

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2025 AND 2024**



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YEARS ENDED JUNE 30, 2025 AND 2024**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Habitat for Humanity of Kansas City  
Kansas City, Missouri

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Habitat for Humanity of Kansas City (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Other Matter***

The 2024 financial statements for Habitat for Humanity of Kansas City were audited by other auditors whose report dated March 28, 2025, expressed an unmodified opinion on those financial statements.

### **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 within one year after the date that these 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, 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.

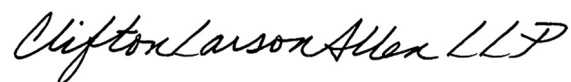
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Supplementary Information**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Kansas City, Missouri  
April 28, 2026

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2025**

| <b>ASSETS</b>                             | <u>Affiliate</u>            | <u>ReStore</u>             | <u>Total</u>                |
|-------------------------------------------|-----------------------------|----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>                     |                             |                            |                             |
| Cash and Restricted Cash                  | \$ 2,975,298                | \$ -                       | \$ 2,975,298                |
| Certificates of Deposit                   | 2,199,744                   | -                          | 2,199,744                   |
| Investments                               | 25,473                      | -                          | 25,473                      |
| Accounts Receivable                       | 12,946                      | 5,168                      | 18,114                      |
| Grants and Contributions Receivable, Net  | 7,230                       | -                          | 7,230                       |
| Merchandise Inventory                     | -                           | 585,574                    | 585,574                     |
| Property Held for Sale and Development    | 399,583                     | -                          | 399,583                     |
| Construction in Progress, Net             | 3,010,481                   | -                          | 3,010,481                   |
| Current Portion of Mortgage Loans, Net    | 793,005                     | -                          | 793,005                     |
| Prepaid Expenses                          | 39,118                      | 16,203                     | 55,321                      |
| Total Current Assets                      | <u>9,462,878</u>            | <u>606,945</u>             | <u>10,069,823</u>           |
| <br><b>FIXED ASSETS</b>                   |                             |                            |                             |
| Property and Equipment, Net               | 5,289,835                   | 5,960,291                  | 11,250,126                  |
| <br><b>OTHER ASSETS</b>                   |                             |                            |                             |
| Deposits                                  | 11,057                      | 10,000                     | 21,057                      |
| Servicing Fee Valuation                   | 160,859                     | -                          | 160,859                     |
| Mortgage Loans, Net, Less Current Portion | 6,463,028                   | -                          | 6,463,028                   |
| Right-of-Use Assets                       | -                           | 867,314                    | 867,314                     |
| Total Other Assets                        | <u>6,634,944</u>            | <u>877,314</u>             | <u>7,512,258</u>            |
| <br>Total Assets                          | <u><u>\$ 21,387,657</u></u> | <u><u>\$ 7,444,550</u></u> | <u><u>\$ 28,832,207</u></u> |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2025**

|                                                        | <u>Affiliate</u>     | <u>ReStore</u>      | <u>Total</u>         |
|--------------------------------------------------------|----------------------|---------------------|----------------------|
| <b>LIABILITIES AND NET ASSETS</b>                      |                      |                     |                      |
| <b>CURRENT LIABILITIES</b>                             |                      |                     |                      |
| Accounts Payable                                       | \$ 462,438           | \$ 56,124           | \$ 518,562           |
| Accrued Liabilities                                    | 126,739              | 140,888             | 267,627              |
| Other Current Liabilities                              | -                    | 30,474              | 30,474               |
| Right-of-Use Lease Liabilities, Current Portion        | -                    | 316,337             | 316,337              |
| Deferred Servicing Fees, Current Portion               | 11,317               | -                   | 11,317               |
| Notes Payable, Current Portion                         | 3,087,551            | 222,824             | 3,310,375            |
| Secured Borrowings, Current Portion                    | 195,240              | -                   | 195,240              |
| Total Current Liabilities                              | <u>3,883,285</u>     | <u>766,647</u>      | <u>4,649,932</u>     |
| <b>NONCURRENT LIABILITIES</b>                          |                      |                     |                      |
| Deferred Servicing Fees, Less Current Portion          | 280,270              | -                   | 280,270              |
| Mortgage Escrow Deposits Held                          | 518,259              | -                   | 518,259              |
| Right-of-Use Lease Liabilities, Less Current Portion   | -                    | 559,636             | 559,636              |
| Notes Payable, Less Current Portion                    | -                    | 4,930,966           | 4,930,966            |
| Secured Borrowing, Net of Discount and Current Portion | 1,743,404            | -                   | 1,743,404            |
| Total Noncurrent Liabilities                           | <u>2,541,933</u>     | <u>5,490,602</u>    | <u>8,032,535</u>     |
| Total Liabilities                                      | 6,425,218            | 6,257,249           | 12,682,467           |
| <b>NET ASSETS</b>                                      |                      |                     |                      |
| Without Donor Restrictions:                            |                      |                     |                      |
| Undesignated                                           | 14,375,075           | 1,187,301           | 15,562,376           |
| Total Without Donor Restrictions                       | 14,375,075           | 1,187,301           | 15,562,376           |
| With Donor Restrictions                                | 587,364              | -                   | 587,364              |
| Total Net Assets                                       | <u>14,962,439</u>    | <u>1,187,301</u>    | <u>16,149,740</u>    |
| Total Liabilities and Net Assets                       | <u>\$ 21,387,657</u> | <u>\$ 7,444,550</u> | <u>\$ 28,832,207</u> |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2024**

|                                           | <u>Affiliate</u>         | <u>ReStore</u>          | <u>Total</u>             |
|-------------------------------------------|--------------------------|-------------------------|--------------------------|
| <b>ASSETS</b>                             |                          |                         |                          |
| <b>CURRENT ASSETS</b>                     |                          |                         |                          |
| Cash and Restricted Cash                  | \$ 2,602,580             | \$ -                    | \$ 2,602,580             |
| Certificates 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                      | <u>6,945,224</u>         | <u>546,078</u>          | <u>7,491,302</u>         |
| <b>FIXED ASSETS</b>                       |                          |                         |                          |
| Property and Equipment, Net               | 4,828,208                | 6,281,180               | 11,109,388               |
| <b>OTHER ASSETS</b>                       |                          |                         |                          |
| Deposits                                  | 8,585                    | 10,000                  | 18,585                   |
| Servicing Fee Valuation                   | 167,566                  | -                       | 167,566                  |
| Mortgage Loans, Net, Less Current Portion | 6,725,998                | -                       | 6,725,998                |
| Right-of-Use Assets                       | 44,593                   | 1,165,847               | 1,210,440                |
| Total Other Assets                        | <u>6,946,742</u>         | <u>1,175,847</u>        | <u>8,122,589</u>         |
| <br>Total Assets                          | <br><u>\$ 18,720,174</u> | <br><u>\$ 8,003,105</u> | <br><u>\$ 26,723,279</u> |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2024**

