



HABITAT FOR HUMANITY OF KANSAS CITY

FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021





INDEPENDENT AUDITORS' REPORT

To the Board of Directors

HABITAT FOR HUMANITY OF KANSAS CITY

Opinion

We have audited the financial statements of Habitat for Humanity of Kansas City (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 Habitat for Humanity of Kansas City as of June 30, 2022 and 2021, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Mayer Hoffman McCann P.C.

Kansas City, Missouri
November 14, 2022

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

	Affiliate	ReStore	Total
CURRENT ASSETS			
Cash and restricted cash	\$ 1,836,571	\$ -	\$ 1,836,571
Accounts receivable	424,854	-	424,854
Grants and contributions receivable, net	133,318	-	133,318
Merchandise inventory	-	1,327,893	1,327,893
Property held for sale and development	248,139	-	248,139
Construction in progress, net	1,109,865	-	1,109,865
Current portion of non-interest bearing mortgage loans, net	750,935	-	750,935
Prepaid expenses	67,453	74,329	141,782
TOTAL CURRENT ASSETS	4,571,135	1,402,222	5,973,357
FIXED ASSETS			
Property and equipment, net	5,178,501	6,686,687	11,865,188
OTHER ASSETS			
Deposits	8,585	10,000	18,585
Non-interest bearing mortgage loans, net, less current portion above	6,270,248	-	6,270,248
TOTAL OTHER ASSETS	6,278,833	10,000	6,288,833
TOTAL ASSETS	\$ 16,028,469	\$ 8,098,909	\$ 24,127,378

LIABILITIES

CURRENT LIABILITIES			
Accounts payable	\$ 334,246	\$ 176,459	\$ 510,705
Accrued liabilities	300,690	23,510	324,200
Other current liabilities	-	27,565	27,565
Notes payable, current portion	120,800	220,016	340,816
TOTAL CURRENT LIABILITIES	755,736	447,550	1,203,286
NONCURRENT LIABILITIES			
Mortgage escrow deposits held	375,864	-	375,864
Notes payable, less current portion above	3,322,403	5,589,400	8,911,803
TOTAL NONCURRENT LIABILITIES	3,698,267	5,589,400	9,287,667
TOTAL LIABILITIES	4,454,003	6,036,950	10,490,953

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS			
Undesignated	9,990,989	2,061,959	12,052,948
Board designated	790,497	-	790,497
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	10,781,486	2,061,959	12,843,445
NET ASSETS WITH DONOR RESTRICTIONS	792,980	-	792,980
TOTAL NET ASSETS	11,574,466	2,061,959	13,636,425
TOTAL LIABILITIES AND NET ASSETS	\$ 16,028,469	\$ 8,098,909	\$ 24,127,378

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

	Affiliate	ReStore	Total
CURRENT ASSETS			
Cash and restricted cash	\$ 2,919,474	\$ -	\$ 2,919,474
Accounts receivable	47,142	-	47,142
Grants and contributions receivable, net	477,854	-	477,854
Merchandise inventory	-	944,037	944,037
Property held for sale and development	214,612	-	214,612
Construction in progress, net	379,754	-	379,754
Current portion of non-interest bearing mortgage loans, net	772,964	-	772,964
Prepaid expenses	45,447	75,744	121,191
TOTAL CURRENT ASSETS	4,857,247	1,019,781	5,877,028
FIXED ASSETS			
Property and equipment, net	1,520,847	2,628,285	4,149,132
OTHER ASSETS			
Deposits	6,625	35,885	42,510
Non-interest bearing mortgage loans, net, less current portion above	6,458,509	-	6,458,509
TOTAL OTHER ASSETS	6,465,134	35,885	6,501,019
TOTAL ASSETS	\$ 12,843,228	\$ 3,683,951	\$ 16,527,179

LIABILITIES

CURRENT LIABILITIES			
Accounts payable	\$ 864,469	\$ 43,808	\$ 908,277
Accrued liabilities	147,071	127,980	275,051
Other current liabilities	-	28,346	28,346
Notes payable, current portion	-	70,355	70,355
TOTAL CURRENT LIABILITIES	1,011,540	270,489	1,282,029
NONCURRENT LIABILITIES			
Mortgage escrow deposits held	318,285	-	318,285
Notes payable, less current portion above	-	1,990,230	1,990,230
TOTAL NONCURRENT LIABILITIES	318,285	1,990,230	2,308,515
TOTAL LIABILITIES	1,329,825	2,260,719	3,590,544

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS			
Undesignated	9,664,475	1,423,232	11,087,707
Board designated	790,497	-	790,497
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	10,454,972	1,423,232	11,878,204
NET ASSETS WITH DONOR RESTRICTIONS	1,058,431	-	1,058,431
TOTAL NET ASSETS	11,513,403	1,423,232	12,936,635
TOTAL LIABILITIES AND NET ASSETS	\$ 12,843,228	\$ 3,683,951	\$ 16,527,179

