

HABITAT FOR HUMANITY CHICAGO

Financial Statements

June 30, 2024 and 2023

HABITAT FOR HUMANITY CHICAGO

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BARNES, GIVENS & BARNES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS
200 EAST EVERGREEN AVENUE, SUITE 117
MOUNT PROSPECT, ILLINOIS 60056-3240
224-764-2442 FAX: 224-764-2448
bgbcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity Chicago

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity Chicago (an Illinois not-for-profit corporation) and related entity (collectively, the "Organization"), which comprises the consolidated statement of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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 the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information on pages 27 to 34 is also 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
November 22, 2024

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidated Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 3,823,316	\$ 736,232
Investments	676,068	3,837,217
Accounts receivable	20,000	56,806
Contributions receivable	164,145	297,450
Mortgages receivable - short-term, net	126,589	93,133
Donated materials inventory	117,165	114,624
Prepaid expenses	334	336
Construction in progress	2,534,721	2,056,486
Note receivable - short-term	3,192	3,192
Security deposit	71,187	38,110
Operating lease right-of-use asset - current	601,307	345,306
Total Current Assets	<u>8,138,024</u>	<u>7,578,892</u>
Fixed Assets		
Equipment and furniture	307,656	137,189
Cars and trucks	80,463	80,463
Less: accumulated depreciation	<u>(177,315)</u>	<u>(147,332)</u>
Total Fixed Assets	<u>210,804</u>	<u>70,320</u>
<u>Non-Current Assets</u>		
Mortgages receivable - long-term, net	2,593,099	2,220,926
Note receivable - long-term	64,369	67,559
Operating lease right-of-use asset - non-current	3,198,194	1,809,194
Intangible assets	<u>10,962</u>	<u>-</u>
Total Non-Current Assets	<u>5,866,624</u>	<u>4,097,679</u>
Total Assets	<u>\$ 14,215,452</u>	<u>\$ 11,746,891</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 456,978	\$ 336,621
Deferred revenue	-	-
Notes payable - current, net	251,945	183,418
Operating lease liability - current	603,996	308,856
Total Current Liabilities	1,312,919	828,895
<u>Long-Term Liabilities</u>		
Notes payable - long-term, net	5,565,315	3,921,998
Operating lease liability - non-current	3,245,181	1,873,809
Total Long-Term Liabilities	8,810,496	5,795,807
Total Liabilities	10,123,415	6,624,702
<u>Net Assets</u>		
Net assets without donor restrictions	3,495,774	4,447,675
Net assets with donor restrictions	596,263	674,514
Total Net Assets	4,092,037	5,122,189
Total Liabilities and Net Assets	\$ 14,215,452	\$ 11,746,891

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidated Statements of Activities
For the Years Ended June 30, 2024 and 2023

	2024	2023
Support and Revenue		
Individuals	\$ 800,097	\$ 1,246,422
Public	2,051,383	19,500
Corporations and foundations	1,447,427	1,097,338
Nonprofit and religious organizations	55,150	68,583
In-kind donations	246,200	112,777
Sales of homes	1,413,700	885,649
Special events income	988,394	937,409
Special events expense	(67,923)	(47,993)
ReStore income	1,613,734	1,580,852
Interest	115,692	119,199
Mortgage interest amortization	166,919	137,097
Miscellaneous	110,737	17,713
	<u>8,941,510</u>	<u>6,174,546</u>
Operating Expenses		
Program services-		
Construction and affordable homeownership	4,677,226	3,341,661
Other programming	1,415,463	898,840
ReStore	1,919,696	1,488,446
Total program services	<u>8,012,385</u>	<u>5,728,947</u>
Supporting services-		
Management and general	469,406	348,933
Fundraising	1,489,871	1,109,004
Total supporting services	<u>1,959,277</u>	<u>1,457,937</u>
Total Operating Expenses	<u>9,971,662</u>	<u>7,186,884</u>
Increase (Decrease) in Net Assets/Net Income (Loss)	(1,030,152)	(1,012,338)
Net Assets - Beginning of Year	<u>5,122,189</u>	<u>6,134,527</u>
Net Assets - End of Year	<u>\$ 4,092,037</u>	<u>\$ 5,122,189</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Statement of Functional Expenses - Habitat for Humanity Chicago
For the Year Ended June 30, 2024