|                                                        | Affiliate     | ReStore      | Total         |
|--------------------------------------------------------|---------------|--------------|---------------|
| <b>LIABILITIES AND NET ASSETS</b>                      |               |              |               |
| <b>CURRENT LIABILITIES</b>                             |               |              |               |
| 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     |
| <b>NONCURRENT LIABILITIES</b>                          |               |              |               |
| Deferred Servicing Fees, Less Current Portion          | 271,421       | -            | 271,421       |
| Mortgage Escrow Deposits Held                          | 437,584       | -            | 437,584       |
| Right-of-Use Lease Liabilities, Less Current Portion   | 1,215         | 849,919      | 851,134       |
| Notes Payable, Less Current Portion                    | 3,081,732     | 5,164,435    | 8,246,167     |
| Secured Borrowing, 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    |
| <b>NET ASSETS</b>                                      |               |              |               |
| Without Donor Restrictions:                            |               |              |               |
| Undesignated                                           | 10,956,874    | 1,337,500    | 12,294,374    |
| Board-Designated                                       | 790,497       | -            | 790,497       |
| Total Without Donor Restrictions                       | 11,747,371    | 1,337,500    | 13,084,871    |
| 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 accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2025**

|                                                         | Affiliate            | ReStore             | Total                |
|---------------------------------------------------------|----------------------|---------------------|----------------------|
| <b>WITHOUT DONOR RESTRICTIONS:</b>                      |                      |                     |                      |
| <b>REVENUES</b>                                         |                      |                     |                      |
| Net Program Service Revenue:                            |                      |                     |                      |
| Sales                                                   | \$ 324,638           | \$ 5,414,737        | \$ 5,739,375         |
| Less: Cost of Goods Sold                                | -                    | 4,815,795           | 4,815,795            |
| Net Income on Sales                                     | 324,638              | 598,942             | 923,580              |
| Interest Income on Mortgage Loans                       | 790,625              | -                   | 790,625              |
| Other Program Revenue                                   | 296,433              | -                   | 296,433              |
| Total Net Program Service Revenue                       | 1,411,696            | 598,942             | 2,010,638            |
| Grants, Contributions, and Other Revenue:               |                      |                     |                      |
| Government Contributions                                | 2,902,396            | -                   | 2,902,396            |
| Contributions                                           | 3,613,588            | -                   | 3,613,588            |
| Contributions of Nonfinancial Assets                    | 572,188              | 4,319,567           | 4,891,755            |
| Total Grants, Contributions, and Other Revenue          | 7,088,172            | 4,319,567           | 11,407,739           |
| Net Assets Released from Restrictions                   | 61,500               | -                   | 61,500               |
| Total Revenues                                          | 8,561,368            | 4,918,509           | 13,479,877           |
| <b>EXPENSES</b> (Exclusive of Programmatic Sales)       |                      |                     |                      |
| Program Services                                        | 5,545,898            | 3,715,866           | 9,261,764            |
| Management and General                                  | 826,335              | -                   | 826,335              |
| Fundraising                                             | 914,273              | -                   | 914,273              |
| Total Expenses                                          | 7,286,506            | 3,715,866           | 11,002,372           |
| <b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b> | 1,274,862            | 1,202,643           | 2,477,505            |
| <b>WITH DONOR RESTRICTIONS:</b>                         |                      |                     |                      |
| <b>RESTRICTED CONTRIBUTIONS</b>                         | 371,963              | -                   | 371,963              |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>            | (61,500)             | -                   | (61,500)             |
| <b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>    | 310,463              | -                   | 310,463              |
| <b>TOTAL CHANGES IN NET ASSETS</b>                      | 1,585,325            | 1,202,643           | 2,787,968            |
| Net Assets - Beginning of Year                          | 12,024,272           | 1,337,500           | 13,361,772           |
| Transfers                                               | 1,352,842            | (1,352,842)         | -                    |
| <b>NET ASSETS - END OF YEAR</b>                         | <u>\$ 14,962,439</u> | <u>\$ 1,187,301</u> | <u>\$ 16,149,740</u> |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2024**

|                                                         | Affiliate            | ReStore             | Total                |
|---------------------------------------------------------|----------------------|---------------------|----------------------|
| <b>WITHOUT DONOR RESTRICTIONS:</b>                      |                      |                     |                      |
| <b>REVENUES</b>                                         |                      |                     |                      |
| Net Program Service Revenue:                            |                      |                     |                      |
| Sales                                                   | \$ 756,410           | \$ 5,903,200        | \$ 6,659,610         |
| Less: Cost of Goods Sold                                | -                    | 5,388,392           | 5,388,392            |
| Net Income on Sales                                     | 756,410              | 514,808             | 1,271,218            |
| Interest Incoe on Mortgage Loans                        | 428,555              | -                   | 428,555              |
| Other Program Revenue                                   | 359,442              | -                   | 359,442              |
| Total Net Program Service Revenue                       | 1,544,407            | 514,808             | 2,059,215            |
| Grants, Contributions, and Other Revenue:               |                      |                     |                      |
| Government Contributions                                | 372,979              | -                   | 372,979              |
| Contributions                                           | 1,880,003            | -                   | 1,880,003            |
| Contributions of Nonfinancial Assets                    | -                    | 5,159,260           | 5,159,260            |
| Total Grants, Contributions, and Other Revenue          | 2,252,982            | 5,159,260           | 7,412,242            |
| Net Assets Released from Restrictions                   | 795,822              | -                   | 795,822              |
| Total Revenues                                          | 4,593,211            | 5,674,068           | 10,267,279           |
| <b>EXPENSES</b> (Exclusive of Programmatic Sales)       |                      |                     |                      |
| Program Services                                        | 5,146,233            | 4,630,487           | 9,776,720            |
| Management and General                                  | 997,767              | -                   | 997,767              |
| Fundraising                                             | 992,477              | -                   | 992,477              |
| Total Expenses                                          | 7,136,477            | 4,630,487           | 11,766,964           |
| <b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b> | (2,543,266)          | 1,043,581           | (1,499,685)          |
| <b>WITH DONOR RESTRICTIONS:</b>                         |                      |                     |                      |
| <b>RESTRICTED CONTRIBUTIONS</b>                         | 421,433              | -                   | 421,433              |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>            | (795,822)            | -                   | (795,822)            |
| <b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>    | (374,389)            | -                   | (374,389)            |
| <b>TOTAL CHANGES IN NET ASSETS</b>                      | (2,917,655)          | 1,043,581           | (1,874,074)          |
| Net Assets - Beginning of Year                          | 13,706,873           | 1,528,973           | 15,235,846           |
| Transfers                                               | 1,235,054            | (1,235,054)         | -                    |
| <b>NET ASSETS - END OF YEAR</b>                         | <u>\$ 12,024,272</u> | <u>\$ 1,337,500</u> | <u>\$ 13,361,772</u> |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2025**

