



HABITAT FOR HUMANITY OF KANSAS CITY

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023



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, 2024 and 2023, and the related statements of activities and changes in net assets, 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 the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("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 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.

CBIZ CPAs P.C.

Kansas City, Missouri
March 28, 2025

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF FINANCIAL POSITION

June 30, 2024

	Affiliate	ReStore	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and restricted cash	\$ 2,602,580	\$ -	\$ 2,602,580
Certificate of deposit	2,100,888	-	2,100,888
Accounts receivable	42,230	-	42,230
Grants and contributions receivable, net	63,876	-	63,876
Merchandise inventory	-	546,078	546,078
Property held for sale and development	448,444	-	448,444
Construction in progress, net	803,786	-	803,786
Current portion of mortgage loans, net	819,509	-	819,509
Prepaid expenses	63,911	-	63,911
TOTAL CURRENT ASSETS	6,945,224	546,078	7,491,302
FIXED ASSETS			
Property and equipment, net	4,828,208	6,281,180	11,109,388
OTHER ASSETS			
Deposits	8,585	10,000	18,585
Servicing fee valuation	167,566	-	167,566
Mortgage loans, net, less current portion above	6,725,998	-	6,725,998
Right of use assets	44,593	1,165,847	1,210,440
TOTAL OTHER ASSETS	6,946,742	1,175,847	8,122,589
TOTAL ASSETS	\$ 18,720,174	\$ 8,003,105	\$ 26,723,279
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 350,653	\$ 56,811	\$ 407,464
Accrued liabilities	290,948	-	290,948
Other current liabilities	11,467	33,914	45,381
Right of use lease liabilities, current portion	20,807	370,240	391,047
Deferred servicing fees, current portion	11,317	-	11,317
Notes payable, current portion	161,745	190,286	352,031
Secured borrowings, current portion	200,365	-	200,365
TOTAL CURRENT LIABILITIES	1,047,302	651,251	1,698,553
NONCURRENT LIABILITIES			
Deferred servicing fees, less current portion above	271,421	-	271,421
Mortgage escrow deposits held	437,584	-	437,584
Right of use lease liabilities	1,215	849,919	851,134
Notes payable, less current portion above	3,081,732	5,164,435	8,246,167
Secured borrowings, net of discount and current portion	1,856,648	-	1,856,648
TOTAL NONCURRENT LIABILITIES	5,648,600	6,014,354	11,662,954
TOTAL LIABILITIES	6,695,902	6,665,605	13,361,507
<u>NET ASSETS</u>			
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Undesignated	10,956,874	1,337,500	12,294,374
Board designated	790,497	-	790,497
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	11,747,371	1,337,500	13,084,871
NET ASSETS WITH DONOR RESTRICTIONS	276,901	-	276,901
TOTAL NET ASSETS	12,024,272	1,337,500	13,361,772
TOTAL LIABILITIES AND NET ASSETS	\$ 18,720,174	\$ 8,003,105	\$ 26,723,279

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF FINANCIAL POSITION

June 30, 2023

	<u>Affiliate</u>	<u>ReStore</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and restricted cash	\$ 5,290,239	\$ -	\$ 5,290,239
Certificate of deposit	1,004,075	-	1,004,075
Accounts receivable	833	-	833
Grants and contributions receivable, net	143,904	-	143,904
Merchandise inventory	-	707,682	707,682
Property held for sale and development	177,672	-	177,672
Construction in progress, net	1,020,753	-	1,020,753
Current portion of mortgage loans, net	809,224	-	809,224
Prepaid expenses	314,266	-	314,266
TOTAL CURRENT ASSETS	8,760,966	707,682	9,468,648
FIXED ASSETS			
Property and equipment, net	5,041,099	6,505,794	11,546,893
OTHER ASSETS			
Deposits	8,585	10,000	18,585
Servicing fee valuation	174,273	-	174,273
Mortgage loans, net, less current portion above	6,490,872	-	6,490,872
Right of use assets	25,120	1,041,414	1,066,534
TOTAL OTHER ASSETS	6,698,850	1,051,414	7,750,264
TOTAL ASSETS	\$ 20,500,915	\$ 8,264,890	\$ 28,765,805
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 262,356	\$ 46,382	\$ 308,738
Accrued liabilities	272,877	19,924	292,801
Other current liabilities	22,924	34,454	57,378
Right of use lease liabilities, current portion	11,557	295,365	306,922
Deferred servicing fees, current portion	11,317	-	11,317
Notes payable, current portion	123,923	213,786	337,709
Secured borrowings, current portion	203,541	-	203,541
TOTAL CURRENT LIABILITIES	908,495	609,911	1,518,406
NONCURRENT LIABILITIES			
Deferred servicing fees, less current portion above	282,738	-	282,738
Mortgage escrow deposits held	424,880	-	424,880
Right of use lease liabilities	13,563	746,049	759,612
Notes payable, less current portion above	3,199,018	5,379,957	8,578,975
Secured borrowings, less current portion above and discount	1,965,348	-	1,965,348
TOTAL NONCURRENT LIABILITIES	5,885,547	6,126,006	12,011,553
TOTAL LIABILITIES	6,794,042	6,735,917	13,529,959
<u>NET ASSETS</u>			
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Undesignated	12,265,086	1,528,973	13,794,059
Board designated	790,497	-	790,497
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	13,055,583	1,528,973	14,584,556
NET ASSETS WITH DONOR RESTRICTIONS	651,290	-	651,290
TOTAL NET ASSETS	13,706,873	1,528,973	15,235,846
TOTAL LIABILITIES AND NET ASSETS	\$ 20,500,915	\$ 8,264,890	\$ 28,765,805

