrual basis, but these revenues are outside the scope of ASC 606.

Deferred Revenue

Deferred revenue includes excess federal commodities (food inventory) on hand at the end of the fiscal year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Classification

The costs of providing the various programs and other activities are summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of administrative and development (fundraising) expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are expensed when incurred. Advertising costs were \$50,591 and \$24,236 as of June 30, 2025 and 2024, respectively.

Concentration of Credit Risk

The Organization's cash balances in financial institutions located in Pennsylvania, at times, may exceed the Federal Deposit Corporation (FDIC) insured limits. Management regularly monitors the financial condition of the financial institutions, along with their cash balances, in order to keep potential risks to a minimum. Management does not believe that there is a significant risk of loss as a result of these excess deposits and has not experienced any such losses on these accounts.

Income Taxes

No provision is made for income taxes because the Organization is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The Organization is not deemed to be a private foundation by the Internal Revenue Service.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize the tax liability if the Organization has taken uncertain positions that more likely than not would not be sustained upon examination by the government authority. The Organization is subject to routine audits by taxing jurisdictions, generally for a period of three years after the returns are filed; however, there are currently no audits for any tax periods in progress.

Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on July 1, 2024 upon entering into an applicable lease agreement.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Council obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considered whether its service arrangements include the right to control use of an asset.

Right-of-Use Assets and Lease Liabilities

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2024, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement of the lease period and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to nonpublic companies to utilize an incremental borrowing rate which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index rate or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when probable they will be incurred.

Adoption of Topic 842 resulted in the recording of a ROU asset and lease liability related to the Organization's operating lease at July 1, 2024 in the amount of \$128,472.

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Buildings	\$ 10,882,225	\$ 10,627,310
Furniture and fixtures	1,109,164	1,863,786
Equipment	1,407,462	1,927,315
Vehicles	387,385	338,007
Land improvements	1,011,001	985,670
Water tower	103,893	103,893
Sewage treatment plants	244,000	244,000
	<u>15,145,130</u>	<u>16,089,981</u>
Less accumulated depreciation and amortization	<u>(12,794,683)</u>	<u>(13,952,401)</u>
Net property, plant and equipment	<u>\$ 2,350,447</u>	<u>\$ 2,137,580</u>

Depreciation expense amounted to \$270,856 and \$292,777 for 2025 and 2024, respectively.

NOTE 3 CERTIFICATES OF DEPOSIT

	<u>2025</u>	
	<u>Cost</u>	<u>Fair Value</u>
4% Certificate of deposit - 12 months maturity date of June 6, 2026	<u>\$ 2,136,445</u>	<u>\$ 2,142,064</u>
	<u>2024</u>	
	<u>Cost</u>	<u>Fair Value</u>
5.25% Certificate of deposit - 9 months maturity date of November 5, 2024	<u>\$ 2,000,000</u>	<u>\$ 2,043,469</u>

NOTE 4 INVESTMENTS

Investments were comprised of the following at June 30:

	<u>2025</u>		
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market funds	\$ 158,214	\$ 158,214	\$ -
Mutual Funds - fixed income	2,875,303	2,800,318	(74,985)
Equity mutual and stock fund	<u>5,334,005</u>	<u>5,999,584</u>	<u>665,579</u>
	<u>\$ 8,367,522</u>	<u>\$ 8,958,116</u>	<u>\$ 590,594</u>

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 4 INVESTMENTS (CONTINUED)

		2024	
	Cost	Fair Market Value	Unrealized Gain (Loss)
Money market funds	\$ 378,932	\$ 378,932	\$ -
Mutual Funds - fixed income	2,277,264	2,119,667	(157,597)
Equity mutual and stock fund	4,749,228	4,792,536	43,308
	<u>\$ 7,405,424</u>	<u>\$ 7,291,135</u>	<u>\$ (114,289)</u>

NOTE 5 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization has recorded its beneficial interest in the perpetual trusts as net assets with donor restrictions that are perpetual in nature. Distributions from the trusts are reported as without donor restrictions and the change in the Organization's proportionate share of the fair value of the trusts' assets is recognized as with donor restrictions recognizing the gain or loss and are reported as change in beneficial interest in perpetual trusts on the statement of activities. The fair value of the Organization's beneficial interest in the trust assets was \$3,025,830 and \$2,862,394 at June 30, 2025 and 2024, respectively.