|                                                                                                                                          | Affiliate           | ReStore             | Total<br>Program<br>Services | Management<br>and General | Fundraising       | Total<br>Expenses    |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|------------------------------|---------------------------|-------------------|----------------------|
| Wages and Salaries                                                                                                                       | \$ 1,410,259        | \$ 1,798,408        | \$ 3,208,667                 | \$ 321,952                | \$ 488,389        | \$ 4,019,008         |
| Payroll Taxes and Employee Benefits                                                                                                      | 254,194             | 389,405             | 643,599                      | 115,035                   | 85,465            | 844,099              |
| Contract Labor                                                                                                                           | 833,329             | -                   | 833,329                      | -                         | -                 | 833,329              |
| Occupancy                                                                                                                                | 78,274              | 717,609             | 795,883                      | 28,640                    | 31,322            | 855,845              |
| Taxes and Insurance                                                                                                                      | 372,506             | -                   | 372,506                      | -                         | -                 | 372,506              |
| Operational Expenses                                                                                                                     | 211,552             | 99,533              | 311,085                      | 146,967                   | 200,720           | 658,772              |
| Payments to Affiliates                                                                                                                   | 40,000              | 10,000              | 50,000                       | 49,667                    | 10,000            | 109,667              |
| Professional Fees                                                                                                                        | 805,303             | -                   | 805,303                      | -                         | -                 | 805,303              |
| Office Expense                                                                                                                           | 7,643               | 38,178              | 45,821                       | 11,615                    | 9,369             | 66,805               |
| Conferences, Conventions, and Meetings                                                                                                   | 77,145              | -                   | 77,145                       | -                         | -                 | 77,145               |
| Depreciation                                                                                                                             | 114,588             | 320,889             | 435,477                      | 48,255                    | 42,960            | 526,692              |
| Interest                                                                                                                                 | 47,690              | 209,833             | 257,523                      | 46,256                    | 38,384            | 342,163              |
| Other                                                                                                                                    | 32,314              | 132,011             | 164,325                      | 57,948                    | 7,664             | 229,937              |
| Direct Cost of Home Sales, Including<br>Adjustments of Construction in Progress<br>and Property Held for Sale to Net<br>Realizable Value | 1,261,101           | -                   | 1,261,101                    | -                         | -                 | 1,261,101            |
| Direct Cost of Goods Sold                                                                                                                | -                   | 4,815,795           | 4,815,795                    | -                         | -                 | 4,815,795            |
| Subtotal Including Cost of Sales                                                                                                         | 5,545,898           | 8,531,661           | 14,077,559                   | 826,335                   | 914,273           | 15,818,167           |
| Direct Cost of Goods Sold                                                                                                                | -                   | (4,815,795)         | (4,815,795)                  | -                         | -                 | (4,815,795)          |
| Total Expenses by Function                                                                                                               | <u>\$ 5,545,898</u> | <u>\$ 3,715,866</u> | <u>\$ 9,261,764</u>          | <u>\$ 826,335</u>         | <u>\$ 914,273</u> | <u>\$ 11,002,372</u> |
| Percentage of Functional Expenses                                                                                                        |                     |                     | 84.2%                        | 7.5%                      | 8.3%              | 100.0%               |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2024**

|                                                                                                                                          | Affiliate           | ReStore             | Total<br>Program<br>Services | Management<br>and General | Fundraising       | Total<br>Expenses    |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|------------------------------|---------------------------|-------------------|----------------------|
| 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 Expense                                                                                                                           | 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<br>Adjustments of Construction in Progress<br>and Property Held for Sale to Net<br>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 Expenses by Function                                                                                                               | <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                                                                                                        |                     |                     | 83.1%                        | 8.5%                      | 8.4%              | 100.0%               |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2025**

|                                                   | Affiliate           | ReStore      | Total               |
|---------------------------------------------------|---------------------|--------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>       |                     |              |                     |
| Changes in Net Assets                             | \$ 2,938,167        | \$ (150,199) | \$ 2,787,968        |
| Adjustments to Reconcile Changes in Net Assets to |                     |              |                     |
| Net Cash Provided by Operating Activities:        |                     |              |                     |
| Depreciation                                      | 205,803             | 320,889      | 526,692             |
| Net Contributed Inventory Activity                | -                   | -            | -                   |
| Donated Investments                               | (25,473)            |              | (25,473)            |
| Net Mortgage Loan Discount Activity               | 718,868             | -            | 718,868             |
| Issuance of mortgage loans receivable             | (1,086,780)         |              | (1,086,780)         |
| Amortization of Deferred Servicing Rights         | 15,556              | -            | 15,556              |
| Non-Cash Contributions                            | (532,280)           | -            | (532,280)           |
| Changes in Operating Assets and Liabilities:      |                     |              |                     |
| Accounts Receivable                               | 29,284              | (5,168)      | 24,116              |
| Grants and Contributions Receivable               | 56,646              | -            | 56,646              |
| Merchandise Inventory                             | -                   | -            | -                   |
| Property Held for Sale and Development            | 48,861              | -            | 48,861              |
| Construction in Progress                          | (2,206,695)         | -            | (2,206,695)         |
| Prepaid Expenses                                  | 24,793              | (55,699)     | (30,906)            |
| ROU Asset                                         | 44,593              | 298,533      | 343,126             |
| Deposits                                          | (2,472)             | -            | (2,472)             |
| Accounts Payable                                  | 111,785             | (687)        | 111,098             |
| Accrued Liabilities                               | (164,209)           | 140,888      | (23,321)            |
| Other Current Liabilities                         | (11,467)            | (3,440)      | (14,907)            |
| Mortgage Escrow Deposits Held in Trust            | 80,675              | -            | 80,675              |
| Operating Lease Liabilities                       | (22,022)            | (344,186)    | (366,208)           |
| Net Cash Provided by Operating Activities         | 223,633             | 200,931      | 424,564             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                     |              |                     |
| Purchase of Certificate of Deposit                | (98,856)            | -            | (98,856)            |
| Purchase of Property and Equipment                | (330,000)           | -            | (330,000)           |
| Payments Received on Mortgage Loans Receivable    | 852,236             | -            | 852,236             |
| Net Cash Provided by Investing Activities         | 423,380             | -            | 423,380             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |                     |              |                     |
| Repayment of Notes Payable                        | (155,926)           | (200,931)    | (356,857)           |
| Payments on Secured Borrowings                    | (118,369)           | -            | (118,369)           |
| Net Cash Used by Financing Activities             | (274,295)           | (200,931)    | (475,226)           |
| <b>NET CHANGE IN CASH AND RESTRICTED CASH</b>     | 372,718             | -            | 372,718             |
| Cash and Restricted Cash - Beginning of Year      | 2,602,580           | -            | 2,602,580           |
| <b>CASH AND RESTRICTED CASH - END OF YEAR</b>     | <u>\$ 2,975,298</u> | <u>\$ -</u>  | <u>\$ 2,975,298</u> |
| <b>RECONCILIATION OF CASH AND RESTRICTED CASH</b> |                     |              |                     |
| <b>TO THE STATEMENTS OF FINANCIAL POSITION</b>    |                     |              |                     |
| Cash                                              |                     |              | \$ 1,781,444        |
| Restricted Cash                                   |                     |              | 1,193,854           |
| Total                                             |                     |              | <u>\$ 2,975,298</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW</b>       |                     |              |                     |
| <b>INFORMATION</b>                                |                     |              |                     |
| Cash Paid for Interest                            |                     |              | <u>\$ 342,163</u>   |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2024**

|                                                   | Affiliate           | ReStore      | Total               |
|---------------------------------------------------|---------------------|--------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>       |                     |              |                     |
| Changes in Net Assets                             | \$ (1,682,601)      | \$ (191,473) | \$ (1,874,074)      |
| Adjustments to Reconcile Changes in Net Assets to |                     |              |                     |
| Net Cash Provided (Used) by 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               |
| Changes 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 Provided (Used) by Operating Activities  | (2,268,393)         | 334,052      | (1,934,341)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                     |              |                     |
| 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 Used by Investing Activities             | (123,812)           | (95,030)     | (218,842)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |                     |              |                     |
| Repayment of Notes Payable                        | (79,464)            | (239,022)    | (318,486)           |
| Payments on Secured Borrowings                    | (215,990)           | -            | (215,990)           |
| Net Cash Used by Financing Activities             | (295,454)           | (239,022)    | (534,476)           |
| <b>NET CHANGE IN CASH AND RESTRICTED CASH</b>     | (2,687,659)         | -            | (2,687,659)         |
| Cash and Restricted Cash - Beginning of Year      | 5,290,239           | -            | 5,290,239           |
| <b>CASH AND RESTRICTED CASH - END OF YEAR</b>     | <u>\$ 2,602,580</u> | <u>\$ -</u>  | <u>\$ 2,602,580</u> |