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2022

<u>WITHOUT DONOR RESTRICTIONS</u>	<u>Affiliate</u>	<u>ReStore</u>	<u>Total</u>
NET PROGRAM SERVICE REVENUE			
Sales	\$ 430,942	\$ 5,511,072	\$ 5,942,014
Cost of goods sold - ReStore	-	4,926,518	4,926,518
Net income on sales	<u>430,942</u>	<u>584,554</u>	<u>1,015,496</u>
Interest income on mortgage loans	850,936	-	850,936
Other program income	<u>5,574</u>	<u>-</u>	<u>5,574</u>
NET PROGRAM SERVICE REVENUE	<u>1,287,452</u>	<u>584,554</u>	<u>1,872,006</u>
GRANTS, CONTRIBUTIONS, AND OTHER REVENUE			
Government contributions	480,493	212,723	693,216
Contributions	1,123,983	131	1,124,114
Contributions of nonfinancial assets	<u>325,040</u>	<u>4,859,218</u>	<u>5,184,258</u>
TOTAL GRANTS, CONTRIBUTIONS, AND OTHER REVENUE	<u>1,929,516</u>	<u>5,072,072</u>	<u>7,001,588</u>
Net assets released from restrictions	<u>1,728,005</u>	<u>-</u>	<u>1,728,005</u>
TOTAL REVENUES	<u>4,944,973</u>	<u>5,656,626</u>	<u>10,601,599</u>
EXPENSES, exclusive of programmatic cost of sales above			
Program services	3,627,571	4,562,179	8,189,750
Management and general	786,326	-	786,326
Fundraising	<u>660,282</u>	<u>-</u>	<u>660,282</u>
TOTAL EXPENSES	<u>5,074,179</u>	<u>4,562,179</u>	<u>9,636,358</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
	<u>(129,206)</u>	<u>1,094,447</u>	<u>965,241</u>
<u>WITH DONOR RESTRICTIONS</u>			
Other restricted contributions	889,489	-	889,489
Capital campaign	573,065	-	573,065
Net assets released from restrictions	<u>(1,728,005)</u>	<u>-</u>	<u>(1,728,005)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(265,451)</u>	<u>-</u>	<u>(265,451)</u>
CHANGE IN NET ASSETS	<u>(394,657)</u>	<u>1,094,447</u>	<u>699,790</u>
NET ASSETS, BEGINNING OF YEAR	11,513,403	1,423,232	12,936,635
TRANSFERS	<u>455,720</u>	<u>(455,720)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 11,574,466</u>	<u>\$ 2,061,959</u>	<u>\$ 13,636,425</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2021

<u>WITHOUT DONOR RESTRICTIONS</u>	<u>Affiliate</u>	<u>ReStore</u>	<u>Total</u>
NET PROGRAM SERVICE REVENUE			
Sales	\$ 472,957	\$ 5,128,163	\$ 5,601,120
Cost of goods sold - ReStore	-	4,548,082	4,548,082
Net income on sales	472,957	580,081	1,053,038
Interest income on mortgage loans	806,858	-	806,858
Other program income	26,502	-	26,502
NET PROGRAM SERVICE REVENUE	1,306,317	580,081	1,886,398
GRANTS, CONTRIBUTIONS, AND OTHER REVENUE			
Government contributions	693,246	370,734	1,063,980
Contributions	921,205	13	921,218
Contributions of nonfinancial assets	281,054	4,271,461	4,552,515
TOTAL GRANTS, CONTRIBUTIONS, AND OTHER REVENUE	1,895,505	4,642,208	6,537,713
Net assets released from restrictions	1,430,640	-	1,430,640
TOTAL REVENUES	4,632,462	5,222,289	9,854,751
EXPENSES, exclusive of programmatic cost of sales above			
Program services	3,418,687	3,922,730	7,341,417
Management and general	611,255	-	611,255
Fundraising	599,578	-	599,578
TOTAL EXPENSES	4,629,520	3,922,730	8,552,250
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
	2,942	1,299,559	1,302,501
<u>WITH DONOR RESTRICTIONS</u>			
Other restricted contributions	975,337	-	975,337
Capital campaign	344,772	-	344,772
Net assets released from restrictions	(1,430,640)	-	(1,430,640)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(110,531)	-	(110,531)
CHANGE IN NET ASSETS	(107,589)	1,299,559	1,191,970
NET ASSETS, BEGINNING OF YEAR	10,664,089	1,080,576	11,744,665
TRANSFERS	956,903	(956,903)	-
NET ASSETS, END OF YEAR	\$ 11,513,403	\$ 1,423,232	\$ 12,936,635

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services			Management and		Total
	Affiliate	ReStore	Total	General	Fundraising	
Wages and salaries	\$ 1,027,909	\$ 1,897,833	\$ 2,925,742	\$ 386,599	\$ 311,989	\$ 3,624,330
Payroll taxes and employee benefits	181,999	353,923	535,922	85,020	63,783	684,725
Contract labor	8,092	85,993	94,085	41,490	113	135,688
Occupancy	30,892	660,873	691,765	14,521	8,955	715,241
Taxes and insurance	136,139	170,740	306,879	12,413	892	320,184
Operational expenses	287,702	200,488	488,190	50,383	41,810	580,383
Payments to affiliates	56,153	138,838	194,991	11,186	9,338	215,515
Repairs and maintenance	33,091	173,195	206,286	3,352	2,839	212,477
Information technology	32,576	37,871	70,447	28,258	52,184	150,889
Professional fees	22,946	33,809	56,755	43,098	28,969	128,822
Bank and credit card fees	1,043	87,127	88,170	12,177	10,348	110,695
Office expenses	6,731	69,349	76,080	3,094	6,024	85,198
Loan servicing and closing costs	54,846	-	54,846	-	-	54,846
Conferences, conventions, and meetings	12,100	18,137	30,237	19,698	9,582	59,517
Depreciation	54,084	243,071	297,155	50,689	10,503	358,347
Interest	5,643	237,809	243,452	20,385	17,473	281,310
Other	10,821	153,123	163,944	3,963	85,480	253,387
Direct cost of home sales, including adjustment of construction in progress and property available for sale to net realizable value	1,664,804	-	1,664,804	-	-	1,664,804
Direct cost of goods sold	-	4,926,518	4,926,518	-	-	4,926,518
SUBTOTAL INCLUDING COST OF SALES	3,627,571	9,488,697	13,116,268	786,326	660,282	14,562,876
Direct cost of goods sold	-	(4,926,518)	(4,926,518)	-	-	(4,926,518)
TOTAL FUNCTIONAL EXPENSES	\$ 3,627,571	\$ 4,562,179	\$ 8,189,750	\$ 786,326	\$ 660,282	\$ 9,636,358
PERCENTAGE OF FUNCTIONAL EXPENSES			85.0%	8.2%	6.8%	100.0%