The following provides income distributions from the perpetual trusts attributed to the years ended June 30:

Trustee	Trust	2025	2024
Fulton Financial Advisors	John L Gerber	\$ 18,828	\$ 13,250
BB&T Jesse Park	Lola Crawford	20,987	19,095
PNC	Katherine H Glatfelter	8,509	8,892
Wilmington Trust	Florence & Stewart Bortner	7,781	6,668
BB&T Jesse Park	Francis A. Crawford	12,952	10,400
Fulton Financial Advisors	Crouse Trust	8,137	7,754
James and Sharon Franklin	Frances C. Mowery	9,642	9,152
Trust Corp America	Estella Yingling	17,880	21,088
PNC	Emma M Duttera	2,862	2,523
Other	Various Trusts	7,245	22,802
		<u>\$ 114,823</u>	<u>\$ 121,624</u>

NOTE 6 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024.

Money market funds: Money markets are valued at stable \$1.00 net asset value which is the value at which the fund is traded and approximates fair value based on the fair value of the underlying investments.

Certificates of deposit: The carrying amount of certificates of deposit approximates fair value because of the short-term nature of the investment.

Equity and fixed income mutual funds and stock funds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Beneficial interest in perpetual trusts: Valued at net asset value (NAV) of the percentage owned of the underlying assets of the trusts. The trusts are invested in a variety of fixed income (both domestic and international), equity (both domestic and international) and mutual funds whereby the investment policies employed are meant to achieve long-term growth while providing modest investment income. There are no unfunded commitments related to the trusts and the trust assets are to be maintained in perpetuity such that the Organization can never invade the principal.

Interest rate swaps: Valued at fair value determined using a market approach that incorporates observable market inputs. Specifically, the valuation is based on discounted cash flow techniques, which project future net cash flows under the terms of the swap agreements and discounts them to present value using market based interest rate curves.

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

Assets at Fair Value as of June 30, 2025				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 158,214	\$ -	\$ -	\$ 158,214
Certificate of deposits	2,142,064	-	-	2,142,064
Mutual funds - fixed income	2,800,318	-	-	2,800,318
Equity mutual and stock fund				
Real estate	835	-	-	835
Large growth	151,716	-	-	151,716
Diversified emerging markets	174,772	-	-	174,772
Large blend	4,998,398	-	-	4,998,398
Large-short equity	152,526	-	-	152,526
Multistrategy	148,223	-	-	148,223
Foreign Large Blend	373,114	-	-	373,114
Interest rate swaps	-	83,402	-	83,402
Beneficial Interests in Perpetual Trusts	-	3,025,830	-	3,025,830
Total assets at fair value	\$ 11,100,180	\$ 3,109,232	\$ -	\$ 14,209,412

Assets at Fair Value as of June 30, 2024				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 378,932	\$ -	\$ -	\$ 378,932
Certificate of deposits	2,043,469	-	-	2,043,469
Mutual funds - fixed income	2,119,668	-	-	2,119,668
Equity mutual and stock fund				
Real estate	1,740	-	-	1,740
Diversified emerging markets	153,565	-	-	153,565
Large blend	4,333,075	-	-	4,333,075
Foreign Large Blend	304,155	-	-	304,155
Interest rate swaps	-	185,774	-	185,774
Beneficial Interests in Perpetual Trusts	-	2,862,394	-	2,862,394
Total assets at fair value	\$ 9,334,604	\$ 3,048,168	\$ -	\$ 12,382,772

NOTE 7 ESCROW ACCOUNTS PAYABLE

The youths' individual account balances are maintained by the Organization's business office. This money may be withdrawn for personal needs during a youth's stay. At the time of discharge, the total amount held in escrow for the youth is returned to the youth, along with interest accrued on the deposit. The escrow checking account had a balance of \$47 and \$1,015, respectively as of June 30, 2025 and 2024. The escrow accounts payable balances were \$47 and \$1,015, respectively, as of June 30, 2025 and 2024. The escrow checking account is included in Restricted Cash on the Statements of Financial Position. The escrow payable account is included in Accounts Payable on the Statement of Financial Position.

NOTE 8 LINE OF CREDIT

The Organization maintains a \$750,000 line of credit with PNC Bank. The variable interest rate is calculated using the Daily Bloomberg's Short-Term Bank Yield Index+ 1.75%, or 6.14% and 7.14%, which was the rate effective on June 30, 2025 and 2024 respectively. The line is secured by all assets of the Organization. At June 30, 2025 and 2024 there were no borrowings on the line of credit.