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2024

<u>WITHOUT DONOR RESTRICTIONS</u>	<u>Affiliate</u>	<u>ReStore</u>	<u>Total</u>
NET PROGRAM SERVICE REVENUE			
Sales	\$ 756,410	\$ 5,903,200	\$ 6,659,610
Cost of goods sold - ReStore	-	5,388,392	5,388,392
Net income on sales	<u>756,410</u>	<u>514,808</u>	<u>1,271,218</u>
Interest income on mortgage loans	428,555	-	428,555
Other program income	<u>359,442</u>	<u>-</u>	<u>359,442</u>
NET PROGRAM SERVICE REVENUE	<u>1,544,407</u>	<u>514,808</u>	<u>2,059,215</u>
GRANTS, CONTRIBUTIONS, AND OTHER REVENUE			
Government contributions	372,979	-	372,979
Contributions	1,880,003	-	1,880,003
Contributions of nonfinancial assets	<u>-</u>	<u>5,159,260</u>	<u>5,159,260</u>
TOTAL GRANTS, CONTRIBUTIONS, AND OTHER REVENUE	<u>2,252,982</u>	<u>5,159,260</u>	<u>7,412,242</u>
Net assets released from restrictions	<u>795,822</u>	<u>-</u>	<u>795,822</u>
TOTAL REVENUES	<u>4,593,211</u>	<u>5,674,068</u>	<u>10,267,279</u>
EXPENSES, exclusive of programmatic cost of sales above			
Program services	5,146,233	4,630,487	9,776,720
Management and general	997,767	-	997,767
Fundraising	<u>992,477</u>	<u>-</u>	<u>992,477</u>
TOTAL EXPENSES	<u>7,136,477</u>	<u>4,630,487</u>	<u>11,766,964</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE OTHER REVENUE	<u>(2,543,266)</u>	<u>1,043,581</u>	<u>(1,499,685)</u>
OTHER REVENUE			
Gain on secured borrowings discount	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(2,543,266)</u>	<u>1,043,581</u>	<u>(1,499,685)</u>
<u>WITH DONOR RESTRICTIONS</u>			
Restricted contributions	421,433	-	421,433
Net assets released from restrictions	<u>(795,822)</u>	<u>-</u>	<u>(795,822)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(374,389)</u>	<u>-</u>	<u>(374,389)</u>
CHANGE IN NET ASSETS	<u>(2,917,655)</u>	<u>1,043,581</u>	<u>(1,874,074)</u>
NET ASSETS, BEGINNING OF YEAR	13,706,873	1,528,973	15,235,846
TRANSFERS	<u>1,235,054</u>	<u>(1,235,054)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 12,024,272</u>	<u>\$ 1,337,500</u>	<u>\$ 13,361,772</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2023