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services			Management and General	Fundraising	Total
	Affiliate	ReStore	Total			
Wages and salaries	\$ 827,675	\$ 1,720,176	\$ 2,547,851	\$ 354,559	\$ 346,106	\$ 3,248,516
Payroll taxes and employee benefits	145,632	298,927	444,559	63,304	61,851	569,714
Contract labor	3,564	229,724	233,288	46,316	668	280,272
Occupancy	26,599	550,235	576,834	18,767	23,875	619,476
Taxes and insurance	109,505	153,750	263,255	7,344	1,500	272,099
Operational expenses	87,358	156,519	243,877	9,561	29,503	282,941
Payments to affiliates	57,657	152,967	210,624	10,681	10,093	231,398
Repairs and maintenance	30,680	130,246	160,926	4,165	4,102	169,193
Information technology	29,819	27,591	57,410	24,568	44,337	126,315
Professional fees	24,159	32,026	56,185	36,243	6,637	99,065
Bank and credit card fees	933	81,163	82,096	5,942	4,210	92,248
Office expenses	6,094	44,914	51,008	3,997	3,805	58,810
Loan servicing and closing costs	61,586	-	61,586	-	-	61,586
Conferences, conventions, and meetings	5,011	13,219	18,230	6,075	5,404	29,709
Depreciation	41,526	132,187	173,713	10,315	7,203	191,231
Interest	-	99,406	99,406	2,525	-	101,931
Other	5,697	99,680	105,377	6,893	50,284	162,554
Direct cost of home sales, including adjustment of construction in progress and property available for sale to net realizable value	1,955,192	-	1,955,192	-	-	1,955,192
Direct cost of goods sold	-	4,548,082	4,548,082	-	-	4,548,082
SUBTOTAL INCLUDING COST OF SALES	3,418,687	8,470,812	11,889,499	611,255	599,578	13,100,332
Direct cost of goods sold	-	(4,548,082)	(4,548,082)	-	-	(4,548,082)
TOTAL FUNCTIONAL EXPENSES	\$ 3,418,687	\$ 3,922,730	\$ 7,341,417	\$ 611,255	\$ 599,578	\$ 8,552,250
PERCENTAGE OF FUNCTIONAL EXPENSES			85.9%	7.1%	7.0%	100.0%