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Construction and Affordable Homeownership	Other Programs	ReStore		Management and General	Fundraising		
Salaries and benefits	\$ 971,405	\$ 748,619	\$ 948,388	\$ 2,668,412	\$ 201,304	\$ 909,566	\$ 1,110,870	\$ 3,779,282
Payroll taxes	71,428	56,097	76,749	204,274	14,893	67,438	82,331	286,605
Dues and subscriptions	1,253	480	620	2,353	1,766	74,191	75,957	78,310
Insurance	51,003	68,002	67,973	186,978	57,543	34,002	91,545	278,523
Marketing	2,162	51,307	645	54,114	415	100,265	100,680	154,794
Supplies	89	235	-	324	4,062	154	4,216	4,540
Telephone and internet	984	1,172	4,708	6,864	260	1,172	1,432	8,296
Printing and postage	1,577	17,233	5,143	23,953	(456)	11,084	10,628	34,581
Professional services	206,158	11,452	11,618	229,228	124,237	172,252	296,489	525,717
Auto expense	3,057	-	12,905	15,962	-	-	-	15,962
Rent	55,098	41,466	583,282	679,846	20,192	20,732	40,924	720,770
Travel	7,163	27,247	3,245	37,655	7,460	2,468	9,928	47,583
Construction costs	177,329	-	-	177,329	-	-	-	177,329
Contract labor	25,934	51,837	-	77,771	-	-	-	77,771
Dedications	1,119	-	-	1,119	-	-	-	1,119
Grants	170,000	-	-	170,000	-	-	-	170,000
Neighborhood projects	-	139,313	-	139,313	-	-	-	139,313
Equipment and maintenance	999	1,344	16,882	19,225	487	665	1,152	20,377
Bank fees	-	-	45,634	45,634	4,393	41,514	45,907	91,541
Depreciation and amortization	-	-	19,877	19,877	11,792	-	11,792	31,669
Notes payable amortization	9,684	-	-	9,684	-	-	-	9,684
Mortgage discount	804,353	-	-	804,353	-	-	-	804,353
Bad debt expense - escrows	-	-	-	-	-	-	-	-
Construction in progress write-down	576,377	-	-	576,377	-	-	-	576,377
Outside services	29,057	-	12,500	41,557	2,018	-	2,018	43,575
Technology	13,631	34,796	9,950	58,377	12,695	38,314	51,009	109,386
Interest expense	-	-	-	-	474	-	474	474
Training	8,754	3,488	382	12,624	5,410	14,442	19,852	32,476
Tithe	-	147,976	-	147,976	-	-	-	147,976
Utilities	2,277	3,170	75,662	81,109	823	1,612	2,435	83,544
Cost of home sales	1,482,202	-	-	1,482,202	-	-	-	1,482,202
ReStore expenses	-	-	10,664	10,664	-	-	-	10,664
Miscellaneous	4,133	500	12,869	17,502	(362)	-	(362)	17,140
Total Functional Expenses	\$ 4,677,226	\$ 1,405,734	\$ 1,919,696	\$ 8,002,656	\$ 469,406	\$ 1,489,871	\$ 1,959,277	\$ 9,961,933

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Statement of Functional Expenses - Habitat for Humanity Chicago
For the Year Ended June 30, 2023

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Construction and Affordable Homeownership	Other Programs	ReStore		Management and General	Fundraising		
Salaries and benefits	\$ 763,521	\$ 501,255	\$ 770,823	\$ 2,035,599	\$ 191,639	\$ 719,323	\$ 910,962	\$ 2,946,561
Payroll taxes	58,667	37,909	60,065	156,641	14,250	54,633	68,883	225,524
Dues and subscriptions	1,850	-	630	2,480	1,616	43,965	45,581	48,061
Insurance	17,508	42,244	55,060	114,812	17,277	24,895	42,172	156,984
Marketing	160	11,796	75	12,031	109	56,157	56,266	68,297
Supplies	1,111	2,244	-	3,355	3,104	1,391	4,495	7,850
Telephone and internet	893	1,652	4,150	6,695	502	1,120	1,622	8,317
Printing and postage	1,014	9,541	2,646	13,201	553	39,587	40,140	53,341
Professional services	117,121	2,709	9,111	128,941	52,876	55,185	108,061	237,002
Auto expense	3,098	-	13,003	16,101	-	-	-	16,101
Rent	18,457	44,636	347,811	410,904	24,239	26,245	50,484	461,388
Travel	5,221	6,695	2,956	14,872	920	2,829	3,749	18,621
Construction costs	152,908	-	-	152,908	-	-	-	152,908
Contract labor	23,936	5,344	68	29,348	-	-	-	29,348
Dedications	516	-	-	516	-	-	-	516
Family services implementation	-	560	-	560	-	-	-	560
Neighborhood projects	-	84,204	-	84,204	-	-	-	84,204
Equipment and maintenance	365	983	8,380	9,728	310	517	827	10,555
Bank fees	-	-	42,735	42,735	3,860	44,241	48,101	90,836
Depreciation and amortization	-	-	3,856	3,856	11,423	-	11,423	15,279
Notes payable amortization	9,684	-	-	9,684	-	-	-	9,684
Mortgage discount	521,636	-	-	521,636	-	-	-	521,636
Bad debt expense - escrows	20,613	-	-	20,613	-	-	-	20,613
Construction in progress write-down	660,005	-	-	660,005	-	-	-	660,005
Outside services	19,590	-	74,862	94,452	2,800	-	2,800	97,252
Technology	14,390	28,968	9,412	52,770	15,118	31,653	46,771	99,541
Interest expense	-	-	-	-	279	-	279	279
Training	6,585	7,239	1,049	14,873	6,797	5,130	11,927	26,800
Tithe	-	97,000	-	97,000	-	-	-	97,000
Utilities	1,503	3,627	59,252	64,382	1,282	2,133	3,415	67,797
Cost of home sales	916,925	-	-	916,925	-	-	-	916,925
ReStore expenses	-	-	-	-	-	-	-	-
Miscellaneous	4,384	23	22,502	26,909	(21)	-	(21)	26,888
Total Functional Expenses	\$ 3,341,661	\$ 888,629	\$ 1,488,446	\$ 5,718,736	\$ 348,933	\$ 1,109,004	\$ 1,457,937	\$ 7,176,673