<u>WITHOUT DONOR RESTRICTIONS</u>	<u>Affiliate</u>	<u>ReStore</u>	<u>Total</u>
NET PROGRAM SERVICE REVENUE			
Sales	\$ 775,700	\$ 6,572,980	\$ 7,348,680
Cost of goods sold - ReStore	-	5,692,461	5,692,461
Net income on sales	<u>775,700</u>	<u>880,519</u>	<u>1,656,219</u>
Interest income on mortgage loans	588,081	-	588,081
Other program income	<u>105,614</u>	<u>-</u>	<u>105,614</u>
NET PROGRAM SERVICE REVENUE	<u>1,469,395</u>	<u>880,519</u>	<u>2,349,914</u>
GRANTS, CONTRIBUTIONS, AND OTHER REVENUE			
Government contributions	381,826	-	381,826
Contributions	1,530,582	-	1,530,582
Contributions of nonfinancial assets	<u>129,799</u>	<u>4,678,025</u>	<u>4,807,824</u>
TOTAL GRANTS, CONTRIBUTIONS, AND OTHER REVENUE	<u>2,042,207</u>	<u>4,678,025</u>	<u>6,720,232</u>
Net assets released from restrictions	<u>855,661</u>	<u>-</u>	<u>855,661</u>
TOTAL REVENUES	<u>4,367,263</u>	<u>5,558,544</u>	<u>9,925,807</u>
EXPENSES, exclusive of programmatic cost of sales above			
Program services	4,775,934	4,611,169	9,387,103
Management and general	1,135,533	-	1,135,533
Fundraising	<u>788,731</u>	<u>-</u>	<u>788,731</u>
TOTAL EXPENSES	<u>6,700,198</u>	<u>4,611,169</u>	<u>11,311,367</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE OTHER REVENUE	<u>(2,332,935)</u>	<u>947,375</u>	<u>(1,385,560)</u>
OTHER REVENUE			
Gain on secured borrowings discount	<u>3,126,671</u>	<u>-</u>	<u>3,126,671</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>793,736</u>	<u>947,375</u>	<u>1,741,111</u>
<u>WITH DONOR RESTRICTIONS</u>			
Restricted contributions	706,975	-	706,975
Capital campaign	6,996	-	6,996
Net assets released from restrictions	<u>(855,661)</u>	<u>-</u>	<u>(855,661)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(141,690)</u>	<u>-</u>	<u>(141,690)</u>
CHANGE IN NET ASSETS	<u>652,046</u>	<u>947,375</u>	<u>1,599,421</u>
NET ASSETS, BEGINNING OF YEAR	11,574,466	2,061,959	13,636,425
TRANSFERS	<u>1,480,361</u>	<u>(1,480,361)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 13,706,873</u>	<u>\$ 1,528,973</u>	<u>\$ 15,235,846</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Services			Management and General	Fundraising	Total
	Affiliate	ReStore	Total			
Wages and salaries	\$ 1,897,005	\$ 1,597,127	\$ 3,494,132	\$ 200,239	\$ 528,872	\$ 4,223,243
Payroll taxes and employee benefits	264,479	454,403	718,882	154,062	76,129	949,073
Contract labor	98,097	535,593	633,690	80,393	-	714,083
Occupancy	61,844	799,176	861,020	45,434	16,598	923,052
Taxes and insurance	59,081	169,097	228,178	19,966	20,094	268,238
Operational expenses	59,808	93,533	153,341	1,041	70,142	224,524
Payments to affiliates	15,567	66,294	81,861	22,650	36,322	140,833
Professional fees	133,314	53,150	186,464	181,629	72,906	440,999
Office expenses	137,650	131,346	268,996	51,957	86,560	407,513
Loan servicing and closing costs	53,267	-	53,267	-	-	53,267
Conferences, conventions, and meetings	20,047	57,658	77,705	13,739	6,117	97,561
Depreciation	114,588	319,644	434,232	60,396	42,959	537,587
Interest	34,848	219,052	253,900	46,492	23,896	324,288
Other	45,170	134,414	179,584	119,769	11,882	311,235
Direct cost of home sales, including adjustment of construction in progress and property available for sale to net realizable value	2,151,468	-	2,151,468	-	-	2,151,468
Direct cost of goods sold	-	5,388,392	5,388,392	-	-	5,388,392
SUBTOTAL INCLUDING COST OF SALES	5,146,233	10,018,879	15,165,112	997,767	992,477	17,155,356
Direct cost of goods sold	-	(5,388,392)	(5,388,392)	-	-	(5,388,392)
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,146,233</u>	<u>\$ 4,630,487</u>	<u>\$ 9,776,720</u>	<u>\$ 997,767</u>	<u>\$ 992,477</u>	<u>\$ 11,766,964</u>
PERCENTAGE OF FUNCTIONAL EXPENSES			<u>83.1%</u>	<u>8.5%</u>	<u>8.4%</u>	<u>100.0%</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services			Management and		Total
	Affiliate	ReStore	Total	General	Fundraising	
Wages and salaries	\$ 956,096	\$ 1,997,314	\$ 2,953,410	\$ 473,670	\$ 385,391	\$ 3,812,471
Payroll taxes and employee benefits	221,909	445,777	667,686	103,211	81,098	851,995
Contract labor	14,124	77,115	91,239	11,575	-	102,814
Occupancy	32,792	839,552	872,344	61,073	4,098	937,515
Taxes and insurance	80,215	121,378	201,593	56,417	7,346	265,356
Operational expenses	100,859	203,775	304,634	29,677	62,810	397,121
Payments to affiliates	-	60,000	60,000	85,000	-	145,000
Professional fees	13,976	9,051	23,027	30,444	92,602	146,073
Office expenses	20,646	274,642	295,288	32,820	97,511	425,619
Loan servicing and closing costs	199,902	-	199,902	9,814	-	209,716
Conferences, conventions, and meetings	11,974	39,368	51,342	25,361	15,197	91,900
Depreciation	119,533	311,439	430,972	47,245	42,678	520,895
Interest	-	227,390	227,390	135,703	-	363,093
Other	99	4,368	4,467	33,523	-	37,990
Direct cost of home sales, including adjustment of construction in progress and property available for sale to net realizable value	3,003,809	-	3,003,809	-	-	3,003,809
Direct cost of goods sold	-	5,692,461	5,692,461	-	-	5,692,461
SUBTOTAL INCLUDING COST OF SALES	4,775,934	10,303,630	15,079,564	1,135,533	788,731	17,003,828
Direct cost of goods sold	-	(5,692,461)	(5,692,461)	-	-	(5,692,461)
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,775,934</u>	<u>\$ 4,611,169</u>	<u>\$ 9,387,103</u>	<u>\$ 1,135,533</u>	<u>\$ 788,731</u>	<u>\$ 11,311,367</u>
PERCENTAGE OF FUNCTIONAL EXPENSES			<u>83.0%</u>	<u>10.0%</u>	<u>7.0%</u>	<u>100.0%</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