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	Affiliate	ReStore	Total
Change in net assets	\$ (394,657)	\$ 1,094,447	\$ 699,790
Transfers	455,720	(455,720)	-
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Depreciation	115,276	243,071	358,347
Net contributed inventory activity	-	(270,136)	(270,136)
Net mortgage loan discount activity	(299,888)	-	(299,888)
Issuance of mortgage loans receivable	(913,000)	-	(913,000)
Donated property and equipment	-	(70,688)	(70,688)
Gain on disposal of property and equipment	55,839	(13,666)	42,173
Change in operating assets and liabilities:			
Accounts receivable	(377,712)	-	(377,712)
Grants and contributions receivable	344,536	-	344,536
Merchandise inventory	-	(113,720)	(113,720)
Property held for sale and development	(33,527)	-	(33,527)
Construction in progress	(623,136)	-	(623,136)
Prepaid expenses	(22,006)	1,415	(20,591)
Deposits	(1,960)	25,885	23,925
Accounts payable	(1,463,040)	132,651	(1,330,389)
Accrued liabilities	153,619	(104,470)	49,149
Other current liabilities	-	(781)	(781)
Mortgage escrow deposits held in trust	57,579	-	57,579
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(2,946,357)</u>	<u>468,288</u>	<u>(2,478,069)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(3,669,656)	(4,232,917)	(7,902,573)
Payments received on mortgage loans receivable	1,423,178	-	1,423,178
Proceeds from sale of property and equipment	-	15,798	15,798
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(2,246,478)</u>	<u>(4,217,119)</u>	<u>(6,463,597)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of accounts payable used to finance property and equipment	666,729	-	666,729
Repayment of notes payable	(56,797)	(86,169)	(142,966)
Proceeds from notes payable	3,500,000	3,835,000	7,335,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>4,109,932</u>	<u>3,748,831</u>	<u>7,858,763</u>
NET CHANGE IN CASH AND RESTRICTED CASH	(1,082,903)	-	(1,082,903)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>2,919,474</u>	<u>-</u>	<u>2,919,474</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,836,571</u>	<u>\$ -</u>	<u>\$ 1,836,571</u>
Cash and restricted cash per Statements of Financial Position			
Cash			\$ 736,250
Restricted cash			1,100,321
Total cash and restricted cash			<u>\$ 1,836,571</u>
SUPPLEMENTAL INFORMATION:			
In-kind donations of property and equipment			\$ 70,688
Purchase of property and equipment financed with accounts payable			<u>\$ 266,088</u>
Cash paid for Interest			<u>\$ 307,701</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	<u>Affiliate</u>	<u>ReStore</u>	<u>Total</u>
Change in net assets	\$ (107,589)	\$ 1,299,559	\$ 1,191,970
Transfers	956,903	(956,903)	-
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Depreciation	59,044	132,187	191,231
Contributions to finance long-term capital improvements	(344,772)	-	(344,772)
Net contributed inventory activity	-	(27,466)	(27,466)
Net mortgage loan discount activity	(117,815)	-	(117,815)
Issuance of mortgage loans receivable	(1,163,936)	-	(1,163,936)
Donated property and equipment	(26,918)	(5,000)	(31,918)
Gain on sale of property and equipment	-	-	-
Change in operating assets and liabilities:			
Accounts receivable	(156)	-	(156)
Grants and contributions receivable	210,042	-	210,042
Merchandise inventory	-	4,519	4,519
Property held for sale and development	(101,528)	-	(101,528)
Construction in progress	(121,715)	-	(121,715)
Prepaid expenses	(2,137)	(36,444)	(38,581)
Deposits	13,355	(35,885)	(22,530)
Accounts payable	82,189	(26,762)	55,427
Accrued liabilities	26,162	(70,279)	(44,117)
Other current liabilities	(24,264)	28,346	4,082
Mortgage escrow deposits held in trust	19,813	-	19,813
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(643,322)</u>	<u>305,872</u>	<u>(337,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(187,484)	(355,506)	(542,990)
Payments received on mortgage loans receivable	1,341,678	-	1,341,678
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>1,154,194</u>	<u>(355,506)</u>	<u>798,688</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	(692)	(57,832)	(58,524)
Proceeds from notes payable	-	107,466	107,466
Receipts for capital campaign	344,772	-	344,772
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>344,080</u>	<u>49,634</u>	<u>393,714</u>
NET CHANGE IN CASH AND RESTRICTED CASH	854,952	-	854,952
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>2,064,522</u>	<u>-</u>	<u>2,064,522</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 2,919,474</u>	<u>\$ -</u>	<u>\$ 2,919,474</u>
Cash per Statement of Financial Position			
Cash			\$ 1,808,898
Restricted cash			<u>1,110,576</u>
Total cash and restricted cash			<u>\$ 2,919,474</u>
SUPPLEMENTAL INFORMATION:			
In-kind donations of property and equipment			<u>\$ 31,918</u>
Purchase of property and equipment financed with accounts payable			<u>\$ 666,729</u>
Cash paid for Interest			<u>\$ 101,931</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations – Habitat for Humanity of Kansas City (“Habitat” and the “Organization”) is a nonprofit corporation, incorporated in Missouri on May 7, 1979. Habitat is an affiliate of Habitat for Humanity International, Inc. (“HFHI”), a nondenominational Christian nonprofit that builds sustainable and affordable homes and communities in the Kansas City metropolitan area. The mission of Habitat is seeking to put God’s love into action, Habitat for Humanity brings people together to build homes, communities, and hope. The term Affiliate encompasses all administrative, housing, and program functions of Habitat, and is a standard term set forth by Habitat for Humanity International. The term ReStore represents the home improvement stores and donation centers. Neither “Affiliate” nor “ReStore” represent separate legal entities, but, instead, represent divisions within the overall Habitat entity.

In the past two years, Habitat KC has revamped its education programs to create the new HOPE (Helping Others Prosper through Empowerment) homeownership education program provided by HUD-certified housing counselors. The agency opened two new ReStore locations, has created new ways to lend with local banks, and launched the Cost of Home advocacy campaign, which is a national campaign focusing on supply/preservation, land use, access to credit, and policies that strengthen neighborhoods so they can thrive. The agency also established the Veteran and PRIDE build projects; piloted a down payment assistance program prioritizing Black, Latino, and Hispanic homeownership; and completed a \$4 million renovation of its headquarters that will increase capacity to serve the community.

During the year ended June 30, 2022, Habitat built or repaired 135 homes and during the year ended June 30, 2021, Habitat built or repaired 113 homes. Habitat homes are built using volunteer labor, donated materials, and funding from individuals, churches, corporations, and foundations. The homes are sold to qualifying partner families through an affordable mortgage provided by Habitat. Mortgage payments are invested back into the program, helping to build new homes across Habitat’s target neighborhoods. During the years ended June 30, 2022 and 2021, homeowners were required to invest 350 hours of “sweat equity” in the construction of their home, other partner family homes, and other various tasks and were required to complete 30 hours of homeowner education classes. Since its inception, Habitat has enabled hundreds of families to achieve their dream of owning a home and, in doing so, has revitalized many neighborhoods.

The homes Habitat builds or rehabs each year impact Kansas City area families by meeting the housing needs of those who apply and are selected into the Homeownership Program. Habitat provides opportunities for sponsors and volunteers to meet and work with families in the homeowner selection and building process. In doing so, a broader understanding of community housing needs is established, and Habitat’s supporters fully understand the impact of their gift to the families they are partnering with. Building and rehabilitating homes for low- and moderate-income families is a collective community investment. The fiscal, manual, and material contributions Habitat receives yearly create a ripple effect that inspires partner homeowners, focus neighborhoods, and Kansas City as a whole.