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
PNC Bank Convertible Line of Credit		
Convertible Line of Credit March 2022 \$4,100,000; monthly interest payments only due through April 2024 date of conversion; interest at Bloomberg Short-Term Bank Yield plus 1.50%, which was 5.89% and 6.89% at June 30, 2025 and 2024, respectively; secured by all assets of the Organization; due March 2034.	\$ 2,521,880	\$ 2,754,330
Less: Current maturities	<u>(227,014)</u>	<u>(205,338)</u>
	<u>\$ 2,294,866</u>	<u>\$ 2,548,992</u>

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

2026	\$ 227,014
2027	240,762
2028	255,342
2029	270,805
2030	287,205
Thereafter	<u>1,240,752</u>
	<u>\$ 2,521,880</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Subject to the passage of time		
Bequest to be held in trust for 50 years	\$ 19,304	\$ 19,304
Subject to expenditure for specified purpose		
Building/equipment repairs	12,947	58,614
Music therapy	-	1,506
Creative therapies	52,755	49,580
Medical expenses	615	1,261
Household goods and supplies	-	954
COVID-19	-	11,496
Employee training and retention	22,429	265,952
Water Tower	-	91,203
Academy	<u>1,000</u>	<u>-</u>
	89,746	480,566
Perpetual in Nature		
Scholarships	7,785	7,785
Contributions with unrestricted uses of earnings	832,107	832,107
Beneficial interest in perpetual trusts	<u>3,025,830</u>	<u>2,862,394</u>
	<u>3,865,722</u>	<u>3,702,286</u>
Total net assets with donor restrictions	<u>\$ 3,974,772</u>	<u>\$ 4,202,156</u>
Restricted cash	\$ 89,746	\$ 480,566
Investments	859,196	859,196
Perpetual trusts held by third-parties	<u>3,025,830</u>	<u>2,862,394</u>
	<u>\$ 3,974,772</u>	<u>\$ 4,202,156</u>

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 11 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows, as of June 30:

	<u>2025</u>	<u>2024</u>
Cash (unrestricted)	\$ 6,267,343	\$ 4,413,355
Certificates of deposit	2,142,064	2,043,469
Accounts receivable	2,082,417	1,895,160
Investments	<u>8,958,116</u>	<u>7,291,135</u>
	19,449,940	15,643,119
Less: investment amounts restricted by donors	<u>(859,196)</u>	<u>(859,196)</u>
Total available for general expenditures	<u>\$ 18,590,744</u>	<u>\$ 14,783,923</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Restricted cash and investments in the amount of \$948,989 and \$1,340,777, respectively, as of June 30, 2025 and 2024 have been excluded above, because they have been designated by donors for certain purpose restrictions as described further in Notes 7 and 10. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due and management periodically reviews the Organization's liquid asset needs. Also, as more fully described in Note 8, the Organization has a line of credit with availability of \$750,000 at June 30, 2025 and 2024 which it could draw upon in the event of an unanticipated liquidity need.

NOTE 12 RELATED PARTIES

The Organization receives contributions from board members, spouses of board members and former board members, all of whom are considered related parties. For the years ended June 30, 2025 and 2024, contributions received from these individuals were \$73,600 and \$77,801, respectively.

NOTE 13 IN-KIND CONTRIBUTIONS

The Organization received contributions of nonfinancial assets for the years ending June 30:

	<u>2025</u>	<u>2024</u>
Program in-kind		
Program supplies	\$ 13,793	\$ 35,330
School supplies	3,816	3,187
Holiday supplies	13,623	17,116
Property plant and equipment	24,400	-
Fundraising in-kind		
Golf tournament supplies	2,951	1,656
Ride event supplies	2,164	1,282
Gala supplies	20,331	14,622
Donated commodities	<u>14,626</u>	<u>17,021</u>
	<u>\$ 95,704</u>	<u>\$ 90,214</u>

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 13 IN-KIND CONTRIBUTIONS (CONTINUED)

Program in-kind contributions received by the Organization are recorded as in-kind contribution revenue with a corresponding increase in in-kind operating expenses. Contributed items consisted of books, backpacks and other school related supplies, food, holiday gifts, and clothing to be utilized to support the needs of the children being served.