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (1,030,152)	\$ (1,012,338)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	31,669	15,279
Unrealized (gain) loss	-	(668)
Mortgage discount	804,353	526,916
(Increase) decrease in:		
Accounts receivable	36,806	(24,273)
Contributions receivable	133,305	526,000
Donated materials inventory	(2,541)	4,299
Prepaid expenses	2	40,545
Note receivable	3,190	4,522
Security deposit	(33,077)	-
Construction in progress	(478,235)	(376,021)
Right-of-use asset	(1,645,001)	305,598
Increase (decrease) in:		
Accounts payable	120,357	(31,891)
Deferred revenue	-	-
Operating lease liability	1,666,512	(355,994)
Net Cash Provided by (Used in) Operating Activities	(392,812)	(378,026)
Cash Flows from Financing Activities		
Proceeds (purchase) of investments	3,161,149	(3,836,548)
Loan proceeds/principal payments - net	1,711,844	742,902
Net Cash Provided by (Used in) Financing Activities	4,872,993	(3,093,646)
Cash Flows from Investing Activities		
Purchase of fixed assets	(183,115)	(36,400)
Change in mortgages receivable - net	(1,209,982)	(726,085)
Net Cash Provided by (Used in) Investing Activities	(1,393,097)	(762,485)
Net Increase (Decrease) in Cash and Cash Equivalents	3,087,084	(4,234,157)
Cash and Cash Equivalents - Beginning of Year	736,232	4,970,389
Cash and Cash Equivalents - End of Year	\$ 3,823,316	\$ 736,232
* * * * *		
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for:		
Income tax	\$ -	\$ -
Interest	\$ 9,729	\$ 10,211

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note A – Organization and Nature of Activities

Habitat for Humanity Chicago (“HFHC”) was incorporated in July 2002 as a not-for-profit organization and is an affiliate of Habitat for Humanity International, Inc. (“HFHI”). While HFHI assists with information resources, financial support in the form of loans and grants, technical support, and national partnerships, HFHC is an independently operated and governed entity. In 2006, HFHC merged operations of two other HFHI affiliates: Uptown Habitat for Humanity (Uptown) and Pilsen/Little Village Habitat for Humanity. As part of the merger, HFHC accepted the assets and assumed the liabilities of these affiliates. Nearly all the assets and liabilities of the affiliated organizations had been transferred to HFHC by June 30, 2008.

HFHC is committed to a world where everyone has a decent place to live. HFHC focuses its efforts in Chicago working for the betterment of all residents through developing physical and social assets to strengthen neighborhoods. Its primary program is an affordable homeownership program in which homes are built with buyers who complete classes and volunteer hours on their home and their neighbors’ homes. The homes are sold at no profit and financed with affordable loans.

HFHC strives to open homeownership opportunities to more Chicagoans through its Homebuyer University – a public program that introduces participants to all aspects of purchasing a home from financial planning and credit to assessing homes and neighborhoods to the responsibilities of homeownership. HFHC also operates programs that drive investments into its priority neighborhoods through small grants that build and enhance community assets while connecting neighbors.