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF KANSAS CITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

**RECONCILIATION OF CASH AND RESTRICTED CASH  
TO THE STATEMENTS OF FINANCIAL POSITION**

|                 |                     |
|-----------------|---------------------|
| Cash            | \$ 1,755,857        |
| Restricted Cash | 846,723             |
| Total           | <u>\$ 2,602,580</u> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW  
INFORMATION**

|                        |                  |
|------------------------|------------------|
| Cash Paid for Interest | <u>\$ 21,501</u> |
|------------------------|------------------|

*See accompanying Notes to Financial Statements.*

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Since 1979, Habitat for Humanity of Kansas City (Habitat KC or the Organization) has served as a nonprofit housing organization in the Kansas City region, with a primary service area that includes Clay, Jackson, and Platte counties in Missouri and Johnson, Wyandotte and Leavenworth counties in Kansas. Guided by its mission to put God's love into action by bringing people together to build homes, communities, and hope, and by its vision of a world where everyone has a place to call home, Habitat KC helps empower families and individuals to obtain affordable homeownership that supports long-term stability, health, safety, and economic mobility.

Founded by John and Mary Pritchard as one of the earliest Habitat affiliates in the country, the Organization began with three homes near its current headquarters and has grown into the largest nonprofit homebuilder in the Kansas City area and the seventh-oldest affiliate of Habitat for Humanity International. Over nearly five decades, Habitat KC has expanded from a traditional homebuilding organization into a comprehensive housing provider that builds and rehabs homes, provides critical home repairs, offers down payment assistance, and delivers homeowner education and counseling.

Habitat KC's program model integrates development, preservation, education, and financing to support sustainable homeownership. The Organization is a HUD-certified housing counseling agency and a qualified loan originator, providing both individual and group education services. Through financial coaching and HUD-approved homebuyer education, participants receive guidance on budgeting, credit, mortgage readiness, and long-term homeownership responsibilities. Individuals work toward key benchmarks, including stable income, sufficient savings, and a qualifying credit profile, before being approved for homeownership opportunities.

Eligible participants may purchase either a newly constructed Habitat KC home or a home on the open market. Homes are sold using affordable mortgage products, typically structured so that housing costs do not exceed 30% of the homeowner's monthly income. Habitat KC services these mortgages and continues to support homeowners to promote long-term success and housing stability.

In addition to homeownership, Habitat KC provides Home Preservation Services, which deliver critical repairs and accessibility modifications for low-income homeowners. These services address health, safety, and aging-in-place needs, helping residents remain in their homes and maintain long-term housing stability.

Habitat KC also operates ReStore retail locations across the Kansas City region, which sell donated building materials, furniture, and home goods. Proceeds from these operations directly support the Organization's housing programs.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Operations (Continued)**

Through its programs and services, Habitat KC addresses the long-term impacts of housing inequities, including historic disinvestment and barriers to credit access, while operating in accordance with fair housing principles. Its volunteer-driven model engages the broader community in building and preserving affordable housing, strengthening neighborhoods and expanding access to homeownership opportunities.

**Basis of Presentation**

Habitat KC'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 KC 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 KC.

*Net Assets Without Donor Restrictions* – 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 KC. 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* – Net assets subject to donor-imposed restrictions that may or will be met either by actions of Habitat KC 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 represent funds without donor restrictions 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, 2025 and 2024, Habitat KC's uninsured balances totaled \$2,391,703 and \$2,097,190, respectively. Habitat KC has not experienced any losses in such accounts and management believes the risk of loss is negligible.

**HABITAT FOR HUMANITY OF KANSAS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 statements of financial position. The restriction will lapse when the Organization's donor restrictions are satisfied or the contractual agreement expires.

**Certificate of Deposit**

The certificates of deposit held by the Organization are valued at Amortized Cost . Certificates of deposit held at June 30, 2025, have interest rates of 3.928% and 3.928%, and mature on April 23, 2025 and March 5, 2025, and were subsequently renewed with a new maturity dates of August 05, 2025 and October 24, 2025.

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.

**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 KC 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 KC writes off receivables when they become uncollectible. No allowance was deemed necessary at June 30, 2025 and 2024.

**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.

**Contracts, Grants, and Contributions Receivable (Continued)**

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, 2025 and 2024, there were no receivables that were written off. The Organization recorded an allowance for doubtful accounts of \$-0- for the years ending June 30, 2025 and 2024, respectively.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Mortgage Loans**

Mortgage loans receivable consist of noninterest-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 *Accounting Standards Codification (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 constrain 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.

The allowance for credit losses on mortgages is a valuation account that is deducted from the amortized cost basis of mortgages to present the net amount expected to be collected. The allowance for credit losses on mortgages is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Mortgage losses are charged off against the allowance for credit losses on mortgages when the Organization determines the mortgage balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on mortgages.

**HABITAT FOR HUMANITY OF KANSAS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Credit Losses (Continued)**

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, current information and events, probable that the Organization will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreements, or delinquencies.

The Organization maintains two separate portfolio segments of loans receivable. These portfolio segments and their risk characteristics are described as follows:

*Nonforgivable Mortgage Notes Receivable* – The degree of risk on residential mortgage lending is minimal due to the fact that all nonforgivable mortgage notes receivable are secured by property with fair values that generally exceed the uncollected balances.

*Transferred Mortgages Receivables* – The degree of risk on transferred mortgages receivable is minimal due to the fact that all transferred mortgages receivable are secured by property with fair values that generally exceed the uncollected balances.

The Organization did not believe the allowance for credit losses on mortgages receivable is material to the consolidated financial statements. As such, no allowance for credit losses related to mortgages receivable has been recorded as of June 30, 2025 and 2024.

**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, 2025, and 2024 Habitat KC 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.

**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:

|                            |               |
|----------------------------|---------------|
| Buildings and Improvements | 5 to 40 Years |
| Leasehold Improvements     | 5 to 20 Years |
| Construction Equipment     | 5 Years       |
| Warehouse Equipment        | 5 to 10 Years |
| Homes Used in Operations   | 15 Years      |
| Vehicles                   | 3 to 5 Years  |
| Office Equipment           | 7 to 15 Years |
| Computer Equipment         | 3 to 5 Years  |

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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, 2025 and 2024, 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 KC 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.

**Sale of Mortgages**

From time to time, the Organization sells portions of its mortgage loan portfolio to financial institutions to provide liquidity. The Organization evaluates each transfer in accordance with ASC 860, Transfers and Servicing, to determine whether the transaction qualifies as a sale or should be accounted for as a secured borrowing.