Habitat’s ReStore is a retail outlet open to the general public. ReStore accepts new and used building materials, fixtures, and appliances and resells these items at discounted prices. The purpose of ReStore is to divert materials from the landfill, encourage homeowners (including Habitat homeowners) to improve their properties, and utilize net proceeds from sales as a non-restrictive funding source to build more homes.

Habitat is responsible for award-winning programs in homeowner education and community development. Habitat has numerous on-going partnerships with faith-based organizations, peer non-profits, service groups, local governments, and private corporations. Habitat is primarily and directly responsible for its own operations.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Basis of presentation – Habitat’s financial statements are prepared on the accrual basis of accounting. Balances and transactions are presented in accordance with the existence or absence of donor-imposed restrictions. Habitat maintains its financial accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives of Habitat.

- Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this category of net assets primarily consist of program revenues and related expenses associated with the core activities of Habitat. In addition to these exchange transactions, changes to this category of net assets include certain types of philanthropic support - namely, contributions and grants without donor restrictions, including those designated by the Board to function as reserves, as well as contributions and grants with donor restrictions whose donor-imposed restrictions were met during the fiscal year, and income from investments. The board may delegate designation decisions to internal management. Such designations are considered to be included in board-designated net assets.
- Net assets with donor restrictions are net assets subject to donor-imposed restrictions that may or will be met either by actions of Habitat and/or the passage of time. Items that affect this category of net assets are contributions and grants with donor restrictions. Contributions and grants received with donor-imposed restrictions are reported as support in the net assets with donor restrictions class unless the restrictions are both imposed and met in the same year (in which case they are reported as support in the net assets without donor restrictions). These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired.

Designated net assets – Board designated net assets represents funds without donor restriction designated by the board of directors for the purpose of a liquidity reserve.

Cash – Cash consists of available cash balances on deposit at financial institutions. At times, balances in these accounts are in excess of federally insured limits. At June 30, 2022 and 2021 Habitat’s uninsured balances totaled \$1,731,523 and \$1,976,950, respectively. Habitat has not experienced any losses in such accounts and management believes the risk of loss is negligible.

Restricted cash – Amounts included in restricted cash represent those funds required to be set aside by donor restriction or contractual agreement, such as escrow deposits. These restricted cash amounts are reflected as assets on the statement of financial position. The restriction will lapse when the Organization’s donor restrictions are satisfied or the contractual agreement expires.

Accounts receivable – Accounts receivable are recorded at the amount due net of an allowance for estimated uncollectible amounts and are generally due within 30 days. Habitat determines its allowance by considering a number of factors, including the length of time receivables are past due, previous loss history, and the general economy as a whole. Habitat writes off receivables when they become uncollectible. No allowance was deemed necessary at June 30, 2022 and 2021.

Contracts, grants, and contributions receivable – Grants receivable consist mainly of grant funds received from federal and local agencies and other grantors and are carried at original invoice less an estimate for doubtful receivables based on a review of all outstanding amounts. Government grants are recorded as revenues in the period the Organization meets the conditions for revenue recognition, namely when expenses have been incurred for the purposes specified by the contracts. To the extent amounts received exceed amounts spent, the Organization records the excess as refundable advances.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Contracts, grants, and contributions receivable (continued) – The Organization records contributions receivable which represent unconditional promises to give as revenue when the promise is received. On a periodic basis, the Organization evaluates contribution receivable balances and makes collection efforts for receivables aging 90 days or over. Contribution receivables are written off when all reasonable collection efforts have been exhausted. During the years ended June 30, 2022 and 2021, there were \$8,418 and \$0, respectively, of receivables written off. The Organization recorded an allowance for doubtful accounts of \$3,865 and \$5,244 for the years ending June 30, 2022 and 2021, respectively.

Conditional promises to give – Conditional promises to give are those with a measurable performance or other barrier and a right of return within the consolidated financial statements and are not recognized until the conditions on which they depend have been met. The Organization had conditional promises to give of \$801,709 and \$1,094,468 as of June 30, 2022 and 2021, respectively.

Property and equipment – Land, buildings, equipment, and vehicles are stated on the basis of cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 40 Years
Leasehold improvements	5 - 20 Years
Construction equipment	5 Years
Warehouse equipment	5 - 10 Years
Homes used in operations	15 Years
Vehicles	3 - 5 Years
Office equipment	7 - 15 Years
Computer equipment	3 - 5 Years

Revenues and other support – Contributions and grants, including unconditional promises to give, recognized in accordance with Accounting Standards Codification (“ASC”), following the guidance described in Accounting Standards Update (“ASU”), 2018-08 Topic 958, *Not-for-Profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Under this guidance revenue is considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions. Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement and right of return.

Contributions other than cash, including unconditional promises to give and donated materials with clearly measurable bases, are recorded at their estimated fair value at the date of receipt. Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement. If any funding is received for exchange transactions in advance of the expenditure, it is recorded as deferred revenue on the statements of financial position.

Revenue from contracts is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contact; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue as each performance obligation is satisfied. If it is determined that a contract with an enforceable right and obligation does not exist, revenue are deferred until all criteria for an enforceable contract are met.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

A portion of the Organization's revenue is derived from home sales during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. Once construction is complete on a home and closing procedures have been completed, buyers take possession of the home and the performance obligation is considered to have been met. Each house sold has a defined purchase price based on a third party appraisal. Contracts are considered to have commercial substance as they all involve a signed promissory note, which is paid in accordance with the note terms.

ReStore sales are recognized at the time the transaction occurs in the store.