	Affiliate	ReStore	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (2,917,655)	\$ 1,043,581	\$ (1,874,074)
Transfers	1,235,054	(1,235,054)	-
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Depreciation	217,943	319,644	537,587
Net contributed inventory activity	-	111,677	111,677
Net mortgage loan discount activity	502,904	-	502,904
Net secured borrowing discount activity	104,114	-	104,114
Issuance of mortgage loans receivable	(1,718,168)	-	(1,718,168)
Amortization of deferred servicing rights	(11,317)	-	(11,317)
Amortization of right to use asset	16,088	337,211	353,299
Gain on disposal of property and equipment	(8,200)	-	(8,200)
Acquisition of servicing rights	6,707	-	6,707
Change in operating assets and liabilities:			
Accounts receivable	(41,397)	-	(41,397)
Grants and contributions receivable	80,028	-	80,028
Merchandise inventory	-	49,927	49,927
Property held for sale and development	(270,772)	-	(270,772)
Construction in progress	216,967	-	216,967
Prepaid expenses	250,355	-	250,355
Accounts payable	88,297	10,429	98,726
Accrued liabilities	18,071	(19,924)	(1,853)
Other current liabilities	(11,457)	(540)	(11,997)
Mortgage escrow deposits held in trust	12,704	-	12,704
Operating lease liabilities	(38,659)	(282,899)	(321,558)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(2,268,393)	334,052	(1,934,341)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificate of deposit	(1,096,813)	-	(1,096,813)
Purchase of property and equipment	(5,052)	(95,030)	(100,082)
Payments received on mortgage loans receivable	969,853	-	969,853
Proceeds from sale of property and equipment	8,200	-	8,200
NET CASH FLOWS FROM INVESTING ACTIVITIES	(123,812)	(95,030)	(218,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of notes payable	(79,464)	(239,022)	(318,486)
Payments on secured borrowings	(215,990)	-	(215,990)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(295,454)	(239,022)	(534,476)
NET CHANGE IN CASH AND RESTRICTED CASH	(2,687,659)	-	(2,687,659)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	5,290,239	-	5,290,239
CASH AND RESTRICTED CASH, END OF YEAR	\$ 2,602,580	\$ -	\$ 2,602,580
Cash and restricted cash per Statements of Financial Position			
Cash			\$ 1,755,857
Restricted cash			846,723
Total cash and restricted cash			\$ 2,602,580
SUPPLEMENTAL INFORMATION:			
Cash paid for Interest			\$ 324,288

See Notes to Financial Statements

HABITAT FOR HUMANITY OF KANSAS CITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