During the year, the Organization sold five mortgage loans to Hawthorn Bank pursuant to a Loan Sale and Servicing Agreement. The loans were sold without recourse, and the Organization transferred control of the loans, including all rights to the related cash flows. The Organization does not retain any obligation to absorb credit losses, other than standard representations and warranties related to documentation. Accordingly, the transaction qualified for sale accounting under ASC 860, and the loans were derecognized upon transfer.

The Organization continues to service the loans on behalf of Hawthorn Bank in exchange for a fixed servicing fee, which represents adequate compensation. The servicing arrangement does not constitute continuing involvement that would preclude sale accounting.

The purchase price approximated the carrying value of the loans at the date of sale, and therefore no gain or loss was recognized.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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 contract; (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 is 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 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, 2025 and 2024, respectively.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions of Nonfinancial Assets**

In September 2020, the Financial Accounting Standards Board (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 nonprofit entities which receive contributed nonfinancial assets. The new standard requires the Organization to present contributed nonfinancial assets as a separate line item on the 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.

|                                         | 2025                | 2024                |
|-----------------------------------------|---------------------|---------------------|
| ReStore Inventory                       | \$ 4,319,567        | \$ 5,096,851        |
| Homes, Lots, and Construction Materials | 13,488              | 38,375              |
| Donated Real Property                   | 357,730             | -                   |
| Donated Services                        | 6,120               | 24,034              |
| Donated Mortgage Receivables            | 194,850             | -                   |
| Total                                   | <u>\$ 4,891,755</u> | <u>\$ 5,159,260</u> |

*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 KC for its programs.

*Donated Services* – Habitat KC recognizes donated services that create or enhance nonfinancial 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 KC 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 KC's program and supporting services which do not meet the requirements of the *Not-For-Profit* topic of the FASB 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 40,100 and 47,000 volunteer hours during the years ended June 30, 2025 and 2024, respectively, which were critical to the construction of homes being built. Through the Habitat KC 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.

**HABITAT FOR HUMANITY OF KANSAS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 changes 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 KC charges all advertising costs to expenses as they are incurred. Total advertising costs were \$76,326 and \$93,354 for the years ended June 30, 2025 and 2024, respectively.

**Taxes**

Habitat KC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization. In addition, Habitat KC 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 KC'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 KC. No accrual has been recorded at June 30, 2025 and 2024 as management does not believe any material uncertainties exist. However, Habitat KC'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 2021.

**HABITAT FOR HUMANITY OF KANSAS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revisions**

Certain revisions of amounts previously reported have been made to the accompanying financial statements. In footnote 14 of the financial statements, the disclosure of the financial assets available for general expenditures for the prior year has been revised to \$ 3,714,962. The revision had no impact on previously reported net assets.

**Subsequent Events**

The Organization has evaluated subsequent events through April 28, 2026, the date the financial statements were available to be issued.

**NOTE 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 KC's outstanding promises to give at June 30, 2025 and 2024 as they are anticipated to be received in less than one year.

As of June 30, grants and contributions receivable consisted of the following:

|                                          | 2025            | 2024             |
|------------------------------------------|-----------------|------------------|
| Contracts                                | \$ -            | \$ 53,104        |
| Grants and Contributions                 | 7,230           | 10,772           |
| Total                                    | 7,230           | 63,876           |
| Less: Allowance for Doubtful Accounts    | -               | -                |
| Grants and Contributions Receivable, Net | <u>\$ 7,230</u> | <u>\$ 63,876</u> |

**NOTE 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, 2025 and 2024.

As of June 30, merchandise inventory consisted of the following:

|                             | 2025              | 2024              |
|-----------------------------|-------------------|-------------------|
| Purchased Inventory         | \$ 214,104        | \$ 133,151        |
| Donated Inventory           | 371,470           | 412,927           |
| Total Merchandise Inventory | <u>\$ 585,574</u> | <u>\$ 546,078</u> |

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 4 CONSTRUCTION IN PROGRESS AND PROPERTY AVAILABLE FOR SALE AND DEVELOPMENT**

As of June 30, 2025, 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 27 plots of land. During the year ended June 30, 2025, 6 houses were sold. 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. 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.

**NOTE 5 PROPERTY AND EQUIPMENT**

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

|                                | 2025                |                     |                      |
|--------------------------------|---------------------|---------------------|----------------------|
|                                | Affiliate           | ReStore             | Total                |
| Land                           | \$ 88,756           | \$ 1,033,929        | \$ 1,122,685         |
| Buildings and Improvements     | 6,005,717           | 5,730,073           | 11,735,790           |
| Construction Equipment         | 35,064              | -                   | 35,064               |
| Vehicles                       | 182,811             | 386,583             | 569,394              |
| Office Equipment               | 246,913             | 492,921             | 739,834              |
| Total at Cost                  | 6,559,261           | 7,643,506           | 14,202,767           |
| Less: Accumulated Depreciation | (1,269,426)         | (1,683,215)         | (2,952,641)          |
| Property and Equipment, Net    | <u>\$ 5,289,835</u> | <u>\$ 5,960,291</u> | <u>\$ 11,250,126</u> |

|                                | 2024                |                     |                      |
|--------------------------------|---------------------|---------------------|----------------------|
|                                | Affiliate           | ReStore             | Total                |
| 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 at Cost                  | 5,891,831           | 7,643,506           | 13,535,337           |
| Less: Accumulated Depreciation | (1,063,623)         | (1,362,326)         | (2,425,949)          |
| Property and Equipment, Net    | <u>\$ 4,828,208</u> | <u>\$ 6,281,180</u> | <u>\$ 11,109,388</u> |

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 6 MORTGAGE LOANS RECEIVABLE**

Mortgage loans receivable consist of noninterest-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 8.01% and 8.02% during the years ended June 30, 2025 and 2024, respectively. The discount will be recognized as interest income over the terms of the mortgages. Habitat KC had 254 and 262 mortgage loans receivable at June 30, 2025 and 2024, respectively.

During the year ended June 30, 2023, Habitat KC entered into an agreement to sell its interest in certain mortgages receivable to a bank. Habitat KC 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 are as follows:

|                                                        | <u>2025</u>                | <u>2024</u>                |
|--------------------------------------------------------|----------------------------|----------------------------|
| Mortgage Loans Receivable, Unpledged                   | \$ 10,693,129              | \$ 10,872,002              |
| Mortgage Loans Receivable, Pledged                     | <u>4,530,060</u>           | <u>4,753,019</u>           |
| Total                                                  | 15,223,189                 | 15,625,021                 |
| Less: Unamortized Discount                             | <u>(7,967,156)</u>         | <u>(8,079,514)</u>         |
| Mortgage Loans Receivable, Net of Unamortized Discount | 7,256,033                  | 7,545,507                  |
| Less: Current Portion                                  | <u>(793,005)</u>           | <u>(819,509)</u>           |
| Mortgage Loans Receivable , Noncurrent Portion         | <u><u>\$ 6,463,028</u></u> | <u><u>\$ 6,725,998</u></u> |