Contributions of non-financial assets - In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which was adopted on July 1, 2021, which increases the transparency regarding contributed nonfinancial assets through presentation and disclosure, both quantitative and qualitative. The ASU affects all not-for-profit entities which receive contributed nonfinancial assets. The new standard requires the Organization to present contributed nonfinancial assets as a separate line item on the consolidated statements of activities and changes in net assets. Donated assets, which are described below, are reflected as in-kind contributions at their estimated fair value.

	2022	2021
ReStore inventory	\$ 4,800,351	\$ 4,241,075
Homes, lots, and construction materials	258,108	256,898
Donated services	119,528	54,542
Operational supplies	6,271	-
Total contributed nonfinancial assets	\$ 5,184,258	\$ 4,552,515

- ReStore inventory - ReStore inventory consists of household items and building materials that are donated to ReStore to be sold.
- Homes, lots, and construction supplies - Donated homes, lots, and construction materials which are used by Habitat for its programs.
- Donated services - Habitat recognizes donated services that create or enhance non-financial assets and that require specialized skills, if the services are provided by individuals possessing those skills and if the services would typically need to be purchased if not provided by donation.
- Operational supplies - Operational supplies include donations to Habitat and ReStore to be used in the operations (office supplies, etc.).

A substantial number of additional volunteers have made significant contributions of their time to Habitat's program and supporting services which do not meet the requirements of Not-For-Profit Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") related to revenue recognition of contributions received and, accordingly, are not recorded in these financial statements. The value of this contributed time is not reflected in these financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

Although these services did not meet the criteria for recognition in the financial statements, unpaid volunteers provided over 45,434 and 37,693 volunteer hours during the years ended June 30, 2022 and 2021, respectively, which were critical to the construction of homes being built. Through the Habitat volunteer coordination effort, volunteers were able to interact with the families selected for program participation, creating a full-circle of community volunteers, program participants, and agency involvement. Volunteers were also instrumental in allowing ReStore to maintain low payroll costs.

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying statements of functional expenses. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support source. Specifically, salaries and wages, payroll taxes and employee benefits are allocated both directly for employees which devote 100% of their time to one function or based upon estimated time allocations if they work on more than one function. Time spent supervising program or other supporting services is allocated among those respective functions. Direct cost of homes sales, direct cost of goods sold, occupancy, contract labor, and procurement costs are allocated directly. All other expenses consist of accounts that are allocated either directly or based on the salaries and wages allocation for personnel at the headquarters.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In these financial statements, construction in progress, property available for sale, ReStore inventory, and the valuation of notes receivable involve extensive reliance on management's estimates. Actual results could differ from those estimates.

Advertising costs – Habitat charges all advertising costs to expenses as they are incurred. Total advertising costs were \$196,676 and \$135,104 for the years ended June 30, 2022 and 2021, respectively.

Taxes – Habitat is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit organization. In addition, Habitat has been classified as a publicly-supported organization which is not a private foundation within the meaning of Section 509(a)(1) of the Code. Accordingly, no provision has been made for Federal income tax. Habitat's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by Habitat. No accrual has been recorded at June 30, 2022 and 2021 as management does not believe any material uncertainties exist. However, Habitat's returns are subject to examination by the Internal Revenue Service generally for three years after they are filed.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(2) Contracts, grants, and contributions receivable, net

Contracts, grants, and contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. No discount rate has been applied to Habitat's outstanding promises to give at June 30, 2022 and 2021 as they are anticipated to be received in less than one year. As of June 30, 2022 and 2021, grants and contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Contracts	\$ 67,665	\$ 227,310
Grants and contributions	69,518	255,788
Total grants and contributions receivable	137,183	483,098
Less: Allowance for doubtful accounts	(3,865)	(5,244)
Grants and contributions receivable, net	<u>\$ 133,318</u>	<u>\$ 477,854</u>

(3) Merchandise inventory

Merchandise inventory consists of purchased building supplies and donated new and used building materials, fixtures, and appliances and is stated at the lower of cost or market utilizing the FIFO (first-in, first out) method. Management estimates the value of donated inventory based on subsequent sales and, therefore, determined there to be no allowance reserve at June 30, 2022 and 2021. As of June 30, 2022 and 2021, merchandise inventory consisted of the following:

	<u>2022</u>	<u>2021</u>
Purchased inventory	\$ 247,328	\$ 136,421
Donated inventory	1,080,565	807,616
Merchandise inventory	<u>\$ 1,327,893</u>	<u>\$ 944,037</u>

(4) Construction in progress and property available for sale and development

As of June 30, 2022, construction in progress and property available for sale consisted of 20 homes, which were either in the process of being constructed and/or rehabilitated or which were complete and available for sale, and 14 plots of land. During the year ended June 30, 2022, 6 houses were sold. As of June 30, 2021, construction in progress and property available for sale consisted of 21 homes, which were either in the process of being constructed and/or rehabilitated or which were complete and available for sale, and 17 plots of land. During the year ended June 30, 2021, 9 houses were sold. Construction in progress and property available for sale have been adjusted to management's estimate of the lower of cost or net realizable value of each respective property based on independent appraisals and, if available, estimates of future sales price.