	Affiliate	ReStore	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 652,046	\$ 947,375	\$ 1,599,421
Transfers	1,480,361	(1,480,361)	-
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Depreciation	209,456	311,439	520,895
Net contributed inventory activity	-	558,742	558,742
Net mortgage loan discount activity	402,701	-	402,701
Net secured borrowing discount activity	(2,816,549)	-	(2,816,549)
Issuance of mortgage loans receivable	(1,748,680)	-	(1,748,680)
Amortization of deferred servicing rights	(2,829)	-	(2,829)
Amortization of right to use asset	12,122	331,048	343,170
Gain on disposal of property and equipment	(8,200)	-	(8,200)
Acquisition of servicing rights	(174,273)	-	(174,273)
Change in operating assets and liabilities:			
Accounts receivable	424,021	-	424,021
Grants and contributions receivable	(10,586)	-	(10,586)
Merchandise inventory	-	61,469	61,469
Property held for sale and development	70,467	-	70,467
Construction in progress	89,112	-	89,112
Prepaid expenses	(246,813)	74,329	(172,484)
Accounts payable	194,198	(130,077)	64,121
Accrued liabilities	(27,813)	(3,586)	(31,399)
Other current liabilities	22,924	6,889	29,813
Mortgage escrow deposits held in trust	49,016	-	49,016
Operating lease liabilities	(12,122)	(331,048)	(343,170)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(1,441,441)	346,219	(1,095,222)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificate of deposit	(1,004,075)	-	(1,004,075)
Purchase of property and equipment	(72,054)	(130,546)	(202,600)
Payments received on mortgage loans receivable	1,152,333	-	1,152,333
Proceeds from sale of property and equipment	8,200	-	8,200
NET CASH FLOWS FROM INVESTING ACTIVITIES	84,404	(130,546)	(46,142)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of accounts payable used to finance property and equipment	(266,088)	-	(266,088)
Repayment of notes payable	(120,262)	(215,673)	(335,935)
Proceeds from secured borrowings	4,968,287	-	4,968,287
Proceeds from servicing rights agreement	296,884	-	296,884
Payments on secured borrowings	(68,116)	-	(68,116)
NET CASH FLOWS FROM FINANCING ACTIVITIES	4,810,705	(215,673)	4,595,032
NET CHANGE IN CASH AND RESTRICTED CASH	3,453,668	-	3,453,668
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	1,836,571	-	1,836,571
CASH AND RESTRICTED CASH, END OF YEAR	\$ 5,290,239	\$ -	\$ 5,290,239
Cash and restricted cash per Statements of Financial Position			
Cash			\$ 4,242,169
Restricted cash			1,048,070
Total cash and restricted cash			\$ 5,290,239
SUPPLEMENTAL INFORMATION:			
Cash paid for Interest			\$ 307,701

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.

Habitat KC’s education program, HOPE (Helping Others Prosper through Empowerment) is a 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.

During the year ended June 30, 2024, Habitat built or repaired 142 homes and during the year ended June 30, 2023 Habitat built or repaired 140 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, 2024 and 2023, 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, 2024 and 2023 Habitat’s uninsured balances totaled \$2,097,190 and \$4,869,740, 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.

Certificate of deposit – This certificates of deposit held by the Organization are valued at fair market value. Certificates of deposit held at June 30, 2024 have interest rates of 5.37% and 4.22%, and mature on October 23, 2024 and August 5, 2024, and were subsequently renewed with a new maturity dates of April 23, 2025 and March 5, 2025.

Certificates of deposit held at June 30, 2023 has an interest rate of 5.37% and a maturity date of August 1, 2024 with an original term of twelve months.

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, 2024 and 2023.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

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

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. 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, 2024 and 2023, there were \$0 and \$14,015, respectively, of receivables written off. The Organization recorded an allowance for doubtful accounts of \$0 for the years ending June 30, 2024 and 2023, respectively.

Mortgage loans – 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, and are originated at a discount. The discount is reflected as a reduction in the carrying value of the loans, and is recognized monthly over the life of the mortgage. The recognition of discount income is suspended when a mortgage becomes uncollectible.

The Organization evaluates the substance of a sale and transfer of the mortgage loans under ASC 860, *Transfers and Servicing of Financial Assets*. ASC 860 states that the transaction should be reviewed to determine if there is continuing involvement with the transferred financial asset by the transferor. ASC 860 provides background on loan participation, and if the participation agreements constrains the transferee from pledging or exchanging its participating interest, and that constraint provides a more-than-trivial benefit to the transferor, the transferor has not relinquished control and shall account for the transfer as a secured borrowing.

The Organization may sell the rights to an undivided economic interest in certain mortgage loans, in accordance with one or more agreements entered into between the Organization and various purchasers. Funds received from the sale of mortgage loans to which the interest have been purchased are recognized as a secured borrowing to purchasers.

Allowance for credit losses – The Organization applies ASC 310, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, to its mortgage loan receivables. As required by the ASC, mortgage loan receivables are evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and changes in the general market that the Organization has exposure to. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the reserve for credit losses are made, when necessary, based on the results of analysis, the aging of receivables and historical and industry trends. The Organization periodically evaluates the impact of observable external factors on the collectability of the mortgage loan receivables to determine if adjustments to the reserve for credit losses should be made based on current conditions or reasonable and supportable forecasts. As of June 30, 2024 and 2023, the allowance for credit losses was \$0.