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

| <u>Year Ending June 30,</u> | <u>Amount</u>               |
|-----------------------------|-----------------------------|
| 2026                        | \$ 793,005                  |
| 2027                        | 782,793                     |
| 2028                        | 777,717                     |
| 2029                        | 766,125                     |
| 2030                        | 758,937                     |
| Thereafter                  | 11,344,612                  |
| Total                       | <u><u>\$ 15,223,189</u></u> |

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 KC to work out a payment plan. As of June 30, 2025 and 2024 the Organization had no mortgage loans receivable which it considered delinquent. Habitat KC 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**  
**JUNE 30, 2025 AND 2024**

**NOTE 6 MORTGAGE LOANS RECEIVABLE (CONTINUED)**

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

|                                 | 2025                 | 2024                 |
|---------------------------------|----------------------|----------------------|
| Current                         | \$ 14,290,835        | \$ 14,941,831        |
| 30 to 59 Days Delinquent        | 577,495              | 336,555              |
| 60 to 89 Days Delinquent        | 264,024              | 225,020              |
| Greater than 90 Days Delinquent | 90,835               | 121,615              |
| Total                           | <u>\$ 15,223,189</u> | <u>\$ 15,625,021</u> |

**NOTE 7 FORECLOSED RESIDENTIAL REAL ESTATE PROPERTIES**

During the years ended June 30, 2025 and 2024, Habitat KC 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, 2025 and 2024, respectively.

**NOTE 8 SECURED BORROWINGS**

Habitat KC has transferred, with recourse, mortgage notes to financial institutions. Under the terms of transfer and servicing arrangements, Habitat KC 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 statements of financial position. Habitat KC has entered into two such agreements.

In 1998, Habitat KC 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 \$9,610 and \$38,542 at June 30, 2025 and 2024, respectively. Habitat KC has guaranteed the performance of these loans to MHDC. Should the borrower default on their payments, Habitat KC has the option of making these payments for the borrower to MHDC, or to replace the nonperforming loan with one that is performing. As this sale was completed with recourse, Habitat KC 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**  
**JUNE 30, 2025 AND 2024**

**NOTE 8 SECURED BORROWINGS (CONTINUED)**

During the year ended June 30, 2023, Habitat KC 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 KC 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 KC 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 KC 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.

The present value of the liability for these transferred mortgage notes was \$1,929,034 and \$2,018,471, respectively, as of the years ended June 30, 2025 and 2024. Future principal payments of transferred mortgage notes are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>       |
|-----------------------------|---------------------|
| 2026                        | \$ 195,240          |
| 2027                        | 183,438             |
| 2028                        | 183,438             |
| 2029                        | 183,438             |
| 2030                        | 183,438             |
| Thereafter                  | 1,009,652           |
| Total                       | <u>\$ 1,938,644</u> |

Deferred revenue from prepaid servicing fees amounts to \$291,587 and \$282,738, respectively, as of the years ended June 30, 2025 and 2024.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 9    NOTES PAYABLE**

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

| <u>Description</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <u>2025</u>     | <u>2024</u>      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| 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.                                                                                                                                                                                                                                                                                                                                                                                             | \$        4,231 | \$        27,477 |
| 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, principal and interest payments of \$11,895 beginning February 4, 2022 at 3.99% per annum, and principal and interest payments of \$11,910 beginning June 7, 2023 at 3.99% per annum, principal and interest payments of \$11,910 beginning May 7, 2025 at 5.97% per annum, and a lump sum payment of all outstanding principal and interest upon maturity. The note is collateralized by the Martin City Restore real estate and was subject to certain financial covenants. | 1,707,896       | 1,772,858        |

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 9    NOTES PAYABLE (CONTINUED)**

| <u>Description</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <u>2025</u>                | <u>2024</u>                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Construction loan with Central Bank of the Midwest, with a loan maximum of \$3,500,000 and a maturity date of April 18, 2026, which is pending an extension. Payment terms are as follows: 12 consecutive interest only payments commencing on March 8, 2021; 47 monthly principal and interest payments of \$21,220 commencing on March 8, 2022 at 3.95% per annum; 3 monthly interest and principal payments of \$21,220 at 6.00% per annum, 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. | \$ 3,083,320               | \$ 3,212,263               |
| 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: 12 consecutive interest only payments commencing on August 1, 2021; 47 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>3,445,894</u>           | <u>3,585,600</u>           |
| Total Long-Term Debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 8,241,341                  | 8,598,198                  |
| Less: Current Portion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <u>3,310,375</u>           | <u>352,031</u>             |
| Total Noncurrent Portion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <u><u>\$ 4,930,966</u></u> | <u><u>\$ 8,246,167</u></u> |

Maturities on long-term debt are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>              |
|-----------------------------|----------------------------|
| 2026                        | \$ 3,310,375               |
| 2027                        | 3,379,001                  |
| 2028                        | <u>1,551,965</u>           |
| Total                       | <u><u>\$ 8,241,341</u></u> |

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

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

|                                               | 2025              | 2024              |
|-----------------------------------------------|-------------------|-------------------|
| Subject to Expenditure for Specified Purpose: |                   |                   |
| Construction                                  | \$ 347,743        | \$ 53,309         |
| Home Preservation Program                     | 83,575            | 11,046            |
| Homeowner Service Expenditures                | 117,121           | 148,121           |
| Scholarship                                   | 38,925            | 38,925            |
| Other                                         | -                 | 25,500            |
| Total Net Assets With Donor Restrictions      | <u>\$ 587,364</u> | <u>\$ 276,901</u> |

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

|                                             | 2025             | 2024              |
|---------------------------------------------|------------------|-------------------|
| Satisfaction of Purpose Restrictions:       |                  |                   |
| Construction                                | \$ 25,500        | \$ 484,788        |
| Home Preservation Program                   | -                | 67,852            |
| Homeowner Service Expenditures              | 36,000           | 218,182           |
| Scholarship                                 | -                | 10,000            |
| Other                                       | -                | 15,000            |
| Total Net Assets Released from Restrictions | <u>\$ 61,500</u> | <u>\$ 795,822</u> |

**NOTE 11 TRANSFERS**

The statements of activities and change in net assets for the years ended June 30, 2025 and 2024 show transfers of \$1,150,958 and \$1,235,054, respectively, from ReStore to the Affiliate. These represent operating transfers from ReStore's change in net assets as of June 30, 2025 and 2024.

**NOTE 12 OPERATING LEASES**

Habitat KC has three building operating leases, for its ReStore locations, with expirations ranging from 2026 to 2030. Expenses related to these leases were \$317,193 and \$363,927 during the years ended June 30, 2025 and 2024, respectively.