Winthrop Habitat Limited Partnership (“Winthrop”) was formed as a Limited Partnership under the laws of the State of Illinois, on December 30, 1992, for the purpose of construction and operating a rental housing project. The Project consists of 18 units located in Chicago, Illinois, and is currently operating under the name of 5530 N. Winthrop, IHDA Development No. HTF149. Winthrop had one General Partner, Winthrop Habitat Development Corporation, which had a 1% interest, and one Limited Partner, Habitat for Humanity Chicago which had a 99% interest. Effective August 17, 2015, all of the assets and liabilities of Winthrop have been transferred to the Winthrop Apartments Cooperative and HFHC has recorded a loss on transfer of \$318,789, which was HFHC’s investment in Winthrop at the time of transfer. Winthrop continues to operate as a limited equity cooperative providing affordable housing with technical assistance provided by HFHC.

HFHC Funding Company I, LLC (“HFHC Funding”) was incorporated in January 2016 as a limited liability company and has taken title of a basket of mortgages receivable that have assigned as collateral for a Note Payable to PNC. In August 2018, September 2020, January 2021, August 2022 and February 2024, HFHC Funding has taken additional baskets of mortgages receivable that have been assigned as collateral for a Note Payable to Northern Trust. HFHC Funding is a wholly owned subsidiary of HFHC.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note A – Organization and Nature of Activities (continued)

Effective November 1, 2019, the ReStore located at 6040 N. Pulaski, Chicago, Illinois and operated by Habitat for Humanity of Northern Fox Valley (“HFHNFV”) has been assumed by the HFHC. ReStore is a social enterprise which donated new and used building supplies and home goods are sold to generate revenue. This option to assume the ReStore was agreed to by both entities on April 9, 2013 and was further affirmed in a Memorandum of Understanding dated June 13, 2018. HFHC gave formal notice of its intent to assume the ReStore on October 31, 2018 meeting the minimum one-year notice requirement. Both parties had a mutually agreeable management and transition plan that was effectuated. The revenue sharing agreement expired on January 1, 2023 with the final payment to Habitat Northern Fox Valley made on January 12, 2023. Moving forward, the ReStore will be solely operated by HFHC with all profits invested back into HFHC’s mission and operations. Effective September 19, 2023, HFHC entered into a 7-year lease with the purpose of opening and operating a second ReStore on the Southwest Side of Chicago, located at 6057 S. Western, Chicago, Illinois. All profits generated will be invested back into HFHC’s mission and operations.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of HFHC and HFHC Funding (collectively, the “Organization”) have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Consolidation

HFHC is engaged in the sponsorship of projects in the metropolitan Chicago, Illinois area, ranging from rehabilitation of existing housing to construction of new housing to providing people of modest means the opportunity of home ownership. In addition, HFHC has a wholly owned subsidiary, HFHC Funding, created for the purpose of collateralizing notes from PNC and Northern Trust Banks.

The accompanying consolidated financial statements include the accounts of Habitat for Humanity Chicago and its wholly owned subsidiary, after eliminating all intercompany transactions.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities and the related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (continued)

Revenue and Cost Recognition

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers* (Topic 606), as amended. The standard contains principles that an organization applies to determine the measurement of revenue and the timing of when it is recognized. The adoption of this accounting pronouncement did not result in significant changes in the timing of the Organization’s revenue recognition.

The Organization recognizes contributions of cash, securities and in-kind assets when received.

The Organization recognizes revenue from all homebuilding activities at the closing of the sale. During construction, all direct material and labor costs and those indirect costs, including insurance and real estate taxes, related to acquisition and construction are capitalized. Capitalized costs are charged to earnings upon closing. Selling, general and administrative costs are charged to expenses as incurred.

Mortgage Note Agreements contain provisions so that the Organization is entitled to a portion of the economic appreciation (the “Shared Appreciation”) of a mortgage property, if such property is sold, or if the related mortgage is defaulted on or entirely repaid, prior to a date established in the mortgage note agreement. This date is generally the tenth or fifteenth anniversary of the mortgage note. Shared appreciation is defined as the difference between the fair market value of the property sold before the end of the mortgage term or on a defaulted mortgage and is recognized upon collection from sale of the mortgage to a third party or resale of the underlying property.

Cash and Cash Equivalents

Cash equivalents are considered to be highly liquid depository accounts with a maturity of less than one year. Deposits held in all non-interest bearing transactional bank accounts and interest-bearing accounts are aggregated by entity and are fully insured up to \$250,000.