Merchandise inventory – Merchandise inventory includes furniture, household items, and other materials used for re-sale and operations at the Stores. For the years ended June 30, 2024 and 2023 Habitat estimated the value of donated inventory items are at fair value as determined by management using net sales of the months subsequent to year end. Purchased inventory is stated at the lower of cost (retail method) or market.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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

Secured borrowings - From time to time, the Organization has sold portions of its loan portfolio to financial institutions as a source of liquidity. The Organization evaluates the substance of the sale and transfer of the loans under Accounting Standards Codification (“ASC”) 860. ASC 860 states that the transaction should be reviewed to determine if there is continuing involvement with the transferred financial assets by the transferor. If the sale agreement contains continuing involvement which constrains the transferee, the transferor has not relinquished control and shall account for the transfer as a secured borrowing. The sales of the loans are classified as secured borrowings due to certain repurchase obligations associated with these loan sales. No specific repurchase requests exist as of June 30, 2024 and 2023, and accordingly, no allowance for credit losses is considered necessary. The Company historically has not experienced significant repurchase requests.

As the Organization has a contingent recourse obligation to the purchaser for the remaining unpaid mortgage balance for any mortgage loan that ends up in default, upon payment for a defaulted mortgage loan, Habitat receives full ownership rights of the mortgage loan, which helps mitigate the Organization’s financial exposure related to these transactions. As such, these transactions have been accounted for as a secured borrowing.

Revenues and other support – Contributions and grants, including unconditional promises to give, recognized in accordance with the 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.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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.

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.

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 \$0 as of June 30, 2024 and 2023, respectively.

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

	2024	2023
ReStore inventory	\$ 5,096,851	\$ 4,678,025
Homes, lots, and construction materials	38,375	47,439
Donated services	24,034	76,171
Operational supplies	-	6,189
Total contributed nonfinancial assets	\$ 5,159,260	\$ 4,807,824

- 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.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

- 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").

Although these services did not meet the criteria for recognition in the financial statements, unpaid volunteers provided approximately 47,000 and 46,827 volunteer hours during the years ended June 30, 2024 and 2023, 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 \$93,354 and \$124,071 for the years ended June 30, 2024 and 2023, 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 FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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, 2024 and 2023 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. The Organization is no longer subject to income tax examinations by taxing authorities for years before 2020.

Recently issued accounting standards – In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which requires the allowance for credit losses to reflect management’s current estimate of credit losses that are expected to occur over the remaining life of the financial asset.

The Organization adopted the standard effect July 1, 2023 and did not have a material impact to the financial statements.

(2) 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, 2024 and 2023 as they are anticipated to be received in less than one year. As of June 30, 2024 and 2023, grants and contributions receivable consisted of the following:

	2024	2023
Contracts	\$ 53,104	\$ 115,804
Grants and contributions	10,772	28,100
Total grants and contributions receivable	63,876	143,904
Less: Allowance for doubtful accounts	-	-
Grants and contributions receivable, net	\$ 63,876	\$ 143,904

(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, 2024 and 2023. As of June 30, 2024 and 2023, merchandise inventory consisted of the following:

	2024	2023
Purchased inventory	\$ 133,151	\$ 183,078
Donated inventory	412,927	524,604
Merchandise inventory	\$ 546,078	\$ 707,682

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

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

As of June 30, 2024, construction in progress and property available for sale consisted of 11 homes, which were either in the process of being constructed and/or rehabilitated or which were complete and available for sale, and 28 plots of land. During the year ended June 30, 2024, 11 houses were sold. As of June 30, 2023, construction in progress and property available for sale consisted of 14 homes, which were either in the process of being constructed and/or rehabilitated or which were complete and available for sale, and 20 plots of land. During the year ended June 30, 2023, 12 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) Property and equipment

At June 30, 2024 and 2023, property and equipment, net consisted of the following:

	2024		
	Affiliate	ReStore	Total
Cost			
Land	\$ 33,186	\$ 1,033,929	\$ 1,067,115
Buildings and improvements	5,393,857	5,730,073	11,123,930
Construction equipment	35,064	-	35,064
Vehicles	182,811	386,583	569,394
Office equipment	246,913	492,921	739,834
Total cost	<u>5,891,831</u>	<u>7,643,506</u>	<u>13,535,337</u>
Less: Accumulated depreciation	<u>(1,063,623)</u>	<u>(1,362,326)</u>	<u>(2,425,949)</u>
Property and equipment, net	<u>\$ 4,828,208</u>	<u>\$ 6,281,180</u>	<u>\$ 11,109,388</u>
	2023		
	Affiliate	ReStore	Total
Cost			
Land	\$ 33,186	\$ 1,033,929	\$ 1,067,115
Buildings and improvements	5,393,857	5,730,073	11,123,930
Construction equipment	35,064	-	35,064
Vehicles	182,811	345,370	528,181
Office and warehouse equipment	233,953	447,012	680,965
Total cost	<u>5,878,871</u>	<u>7,556,384</u>	<u>13,435,255</u>
Less: Accumulated depreciation	<u>(837,772)</u>	<u>(1,050,590)</u>	<u>(1,888,362)</u>
Property and equipment, net	<u>\$ 5,041,099</u>	<u>\$ 6,505,794</u>	<u>\$ 11,546,893</u>

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(6) 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 8.02% and 7.85% during the years ended June 30, 2024 and 2023, respectively. The discount will be recognized as interest income over the terms of the mortgages. Habitat had 378 and 352 mortgage loans receivable at June 30, 2024 and 2023, respectively.