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 12 OPERATING LEASES (CONTINUED)**

The following tables provides quantitative information concerning the Organization's leases at June 30:

|                                                   | <u>2025</u> |
|---------------------------------------------------|-------------|
| Lease Cost:                                       |             |
| Finance Lease Cost:                               |             |
| Amortization of right-of-use assets               | \$ 7,054    |
| Interest on lease liabilities                     | 1,247       |
| Operating Lease Cost                              | 317,193     |
| Other Information:                                |             |
| Cash Paid for Amounts Included in the             |             |
| Measurement of Lease Liability:                   |             |
| Operating Cash Flows from Finance Leases          | \$ 1,247    |
| Operating Cash Flows from Operating Leases        | \$ 312,522  |
| Financing Cash Flows from finance Leases          | \$ 6,625    |
| Right-of-Use Assets Obtained in Exchange for New  |             |
| Operating Lease Liabilities                       | \$ 241,008  |
| Weighted- Average Remaining Lease Term -          |             |
| Operating Leases                                  | 3.7 Years   |
| Financing Leases                                  | 3.3 Years   |
| Weighted-Average Discount Rate - Operating Leases | 4.25%       |
| Weighted-Average Discount Rate - Financing Leases | 4.56%       |

The future minimum lease payments under noncancelable lease agreements as of June 30, 2025 are as follows:

| <u>Year Ending June 30.</u>        | <u>Amount</u>            |
|------------------------------------|--------------------------|
| 2026                               | \$ 347,586               |
| 2027                               | 215,585                  |
| 2028                               | 158,447                  |
| 2029                               | 129,878                  |
| 2030                               | 97,408                   |
| Thereafter                         | -                        |
| Total Lease Payments               | <u>948,904</u>           |
| Less: Interest                     | <u>(72,931)</u>          |
| Present Value of Lease Liabilities | <u><u>\$ 875,973</u></u> |

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 12 OPERATING LEASES (CONTINUED)**

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 years ended June 30, 2025 and 2024.

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 nonlease 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 nonlease 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 nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements 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, 2025 and 2024.

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, 2025, and 2024 the weighted average of the remaining lease terms is 3.7 years and 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 a weighted average discount rate of 4.25 % and 2.96% at June 30, 2025, and 2024.

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

**HABITAT FOR HUMANITY OF KANSAS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 13 TRANSACTIONS WITH NATIONAL AFFILIATE**

Habitat KC 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, 2025 and 2024 totaled \$122,907 and \$140,833, respectively.

**NOTE 14 LIQUIDITY**

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

Refer to the statements of cash flows which identifies the sources and uses of Habitat KC's cash. As of June 30, 2025 and 2024 the following financial assets could be made available within one year of the statement of financial position date to meet general obligations.

|                                                            | 2025                | 2024                |
|------------------------------------------------------------|---------------------|---------------------|
| Cash                                                       | \$ 1,781,444        | \$ 1,755,857        |
| Certificate of Deposit                                     | 2,199,744           | 2,100,888           |
| Investments                                                | 25,473              | -                   |
| Accounts Receivable                                        | 18,114              | 42,230              |
| Grants and Contributions Receivable                        | 7,230               | 63,876              |
| Current Portion of Noninterest-Bearing Mortgage Loans, Net | 793,005             | 819,509             |
| Total Financial Assets                                     | <u>4,825,010</u>    | <u>4,782,360</u>    |
| Less:                                                      |                     |                     |
| Net Assets with Donor Restrictions                         | (587,364)           | (276,901)           |
| Board Designated Net Assets                                | -                   | (790,497)           |
| Financial Assets Available for General Expenditure         | <u>\$ 4,237,646</u> | <u>\$ 3,714,962</u> |

Deposits were not included above as management does not expect to receive them within one year of the statement of financial position date. The board designated net assets listed above can be utilized for operations upon approval by the board.



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

Board of Directors  
Habitat for Humanity of Kansas City  
Kansas City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Kansas City (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2026.

**Report on Internal Control Over Financial Reporting**

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

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

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

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, and 2025-003 that we consider to be significant deficiencies.

***Report on Compliance and Other Matters***

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

***Habitat for Humanity of Kansas City's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Habitat for Humanity of Kansas City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Habitat for Humanity of Kansas City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of this Report***

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



**CliftonLarsonAllen LLP**

Kansas City, Missouri  
April 28, 2026



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

Board of Directors  
Habitat for Humanity of Kansas City  
Kansas City, Missouri

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Habitat for Humanity of Kansas City's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal for the year ended June 30, 2025. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2025.

#### ***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Habitat for Humanity of Kansas City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-004 and 2025-005, to be significant deficiencies.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



**CliftonLarsonAllen LLP**

Kansas City, Missouri  
April 28, 2026

**HABITAT FOR HUMANITY OF KANSAS CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025**

| Federal Grantor/Pass through Grantor/<br>Program or Cluster Title                                          | Assistance<br>Listing<br>Number (ALN) | Pass Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------|-------------------------|
| <b>U.S. Department of Housing and Urban Development (HUD)</b>                                              |                                       |                                                 |                         |
| Passed Through the Unified Government of Wyandotte County:                                                 |                                       |                                                 |                         |
| Home Investment Partnerships Program:                                                                      |                                       |                                                 |                         |
| 939 Ann                                                                                                    | 14.239                                | M-16-MC-20-0001                                 | \$ 4,990                |
| 1137 Penn                                                                                                  | 14.239                                | M-16-MC-20-0001                                 | 153,861                 |
| 1213 Penn                                                                                                  | 14.239                                | M-16-MC-20-0001                                 | 87,903                  |
| 1267 Shawnee                                                                                               | 14.239                                | M-21-MC-20-0001                                 | 115,823                 |
| 1261 Shawnee                                                                                               | 14.239                                | M-22-MC-20-0001                                 | 159,126                 |
| Subtotal ALN 14.239 Home Investment Partnerships Program                                                   |                                       |                                                 | <u>521,703</u>          |
| Passed Through the National Community Reinvestment Coalition:                                              |                                       |                                                 |                         |
| FY23 Comprehensive Housing Counseling Assistance Program                                                   | 14.169                                | CLSS00000116618                                 | 9,032                   |
| FY24 Comprehensive Housing Counseling Assistance Program                                                   | 14.169                                | CPAP000001492044                                | 9,342                   |
| Subtotal ALN 14.169 Housing Counseling Assistance Program                                                  |                                       |                                                 | <u>18,374</u>           |
| Passed Through Habitat For Humanity International:                                                         |                                       |                                                 |                         |
| Capacity Building for Community Development and Affordable Housing -<br>Advancing Black Ownership Catalyst | 14.252                                | B-21-CB-GA-0001                                 | 45,831                  |
| Subtotal ALN 14.252 Capacity Building for Community Development<br>and Affordable Housing                  |                                       |                                                 | <u>45,831</u>           |
| Passed Through the City of Overland Park:                                                                  |                                       |                                                 |                         |
| Overland Park - Community Development Block Grants                                                         | 14.218                                | B-23-MC-20-0002                                 | 43,552                  |
| Subtotal ALN 14.218 Community Development Block Grants                                                     |                                       |                                                 | <u>43,552</u>           |
| Total U.S. Department of Housing and Urban Development (HUD)                                               |                                       |                                                 | <u>629,460</u>          |
| <b>U.S. Department of the Treasury</b>                                                                     |                                       |                                                 |                         |
| Passed Through the Johnson County Government:                                                              |                                       |                                                 |                         |
| COVID-19: Coronavirus State and Local Fiscal Recovery Funds - Infrastructure Pathways                      | 21.027                                | 18-4000006-27                                   | 950,000                 |
| COVID-19: Coronavirus State and Local Fiscal Recovery Funds - Land Acquisition                             | 21.027                                | 18-4000006-46                                   | 330,000                 |
| Subtotal ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds                                      |                                       |                                                 | <u>1,280,000</u>        |
| Passed Through the State of Missouri Department of Economic Development:                                   |                                       |                                                 |                         |
| COVID-19: Missouri ARPA Community Revitalization Grant Program                                             | 21.027                                | 34186607                                        | 274,861                 |
| Subtotal ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds                                      |                                       |                                                 | <u>274,861</u>          |
| Passed Through the KCMO Housing and Community Development Department:                                      |                                       |                                                 |                         |
| COVID-19: Rebuild KC Grant Program                                                                         | 21.027                                | 2022-0104                                       | 499,994                 |
| Subtotal ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds                                      |                                       |                                                 | <u>499,994</u>          |
| Total U.S. Department of the Treasury                                                                      |                                       |                                                 | <u>2,054,855</u>        |
| Total Expenditures of Federal Awards                                                                       |                                       |                                                 | <u>\$ 2,684,315</u>     |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HABITAT FOR HUMANITY OF KANSAS CITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Habitat for Humanity of Kansas City (the Organization) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Habitat for Humanity of Kansas City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST RATE**

Habitat for Humanity of Kansas City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 4 SUBRECIPIENTS**

Habitat for Humanity of Kansas City did not provide federal funding to subrecipients as of June 30, 2025.