Construction in Progress

The land costs, materials, supplies, holding costs, and labor costs associated with each property are capitalized until the property is sold. At that time, the Organization recognizes revenue. The Organization also evaluates and adjusts the value of the property based upon the perceived fair market value of property at the time of measurement. However, the fair market value of mortgages associated with the properties under construction has not kept pace with the rising costs of construction. This creates a widening financial gap, where the cost to build a home is higher than the sales price or the affordable mortgage value that can be extended to qualifying homeowners.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (continued)

Construction in Progress (continued)

In accordance with accounting principles, this gap requires a write-down to align the carrying value of these properties with their recoverable amounts when sold, resulting in a Construction in progress write-down expense. As of June 30, 2024 and 2023, the expense booked to write down Construction in progress was \$576,377 and \$660,005, respectively.

Mortgages Receivable, Present Value Discount and Allowance for Doubtful Accounts

As part of its program services, the Organization sells new homes at a price which may be below the cost of construction and the market value of the homes. In connection with these sales, the Organization provides financing to the buyers through interest-free mortgages with a repayment term ranging from 15 to 30 years. Collateral for each of the loans is the property associated with the loan. The mortgages also have a shared appreciation provision which is effective if the owners sell the property before a stipulated date. Each mortgage balance is adjusted to present value using the imputed interest method, and the initial discount valuation is amortized over the life of the loan. The Organization uses the allowance method to estimate uncollectible mortgages receivable. Management reviews all individual mortgage receivable balances that exceed ninety (90) days from payment due date and based on the assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The Organization recognized bad debt expenses related to mortgage receivables of \$-0- and \$20,613 for the years ended June 30, 2024 and 2023, respectively.

Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability). A fair value measurement assumes that the transaction to sell an asset or to transfer a liability occurs either in the principal market (or in its absence, the most advantageous market) for the asset or liability.

For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. When a price for an identical asset or liability is not observable, the Organization measures fair value using other valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

As a result, the Organization's intent to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

Donated Materials Inventory

The Organization records inventories at net realizable value. Net realizable value is based on the selling price.

Fixed Assets

The Organization capitalizes all expenditures of \$500 or more for property and equipment. Items are stated at cost if purchased and at their estimated fair market value if donated. Depreciation expense is recognized as a cost of rendering services and included as an element of expense in the Organization's operations. Depreciation is computed under the straight-line method of depreciation and is treated as an expense. Assets are being depreciated over an estimated life of five years. Depreciation expense was \$29,983 and \$13,962 for the years ended June 30, 2024 and 2023, respectively.

Intangible Assets

Intangible assets are valued at cost and are amortized over their useful lives of three years. Amortization expense was \$1,686 and \$1,317 for the years ended June 30, 2024 and 2023, respectively.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. If the governing board were to designate from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, those funds would also fall under this category.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

In the Statement of Functional Expenses, all expenses are allocated to the appropriate programs and supporting services on the basis of actual expense. Certain expenses that are joint among all programs are allocated evenly across all of the programs.

Donated Materials and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed legal services of \$222,200 and \$112,777 were recognized as revenue for the years ended June 30, 2024 and 2023, respectively. Contributed goods to be used for fund raising purposes for use in the construction program, new office and other operational uses of \$24,000 and \$-0- were recognized as revenue for the years ended June 30, 2024 and 2023, respectively. Numerous volunteers have donated significant amounts of time to the Organization. However, no amounts have been reflected in the financial statements for those services.

Leases

The Organization determines if an arrangement is a lease or contains a lease at the inception of the contract. Operating leases are presented under the captions operating lease right-of-use (ROU) assets, current portion of operating lease liabilities, and long-term portion of operating lease liabilities in the accompanying Statement of Financial Position as of June 30, 2024. Finance leases are presented under the captions finance lease right-of-use (ROU) assets, current portion of finance lease liabilities, and long-term portion of finance lease liabilities in the accompanying Statement of Financial Position as of June 30, 2024 and 2023.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (continued)

Leases (continued)

Both operating lease and finance lease ROU assets and lease liabilities are initially measured at the present value of future lease payments over the lease term as determined at each lease's commencement date. In measuring assets and liabilities for certain classes of underlying assets, the Organization has elected a practical expedient to account for lease and nonlease components together as a single lease component. The Organization has used their incremental borrowing rate of 5.5% as the interest rate to discount lease payments.

Operating lease expense is recognized on a straight-line basis over the term of each lease. Finance lease expense is recognized in two separate components, interest expense on the lease liability and amortization of the right-of-use (ROU) asset. In the accompanying Statement of Activities for the year ended June 30, 2024 and 2023, the interest expense on the lease liabilities has been combined with other interest expense and displayed as a single number under the caption, other income (expenses), and the amortization of the ROU assets has been combined with other depreciation and amortization and displayed as components of cost of revenues and general and administrative expenses, respectively.