During the year ended June 30, 2023, Habitat entered into an agreement to sell its interest in certain mortgages receivables to a bank. Habitat continues to service these loans on the bank's behalf, and the bank prepaid the entire service fee at the date of the agreement. See Note 8 for additional information.

The balances of mortgage loans held at June 30, 2024 and 2023 are as follows:

	2024	2023
Mortgage loans receivable, unpledged	\$ 10,872,002	\$ 9,914,766
Mortgage loans receivable, pledged	4,753,019	4,961,943
Mortgage loans receivable	15,625,021	14,876,709
Less: Unamortized discount	(8,079,514)	(7,576,613)
Mortgage loans receivable, net of unamortized discount	7,545,507	7,300,096
Less: Current portion	(819,509)	(809,224)
Non-current portion	\$ 6,725,998	\$ 6,490,872

Maturities on mortgage notes receivables are as follows for the years ended June 30:

2025	\$ 819,509
2026	802,447
2027	782,085
2028	762,135
2029	744,242
Thereafter	11,714,603
Total	\$ 15,625,021

In connection with the Organization's internal reporting, management regularly reviews its mortgage loans portfolio to determine whether any loans require classification as delinquent, as required by applicable reporting requirements. A delinquent mortgage is considered nonperforming if no payment has been received in the previous 180 days and no attempt has been made by the homeowner to contact Habitat to work out a payment plan. As of June 30, 2024 and 2023 the Organization had no mortgage loans receivable which it considered delinquent. 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 allowance has been established for uncollectible loans.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(6) Mortgage loans receivable (continued)

The following tables set forth the balances of the mortgage loans receivable at June 30, 2024 and 2023 by type.

	2024	2023
Current	\$ 14,941,831	\$ 14,592,079
30-59 days delinquent	336,555	118,757
60-89 days delinquent	225,020	744
Greater than 90 days delinquent	121,615	165,129
Total	\$ 15,625,021	\$ 14,876,709

(7) Foreclosed residential real estate properties

During the years ended June 30, 2024 and 2023, 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, 2024 and 2023, respectively.

(8) Secured borrowings

Habitat has transferred, with recourse, mortgage notes to financial institutions. Under the terms of transfer and servicing arrangements, Habitat retains full responsibility for any defaults or delinquencies. Under FASB ASC 860, *Accounting for Transfer and Servicing of Finance Assets*, the transfers are accounted for as secured borrowings and are included in the liability section of the statement of financial position. Habitat has entered into two such agreements.

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 \$38,542 and \$58,651 at June 30, 2024 and 2023, 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. As this sale was completed with recourse, Habitat accounts for the transaction in accordance with FASB ASC 860, *Accounting for Transfer and Servicing of Finance Assets*, whereby the transferor and transferer account for the transfer as a secured borrowing with a pledge of collateral.

During the year ended June 30, 2023, Habitat entered into an agreement whereby it sold a package of mortgage loans receivable to a local financial institution with an original value of \$4,968,286. The agreement requires, among other things, that should a mortgage default on the payment on a loan, and the default not be cured within an established number of days per the agreement, Habitat is required to either substitute the loan with a performing loan of equitable terms, balance, and property or repurchase the loan. In the event that a substitute loan is provided, Habitat will be reimbursed for the excess of the outstanding principal balance of the replacement loan over the outstanding principal of the loan being replaced. As this sale was completed with recourse, Habitat accounts for the transaction in accordance with FASB ASC 860, *Accounting for Transfer and Servicing of Finance Assets*, whereby the transferor and transferer account for the transfer as a secured borrowing with a pledge of collateral.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(8) Secured borrowings (continued)

The present value of the liability for these transferred mortgage notes was \$2,018,471 and \$1,965,347, respectively, as of the years ended June 30, 2024 and 2023. Future principal payments of transferred mortgages notes are as follows:

<u>Years ending June 30,</u>	
2025	\$ 200,365
2026	197,680
2027	190,402
2028	184,002
2029	183,468
Thereafter	<u>3,797,102</u>
Total	<u><u>\$ 4,753,019</u></u>

Deferred revenue from prepaid servicing fees amounts to \$282,738 and \$294,055, respectively, as of the years ended June 30, 2024 and 2023.