Property plant and equipment in-kind contributions received by the Organization are recorded as in-kind contribution revenue with a corresponding increase in property, plant and equipment – at cost. Contributed items consisted of renovation services and a vehicle utilized to support the needs of the children being served.

Fundraising in-kind contributions received by the Organization are recorded as in-kind contribution revenue with a corresponding increase in in-kind development (fundraising) expenses. Contributed items consisted of auction items valued at fair market value, paper supplies, and food and beverage supplies to be utilized during the events.

Donated commodities received by the Organization are recorded as in-kind contribution revenue with a corresponding increase in food expense. Contributed items consist of food to be utilized to support the needs of the children being served.

All nonfinancial (in-kind) contributions were valued using estimates based on prices of identical or similar products as provided by the donor. All in-kind contributions were utilized for various programs, as well as administrative and fundraising purposes as presented in the statements of functional expenses unless classified as property plant and equipment. While the Organization does not have a formal policy regarding monetization versus utilization of nonfinancial contributions, the Organization's standard practice is to utilize such contributions. There were no donor-imposed restrictions associated with contributed nonfinancial assets as of June 30, 2025 and 2024.

NOTE 14 OPERATING LEASES

In 2024, the Organization entered into a sixty-three month lease agreement for various office equipment. The lease is determined to be an operating lease under the provisions of Topic 842, Leases. The lease agreement is for June 2024 through September 2029 with annual lease expenses of approximately \$29,000. The expense at June 30, 2025 consisted of operating lease expenses of \$ 29,210.

The Organization used its incremental borrowing rate at the commencement date of the operating lease to calculate discounted cash flows (6.86%). Assuming no changes in current terms, future undiscounted cash flows for each of the next five years, a reconciliation of the lease liabilities recognized on the statement of financial position are as follows as of June 30:

	2026	\$ 29,210
	2027	29,210
	2028	29,210
	2029	29,210
	2030	<u>7,304</u>
	Total lease payments	124,144
	Less: imputed interest	<u>(16,723)</u>
	Present value of lease liability	107,421
	Less: current portion	<u>(22,541)</u>
	Long-term portion	<u>\$ 84,880</u>

HOFFMAN HOMES, INC.
Notes to Financial Statements

NOTE 15 CONTINGENT LIABILITIES

The Organization derives a significant portion of its revenue from government grants and contracts, which are subject to audit by the respective agencies. Until such audits are finalized and settlements reached, there remains a contingent asset or liability related to potential refunds of amounts received in excess of allowable costs or recovery of costs recorded as receivable. Management believes that any audit adjustments will not result in a material liability and that recorded receivables are fully collectible.

NOTE 16 DERIVATIVE INSTRUMENTS

During the fiscal year ending June 30, 2019, the Organization entered into a forward start interest rate swap to hedge the interest rate risk associated with a loan in the amount of \$2,037,635 at a fixed rate. The loan was issued during the year ending June 30, 2019. The swap was effective on October 9, 2018, and terminates on October 4, 2025.

The Organization is paying interest related to the swap agreement. The swap is issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to the fair value at the end of the year. The swap agreement had a fair value of \$3,220 and \$24,529 at June 30, 2025 and 2024, respectively.

During the fiscal year ending June 30, 2022, the Organization entered into a forward start interest rate swap to hedge the interest rate risk associated with a loan in the amount of \$4,100,000 at a fixed-rate. The swap is effective on March 25, 2024, and terminates on March 25, 2034.

The Organization is paying interest related to the swap agreement. The swap is issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to the fair value at the end of the year. The swap agreement had a fair value of \$80,182 and \$161,245 at June 30, 2025 and 2024.

The Organization's interest rate swaps are included on the Statements of Financial Position and the change in fair value shown as an unrealized gain (loss) on the Statements of Activities, affecting the changes in net assets without donor restrictions.

The fair market value of the Organization's derivatives are calculated as of the close of business on the valuation date and has been derived from a variety of sources, including PNC's confidential, proprietary models which are based upon financial principles and assumptions PNC believes to be reasonable, and the notional value noted above and is considered a Level 2 input in accordance with ASC 820, Fair Value Measurements. Level 2 inputs are based on quoted market prices for similar assets or liabilities within active markets.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to June 30, 2025 through December 18, 2025, the date the financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2025 and through December 18, 2025 that require recognition or additional disclosure in the financial statement.