Operating lease ROU assets include all fixed contractual lease payments and initial direct costs incurred, less any lease incentives received from the lessor. Facility leases generally obligate the Organization for lease expense, but nonlease reimbursements to the lessor of the proportionate share of common area maintenance (CAM), and non-component reimbursements to the lessor of certain of the lessor's costs such as real estate taxes and lessor insurance premiums applicable to the leased property are not included because the CAM is a variable rate that depends on current market price and are expensed as incurred. As permitted by US GAAP, we have elected not to apply these new lease accounting policies to leases with a term of less than one year at the lease's commencement date. Expenses associated with these short-term leases are recognized on a straight-line basis over the term of the lease. The lease for commercial real estate contains options granting the Organization the right to renew or extend the term of the lease for specified option periods. The decision as to whether the Organization will exercise lease renewal options is generally at the Organization's sole discretion. The Organization includes lease extensions in the lease term when it is reasonably certain that the Organization will exercise the extension. The Organization's lease agreements do not contain any material variable lease payments, residual value guarantees, options to purchase leased assets, or restrictive covenants.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (continued)

Mortgage Discount

Although a mortgage loan is issued with a face value equal to the repayable portion of the purchase price of the house (less the down payment), this mortgage asset must have an allowance account credited against it because the Organization is also lending the money at a below-market rate (i.e., zero percent). This below-market rate is a non-cash, economic cost to the Organization and benefit to the homeowner that must be recognized in the accounting records according to GAAP. The allowance is estimated by discounting the note at the current market interest rate of similar mortgages.

Habitat for Humanity International develops a discount rate once a year, as of June 30. The calculation for the discount is a present value calculation. The original discount is amortized using straight-line amortization over the life of the mortgage. As of June 30, 2024 and 2023, this discount rate was calculated to be 8.02% and 7.85%, respectively.

Discounting is based on the GAAP requirement that receivables that are a contractual right to receive money in the future at a fixed or determinable date must be recorded at their present value. Present value is a time-value of money concept — in this case the current worth of a series of payments to be received in the future, discounted at compound interest. The difference between the face amount of the note and its present value is accounted for as a discount and amortized over the life of the note.

This mortgage discount is charged as a program services expense to a mortgage discount expense account and that each year a ratable amount of the discount should be amortized to a mortgage interest amortization revenue account. As of June 30, 2024 and 2023, non-cash mortgage discount expense was \$804,353 and \$526,916, respectively. As of June 30, 2024 and 2023, non-cash mortgage interest amortization revenue was \$166,919 and \$137,097, respectively.

Note C - Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization files Form 990, Return of Organization Exempt from Income Tax with the Federal government. The Organization also files Form AG990-IL, Illinois Charitable Organization Annual Report with the Attorney General of the State of Illinois. Management has determined that the Organization has no income tax liability as of June 30, 2024. The

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note C - Income Taxes (continued)

Organization has evaluated its tax positions and determined it has no uncertain tax positions at June 30, 2024. The Organization's 2021-2023 tax years are open for examination by the IRS and State of Illinois. Should the Organization's tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS.

Note D – Mortgages Receivable

As of June 30, 2024 and 2023, the following details the mortgages receivable:

	<u>2024</u>	<u>2023</u>
Total mortgages receivables before adjustments	\$ 6,854,398	\$ 5,821,015
Less: unamortized discount	(4,114,238)	(3,483,624)
Less: allowance for uncollectible accounts	(20,472)	(20,613)
Less: allowance for past due escrow balances	<u>-</u>	<u>(2,719)</u>
Net Mortgages Receivable	<u>\$ 2,719,688</u>	<u>\$ 2,314,059</u>

Note D – Mortgages Receivable (continued)

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ 293,065	\$ 252,258
One to two years	293,065	252,258
Two to three years	293,065	252,258
Three to four years	293,065	252,258
Four to five years	293,065	252,258
Five years and beyond	<u>5,389,073</u>	<u>4,559,725</u>
	<u>\$ 6,854,398</u>	<u>\$ 5,821,015</u>

Discount rates range from four percent to eight percent.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note E – Fair Value of Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability regardless of whether an observable liquid market price exists (exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access on the measurement date.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices which are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Each asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input which is significant to the fair value measurement. Valuation techniques utilized maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds which are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note E – Fair Value of Investments (continued)

The methods described above could produce fair value calculations which may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes that the valuation methods used are appropriate and consistent with those utilized by other market participants, the implementation of different methodologies or assumptions to determine the fair value of the Organization's investment portfolio might result in different fair value measurements at report date.