(9) Notes payable

Mortgage loans and construction notes payable consist of the following at June 30, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
<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>	\$ 27,477	\$ 53,040
<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>	1,772,858	1,833,055
<p>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.</p>	3,212,263	3,324,264

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(9) Notes payable (continued)

	2024	2023
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.	<u>3,585,254</u>	<u>3,706,325</u>
Total long-term debt	8,597,852	8,916,684
Less: current portion	<u>(352,031)</u>	<u>(337,709)</u>
Non-current portion	<u>\$ 8,245,821</u>	<u>\$ 8,578,975</u>

Maturities on long-term debt are as follows:

<u>Years ending June 30,</u>			
2025		\$	352,031
2026			3,281,400
2027			3,342,172
2028			66,372
2029			69,814
Thereafter			<u>1,486,063</u>
Total		<u>\$</u>	<u>8,597,852</u>

(10) Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2024 and 2023:

	2024	2023
Construction	\$ 53,309	\$ 309,253
Home Preservation Program	11,046	69,059
Linwood Building Renovation	-	27,192
Homeowner Assistance	-	193,863
Homeowner Service Expenditures	148,121	-
Scholarship	38,925	48,922
Other	<u>25,500</u>	<u>3,001</u>
Total net assets with restrictions	<u>\$ 276,901</u>	<u>\$ 651,290</u>

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(10) Net assets with donor restrictions (continued)

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, 2024 and 2023 were as follows:

	2024	2023
Construction	\$ 484,788	\$ 307,790
Home Preservation Program	67,852	306,537
Linwood Building Renovation	-	50,000
Homeowner Assistance	-	157,025
Homeowner Service Expenditures	218,182	
Scholarship	10,000	-
Operations	-	34,000
Other	15,000	309
	\$ 795,822	\$ 855,661
Total releases from net assets with restrictions		

(11) Transfers

The statements of activities and change in net assets and the statements of cash flows for the years ended June 30, 2024 and 2023 show transfers of \$1,235,054 and \$1,480,361, respectively, from ReStore to the Affiliate. These represent operating transfers from ReStore's change in net assets as of June 30, 2024 and 2023.

(12) Operating leases

Habitat has four building operating leases, one for its Kansas office and three for its ReStore locations, with expirations ranging from 2025 to 2029. Habitat also has equipment operating leases with expiration in November 2025. Expenses related to these leases were \$363,927 and \$385,259 during the years ended June 30, 2024 and 2023, respectively.

The future minimum lease payments under non-cancelable lease agreements as of June 30, 2024 are as follows:

Years Ending June 30.

2025	\$ 322,820
2026	249,274
2027	90,288
2028	90,288
Thereafter	28,784
Subtotal	781,454
Less amount representing interest	(34,476)
Total	\$ 746,978

In addition, the adoption of the leasing standard ASC 842 requires the disclosure of other information pertaining to the operating cash flows from operating leases, the weighted-average remaining lease term for the operating leases, and the weighted average discount rate for the operating leases. These items are disclosed below for the year ended June 30, 2024 and 2023.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(12) Operating leases (continued)

The Organization had a non-cash investing and financing activity in the amount of \$382,121, related to right-of-use assets financed with operating lease liabilities recorded in connection with the implementation of Topic 842.

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use ("ROU") assets and lease liabilities for its space and certain equipment. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidating statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. The Organization did not have any ROU assets related to finance leases as of June 30, 2024 and 2023.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. As of June 30, 2024 the weighted average of the remaining lease terms is 3.00 years. The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization uses the risk-free rate for the term of the lease based on the information available at the commencement date to determine the present value of lease payments, which resulted in an average rate of 2.96% at June 30, 2024. During the year ended June 30, 2023 the year of adoption, the rate utilized matched the risk-free rate as of July 1, 2022 for the remaining term of the lease.

The Organization has elected not to record leases for an initial term of 12 months or less on the statement of activities and changes in net assets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

(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, 2024 and 2023 totaled \$140,833 and \$145,000, respectively.

HABITAT FOR HUMANITY OF KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

(14) 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.

Refer to the statement of cash flows which identifies the sources and uses of Habitat's cash. As of June 30, 2024 and 2023 the following financial assets could be made available within one year of the statement of financial position date to meet general obligations.

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,755,857	\$ 4,242,169
Certificate of deposit	2,100,888	1,004,075
Accounts receivable	42,230	833
Grants and contributions receivable	63,876	143,904
Current portion of non-interest bearing mortgage loans, net	819,509	809,224
Financial assets available for general expenditures	<u>\$ 4,782,360</u>	<u>\$ 6,200,205</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, 2024 and 2023. Habitat does not intend to use the reserve; however, it is available for general expenditures as needed.

(15) Risks and uncertainties

Habitat has received federal grants that are subject to review, audit, and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although the Habitat expects such amounts, if any, to be insignificant.

(16) Subsequent events

Habitat has evaluated subsequent events through March 28, 2025, which is the date the financial statements were available to be issued. One significant matter was identified for disclosure during this evaluation. During September 2024, the Organization entered into an agreement to sell approximately \$620,000 of its mortgage portfolio to a local financial institution.