(5) Mortgage loans receivable

Mortgage loans receivable consist of non-interest bearing mortgages, which are secured by real estate and which are payable in monthly installments over the life of the mortgage. These mortgages are discounted based upon the discount rate at the inception of the mortgages. The discount rate is set by Habitat for Humanity International yearly and was 7.49% and 7.23% during the years ended June 30, 2022 and 2021, respectively. The discount will be recognized as interest income over the terms of the mortgages. Habitat had 266 and 280 mortgage loans receivable at June 30, 2022 and 2021, respectively. Habitat has not experienced any material losses with respect to uncollectible mortgages in the past and believes that the value of the collateral on the respective loans is sufficient to cover any losses on future foreclosures. Accordingly, no reserve has been established for uncollectible loans.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(5) Mortgage loans receivable (continued)

The balances of mortgage loans held at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Mortgage loans receivable, gross	\$ 14,375,511	\$ 14,911,813
Less: Unamortized discount	<u>(7,269,061)</u>	<u>(7,568,938)</u>
Mortgage loans receivable, net of unamortized discount	7,106,450	7,342,875
Less: MHDC sale (see Note 14)	(85,267)	(111,402)
Less: Current portion	<u>(750,935)</u>	<u>(772,964)</u>
Non-current portion	<u>\$ 6,270,248</u>	<u>\$ 6,458,509</u>

(6) Foreclosed residential real estate properties

During the years ended June 30, 2022 and 2021, Habitat had no residential real estate properties acquired through foreclosure. This would include any properties for which physical possession had been obtained, either through (a) legal title obtained upon completion of foreclosure proceedings, or (b) conveyance by the borrower in satisfaction of a loan through completion of a deed in lieu of foreclosure or another similar legal agreement. As such, none of the consumer mortgage loans secured by residential real estate properties were subject to formal foreclosure proceedings at June 30, 2022 and 2021, respectively.

(7) Transfers

The statements of activities and change in net assets and the statements of cash flows for the years ended June 30, 2022 and 2021 show transfers of \$455,720 and \$956,903, respectively, from ReStore to the Affiliate. These represent non-cash operating transfers of ReStore's change in net assets and net assets in excess of ReStore's net asset position as of June 30, 2022 and 2021.

(8) Property and equipment

At June 30, 2022 and 2021, property and equipment, net consisted of the following:

	<u>2022</u>		
	<u>Affiliate</u>	<u>ReStore</u>	<u>Total</u>
Cost			
Land	\$ 33,186	\$ 1,033,929	\$ 1,067,115
Buildings and improvements	5,374,070	5,491,108	10,865,178
Leasehold improvements	19,787	162,165	181,952
Construction equipment	61,355	-	61,355
Warehouse equipment	-	427,996	427,996
Vehicles	151,811	310,640	462,451
Office equipment	61,188	-	61,188
Computer equipment	134,998	-	134,998
Total cost	<u>5,836,395</u>	<u>7,425,838</u>	<u>13,262,233</u>
Less: Accumulated depreciation	<u>(657,894)</u>	<u>(739,151)</u>	<u>(1,397,045)</u>
Property and equipment, net	<u>\$ 5,178,501</u>	<u>\$ 6,686,687</u>	<u>\$ 11,865,188</u>

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(8) Property and equipment (continued)

	2021		
	Affiliate	ReStore	Total
Cost			
Land	\$ 33,186	\$ 333,929	\$ 367,115
Buildings and improvements	1,668,966	2,093,234	3,762,200
Leasehold improvements	47,197	162,165	209,362
Construction equipment	53,855	-	53,855
Warehouse equipment	-	315,539	315,539
Vehicles	155,311	247,877	403,188
Office equipment	10,073	-	10,073
Computer equipment	134,998	-	134,998
Total cost	<u>2,103,586</u>	<u>3,152,744</u>	<u>5,256,330</u>
Less: Accumulated depreciation	<u>(582,739)</u>	<u>(524,459)</u>	<u>(1,107,198)</u>
Property and equipment, net	<u>\$ 1,520,847</u>	<u>\$ 2,628,285</u>	<u>\$ 4,149,132</u>

(9) Notes payable

	June 30,	
	2022	2021
<p>Vehicle loan with Central Bank of the Midwest, with an original principal balance of \$107,466, interest at 4.45% per annum and a maturity date of September 17, 2025. Monthly principal and interest payments of \$2,001 beginning October 17, 2020. Upon maturity, all outstanding principal and interest is due. The note is collateralized by two vehicles and is subject to certain financial covenants.</p>	\$ 71,067	\$ 91,420
<p>Construction loan with Central Bank of the Midwest, with a loan maximum of \$2,082,500 and a maturity date of May 7, 2028. Payment terms are as follows: monthly interest only payments beginning June 7, 2018 at 4.7% per annum, principal and interest payments of \$11,895 beginning December 7, 2018 at 4.7% per annum, and principal and interest payments of \$11,910 beginning June 7, 2023 at 5.07% per annum. The note is collateralized by the Martin City ReStore real estate and was subject to certain financial covenants.</p>	1,903,350	1,969,165

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(9) Notes payable (continued)

Construction loan with Central Bank of the Midwest, with a loan maximum of \$3,500,000 and a maturity date of February 8, 2026. Payment terms are as follows: twelve consecutive interest only payments commencing on March 8, 2021; forty seven monthly principal and interest payments of \$21,220 commencing on March 8, 2022 and a lump sum payment of all outstanding principal and interest upon maturity. The note is collateralized by the mortgage portfolio held by the Organization. As of June 30, 2021, there was no outstanding balance on the note.

3,443,202 -

Construction loan with Central Bank of the Midwest, with a loan maximum of \$3,835,000 and a maturity date of July 1, 2026. Payment terms are as follows: twelve consecutive interest only payments commencing on August 1, 2021; forty seven monthly principal and interest payments of \$23,133 commencing on August 1, 2022 and a lump sum payment of all outstanding principal and interest upon maturity. The note is collateralized by real property.