**HABITAT FOR HUMANITY OF KANSAS CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2025**

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***Section I – Summary of Auditors' Results***

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***Financial Statements***

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

**Assistance Listing Number(s)**

21.027

**Name of Federal Program or Cluster**

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$   750,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        x   no

**HABITAT FOR HUMANITY OF KANSAS CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section II – Financial Statement Findings***

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**2025-001 – Lack of Lease Accounting Internal Controls and Policies**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Condition:** The Organization did not maintain controls that were properly designed and operating effectively to ensure the compliance and accurate identification, measurement, review and timely recording of lease-related balances and activity in conformity with the applicable financial reporting framework.

**Criteria or specific requirement:** Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

**Effect:** An audit adjusting journal entry was required to correct the recorded balances associated with right-of-use assets, lease liabilities, and related lease expense.

**Cause:** Lack of lease accounting controls.

**Repeat Finding:** No.

**Recommendation:** We recommend that management establish and/or revise policies, procedures and internal controls related to the review and recording of transactions associated with the areas impacted.

**Views of responsible official:** There is no disagreement with the audit finding.

**HABITAT FOR HUMANITY OF KANSAS CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section II – Financial Statement Findings (Continued)***

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**2025-002 – Journal Entry Review Controls**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Condition:** The VP of Finance, who is responsible for reviewing journal entries prepared by other staff accountants, maintains administrative access to QuickBooks Online (QBO). Further, there is no secondary review of entries posted by the VP of Finance.

**Criteria or specific requirement:** Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

**Effect:** Management override of controls and posting of unsupported journal entries. Lack of secondary review of all entries posted.

**Cause:** Vice President of Finance has administrative access to financial related applications, causing a lack of segregation of duties.

**Repeat Finding:** No.

**Recommendation:** We recommend that management establish and/or revise policies, procedures and internal controls related to the review and recording of transactions. We also recommend that a member of management who is not responsible for posting journal entries should maintain the administrative rights to financial related applications. Policies should further be implemented to ensure all entries, including those posted by the Vice President of Finance, have a secondary review performed by a different individual.

**Views of responsible official:** There is no disagreement with the audit finding.

**HABITAT FOR HUMANITY OF KANSAS CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section II – Financial Statement Findings (Continued)***

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**2025-003 – Timing of Reimbursement Revenue Recognition**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Condition:** Management recognizes reimbursement revenue only when allowable costs are billed to grantors, rather than as costs are incurred.

**Criteria or specific requirement:** Management is responsible for adopting sound accounting policies and establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

**Effect:** The effect of this finding is the reimbursable revenue may be delayed in recognition, causing a mismatch in revenues and expenses.

**Cause:** Improper Revenue Recognition.

**Repeat Finding:** No.

**Recommendation:** We recommend that management establish and/or revise policies, procedures and internal controls related to the recognition of revenues in accordance with accounting principles generally accepted in the United States of America.

**Views of responsible official:** There is no disagreement with the audit finding.

**HABITAT FOR HUMANITY OF KANSAS CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2025-004 – Suspension and Debarment Verification**

**Federal Agency:** U.S. Department of the Treasury

**Federal Program Title:** Coronavirus State and Local Fiscal Recovery Funds

**Assistance Listing Number:** 21.027

**Pass-Through Agency:** Johnson County Government and KCMO Housing and Community Development Department

**Pass-Through Numbers:** SLFRF02226 and 2022-0104

**Award Period:** 3/3/2021-10/31/2026 and 3/19/2024-12/31/2024

**Type of Finding:** Significant Deficiency in Internal Control over Compliance

**Condition:** The Organization performed suspension and debarment verification for vendors; however, documentation evidencing the completion and timing of those verifications was not retained for compliance and permanent recordkeeping purposes.

**Criteria or specific requirement:** Uniform Guidance §200.213 and §200.318(c)(1) require non-Federal entities to ensure that covered transactions are not conducted with parties that are suspended or debarred and to maintain adequate records to demonstrate compliance with applicable Federal requirements.

**Cause:** The Organization did not have a formal process in place requiring retention of documentation supporting suspension and debarment verification for vendors.

**Effect:** Without adequate documentation, the Organization is unable to demonstrate compliance with Federal suspension and debarment requirements and could unknowingly contract with vendors that are not eligible to receive Federal funds.

**Repeat Finding:** No.

**Recommendation:** Management should implement a formal process to document and retain evidence of suspension and debarment verification for all applicable vendors, including verification dates. Management should also establish periodic review procedures to ensure continued vendor eligibility in accordance with Federal requirements.

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding.

**HABITAT FOR HUMANITY OF KANSAS CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section III – Findings and Questioned Costs – Major Federal Programs (Continued)***

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**2025-005 – Allowable Costs and Activities: Disbursement Approvals**

**Federal Agency:** U.S. Department of the Treasury

**Federal Program Title:** Coronavirus State and Local Fiscal Recovery Funds

**Assistance Listing Number:** 21.027

**Pass-Through Agency:** Johnson County Government and KCMO Housing and Community Development Department

**Pass-Through Numbers:** SLFRF02226 and 2022-0104

**Award Period:** 3/3/2021-10/31/2026 and 3/19/2024-12/31/2024

**Type of Finding:** Significant Deficiency in Internal Control over Compliance

**Condition:** During testing of cash disbursements, the Organization lacked evidence of the required level of review and approval for 2 of the 63 disbursements tested.

**Criteria:** Uniform Guidance §200.403(a) requires that costs charged to Federal awards be necessary, reasonable, and adequately documented. Additionally, §200.303 requires non-Federal entities to establish and maintain effective internal control over Federal awards to provide reasonable assurance that transactions are properly authorized and comply with applicable Federal requirements.

**Cause:** The Organization did not consistently document evidence of required approvals prior to processing disbursements.

**Effect:** Without adequate approval documentation, the Organization is at increased risk of processing unallowable or unauthorized costs and is unable to demonstrate that all disbursements were properly reviewed and approved in accordance with internal policies and Federal requirements.

**Repeat Finding:** No

**Recommendation:** Management should ensure that all disbursements are reviewed and approved in accordance with established policies prior to payment and that evidence of such approvals is properly documented and retained in the audit trail.

**Views of responsible officials:** There is no disagreement with the audit finding.