The Organization invests in various types of investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of the portfolio will occur in the near term (1 year) and such changes could materially affect the Organization's investments and the amounts reported in the accompanying statement of financial position.

The following tables set forth, by level within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024.

As of June 30, 2024 the Organization's investments were classified as follows based on fair value:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 676,068	\$ -	\$ -	\$ 676,068
Total	\$ 676,068	\$ -	\$ -	\$ 676,068

The following tables set forth, by level within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023.

As of June 30, 2023 the Organization's investments were classified as follows based on fair value:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 2,698	\$ -	\$ -	\$ 2,698
US Treasuries	1,798,108	-	-	1,798,108
Certificates of Deposit	2,036,411	-	-	2,036,411
Total	\$ 3,837,217	\$ -	\$ -	\$ 3,837,217

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note E – Fair Value of Investments (continued)

The Foundation holds the following investments which are stated at fair market value:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 676,068	\$ 676,068	\$ 2,698	\$ 2,698
US Treasuries	-	-	1,797,005	1,798,108
Certificates of Deposit	-	-	2,019,434	2,036,411
	\$ 676,068	\$ 676,068	\$ 3,819,137	\$ 3,837,217

For the years ended June 30, net investment return includes the following:

	2024	2023
Interest and Dividends	\$ 115,692	\$ 36,548
Net Realized and Unrealized Gain (Loss)	-	668
Advisory Fees	-	-
	\$ 115,692	\$ 37,216

Note F – Intangibles

At June 30, 2024 and 2023, intangible assets of \$10,962 and \$-0- on the statement of financial position consist of the following:

	As of June 30, 2024		As of June 30, 2023	
	Carrying Value	Accumulated Amortization	Carrying Value	Accumulated Amortization
Website Redesign	\$ 52,171	\$ 41,209	\$ 39,523	\$ 39,523
Net Balance		\$ 10,962		\$ -0-

This asset is being amortized over the useful life of 3 years.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements
June 30, 2024 and 2023

Note G – Notes Receivable

On August 17, 2015, the Organization transferred 100% of its partnership interest in Winthrop to the Winthrop Apartments Cooperative. The outstanding receivable balance of \$95,753 from Winthrop as of June 30, 2015 has been converted to an installment note, payable over 84 months with a final payment of outstanding principal on August 1, 2022 at 0% interest. As of August 1, 2022, a balance remained in the amount of \$73,677. As such, the installment note was extended under the original terms through August 24, 2024 while a new note and technical assistance plan is being contemplated. The outstanding balance at June 30, 2024 and 2023 is \$67,561 and \$70,751, respectively.

Note H - Leases

The Organization are parties, as lessee, to various operating leases and finance leases for corporate facilities and equipment. The components of lease expense for the year ended June 30, 2024, consist of the following:

<u>Cost element</u>	<u>Amount</u>
Operating lease cost	
Amortization of right-of-use assets	\$ 457,812
Interest on lease liabilities	159,268
Total operating lease cost	<u>\$ 617,080</u>

Future minimum lease payments for the next five years and in the aggregate under all noncancelable leases with a term of one year or greater as of June 30, 2024, are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2025	\$ 800,758
2026	818,908
2027	818,290
2028	758,906
2029	685,888
Thereafter	612,671
Total future minimum lease payments	<u>4,495,421</u>
Less: imputed interest included therein	<u>(646,244)</u>
Net	<u>\$ 3,849,177</u>

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note H – Leases (continued)

The following table provides additional information related to the Organization’s leases as of June 30, 2024:

	<u>Operating Leases</u>
Current portion of lease liabilities	\$ 603,996
Long-term portion of lease liabilities	<u>3,245,181</u>
Total lease liabilities	<u>\$ 3,849,177</u>
Weighted average remaining lease term	5.5 years
Weighted average discount rate	5.50%

Note I – Long-Term Debt

During the fiscal years ended June 30, 2007 and 2006, assets and liabilities of two affiliated Habitat organizations were transferred to the Organization.

Two loans transferred had been provided to the former Habitat organization and one loan remains from the Illinois Housing Development Authority (“IHDA”) in the original amount of \$590,000. The remaining loan is non-interest bearing and is due on demand. As of June 30, 2024 and 2023, \$61,777 and \$81,444 remains payable to Illinois Housing Development Authority, respectively.