3,835,000 -

Total long-term debt	9,252,619	2,060,585
Less: current portion	<u>(340,816)</u>	<u>(70,355)</u>
Non-current portion	<u>\$ 8,911,803</u>	<u>\$ 1,990,230</u>

Maturities on long-term debt are as follows:

Years ending June 30,

2023	\$ 340,816
2024	341,526
2025	340,562
2026	346,635
2027	6,271,295
Thereafter	<u>1,611,785</u>
Total	<u>\$ 9,252,619</u>

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(10) Paycheck Protection Program

During the year ended June 30, 2020 the Small Business Administration (“SBA”) approved the Organization for a forgivable Paycheck Protection Loan (“PPP”) of approximately \$636,400 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (rent, utilities, and interest on mortgages) incurred following the receipt of the funds. As the funds were used for certain items stated within the agreement during the year ended June 30, 2020, the PPP loan was fully forgiven on March 23, 2021, and was recorded as a government contribution during the year ended June 30, 2020 within the statement of activities and change in net assets.

Further, the SBA approved the Organization for a forgivable second Paycheck Protection Loan (“PPP2”) for \$692,514 on March 29, 2021. Similar to the first PPP loan, if the funds are used for certain items stated within the agreement, the PPP2 loan will be forgiven by the SBA. As the funds were used for certain items stated within the agreement during the year ended June 30, 2021, the PPP loan was fully forgiven on April 6, 2022, and was recorded as a government contribution during the year ended June 30, 2021 within the statement of activities and change in net assets.

(11) Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2022 and 2021:

	2022	2021
Construction	\$ 334,475	\$ 252,033
Home Preservation Program	155,650	74,174
Linwood Building Renovation	70,196	283,248
Homeowner Assistance	165,570	330,060
Homeowner Education	8,500	8,500
Technology and Software	6,312	3,812
Scholarship	49,924	58,524
Operations	-	10,000
Other	2,353	38,080
	\$ 792,980	\$ 1,058,431
Total net assets with restrictions		

Net assets released from donor restrictions by incurring expenses and/or satisfying the time restrictions specified by the donors during the year ended June 30, 2022 and 2021 were as follows:

	2022	2021
Construction	\$ 478,831	\$ 247,414
Home Preservation Program	194,382	178,867
Linwood Building Renovation	836,117	647,316
Homeowner Assistance	165,000	27,920
Homeowner Education	-	2,000
Scholarship	8,600	430
Operations	10,000	300,000
Other	35,075	26,693
	\$ 1,728,005	\$ 1,430,640
Total releases from net assets with restrictions		

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(12) **Operating leases**

Habitat has four building operating leases, one for its Kansas office and three for its ReStore locations, with expirations ranging from October 2022 to June 2026. Habitat also has equipment operating leases with expirations ranging from April 2022 to November 2023. Expenses related to these leases were \$375,146 and \$363,572 during the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments required for the noncancelable leases are:

Years Ending June 30,

2023	\$	281,780
2024		238,264
2025		174,612
2026		<u>114,000</u>
Total	\$	<u>808,656</u>

(13) **Transactions with national affiliate**

Habitat remits a portion of its contributions to its national office, HFHI. These funds are used to construct homes in economically depressed areas around the world. Tithe expense and donation referral fees for the years ended June 30, 2022 and 2021 totaled \$215,515 and \$231,398, respectively.

(14) **Secured borrowings**

In 1998, Habitat entered into an agreement whereby it sold a package of ten mortgage loans to the Missouri Housing Development Corporation ("MHDC"). In subsequent years additional loans were sold to MHDC under this agreement, resulting in a total outstanding balance of \$85,267 and \$111,402 at June 30, 2022 and 2021, respectively. Habitat has guaranteed the performance of these loans to MHDC. Should the borrower default on their payments, Habitat has the option of making these payments for the borrower to MHDC, or to replace the non-performing loan with one that is performing.

(15) **Liquidity**

Habitat has various sources of liquidity at its disposal, including cash, investments, accounts receivable, unconditional promises to give, and current portions of non-interest bearing mortgage loans, net. For purposes of analyzing resources available over a 12-month period, Habitat considers all expenditures related to its ongoing activities to be general expenditures. Financial assets available for general expenditure have not been reduced by board designated or donor restricted amounts as they are to be available for general expenditure. Additionally, Habitat monitors its budget and anticipates sufficient revenue to cover general expenditures over the next 12 months.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(15) **Liquidity (continued)**

Refer to the statement of cash flows which identifies the sources and uses of Habitat's cash. As of June 30, 2022 and 2021 the following financial assets could be made available within one year of the statement of financial position date to meet general obligations.

	<u>2022</u>	<u>2021</u>
Cash	\$ 736,250	\$ 1,808,898
Accounts receivable	424,854	47,142
Grants and contributions receivable	133,318	477,854
Current portion of non-interest bearing mortgage loans, net	<u>750,935</u>	<u>772,964</u>
Financial assets available for general expenditures	<u>\$ 2,045,357</u>	<u>\$ 3,106,858</u>

Deposits were not included above as management does not expect to receive them within one year of the statement of financial position date. Included in the amounts above is \$790,497 designated as an operating reserve by the board for both years ending June 30, 2022 and 2021. Habitat does not intend to use the reserve; however, it is available for general expenditures as needed.

(16) **Subsequent events**

Habitat has evaluated subsequent events through November 14, 2022, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.