On January 29, 2016, HFHC established HFHC Funding and has assigned a basket of mortgages receivable with a value of \$629,685 on December 31, 2015 as means of collateral for a Note Payable to PNC Bank. At the closing date, the HFHC received \$448,699 and will repay the \$629,685 with payments of mortgages receivable quarterly. The loan has an interest rate of 3%. As of June 30, 2024 and 2023, \$314,045 and \$330,399 remains payable to PNC Bank, respectively.

On September 5, 2018, HFHC Funding entered into an agreement with The Northern Trust Company and has assigned a basket of mortgages receivable with a value of \$1,168,891 on August 30, 2018 as means of collateral for a Note Payable to The Northern Trust Company. On September 5, 2018, HFHC received \$1,221,491 and will repay the \$1,168,891 with payments of mortgages receivable monthly. The loan has an interest rate of 0%. As of June 30, 2024 and 2023, \$929,392 and \$970,449 remains payable to Northern Trust Bank, respectively.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note I – Long-Term Debt (continued)

On September 17, 2020, HFHC Funding entered into an agreement with The Northern Trust Company and has assigned a basket of mortgages receivable with a value of \$1,430,056 on August 30, 2020 as means of collateral for a Note Payable to The Northern Trust Company. On September 17, 2020, HFHC received \$1,486,856 and will repay the \$1,430,056 with payments of mortgages receivable monthly. The loan has an interest rate of 0%. As of June 30, 2024 and 2023, \$1,227,696 and \$1,281,659 remains payable to Northern Trust Bank, respectively.

On January 27, 2022, HFHC Funding entered into an agreement with The Northern Trust Company and has assigned a basket of mortgages receivable with a value of \$619,752 on December 31, 2021 as means of collateral for a Note Payable to The Northern Trust Company. On January 27, 2022, HFHC received \$619,752 and will repay with payments of mortgages receivable monthly. The loan has an interest rate of 0%. As of June 30, 2024 and 2023, \$569,383 and \$590,970 remains payable to Northern Trust Bank, respectively. The loan comes with a covenant that states that Organization shall maintain a reserve equal to at least 15% of the total outstanding balances of all mortgages sold or securitized by that Organization to any bank or financial institution, which contain a repurchase obligation. This reserve may be comprised of any combination of the following items (1) a segregated account, comprised of cash, (2) a board restricted line of credit, or (3) performing, unencumbered mortgage loan receivables. As of the year ending June 30, 2024, the Organization was in compliance with this covenant.

On August 25, 2022, HFHC Funding entered into an agreement with The Northern Trust Company and has assigned a basket of mortgages receivable with a value of \$915,200 on August 23, 2022 as means of collateral for a Note Payable to The Northern Trust Company. On August 25, 2022, HFHC received \$903,616 and will repay the \$915,200 with payments of mortgages receivable monthly. The loan has an interest rate of 0%. As of June 30, 2024 and 2023, \$850,230 and \$880,736 remains payable to Northern Trust Bank, respectively.

On April 11, 2024, HFHC Funding entered into an agreement with The Northern Trust Company and has assigned a basket of mortgages receivable with a value of \$1,898,562 on March 12, 2024 as means of collateral for a Note Payable to The Northern Trust Company. On April 11, 2024, HFHC received \$1,898,562, which will be repaid with payments of mortgages receivable monthly. The loan has an interest rate of 0%. As of June 30, 2024 and 2023, \$1,887,034 and \$-0- remains payable to Northern Trust Bank, respectively.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note I – Long-Term Debt (continued)

As of June 30, 2024 and 2023, the following details the notes payable:

	<u>2024</u>	<u>2023</u>
Note payable to IHDA	\$ 61,777	\$ 81,444
Note payable to PNC Bank	314,045	330,399
Notes payable to Northern Trust	5,463,735	3,723,814
Other	22,894	24,636
Less: unamortized discount	<u>(45,191)</u>	<u>(54,877)</u>
Net Notes Payable	<u>\$ 5,817,260</u>	<u>\$ 4,105,416</u>

As of June 30, 2024, the amount required to be paid on the notes payable for each of the next five fiscal years and thereafter are as follows:

2025	\$ 266,382
2026	266,382
2027	268,818
2028	247,648
2029	247,237
Thereafter	4,565,984
Less: unamortized discount	<u>(45,191)</u>
Net Notes Payable	<u>\$ 5,817,260</u>

Note J – Net Assets with Donor Restrictions

During the years ended June 30, 2024 and 2023, net assets with donor restrictions of \$596,263 and \$674,514, respectively, were available solely for the purpose of building affordable housing. The amount of \$2,985,988 and \$407,488 was released from restricted funds for building affordable housing as the Organization fulfilled the donor-imposed restrictions during the years ended June 30, 2024 and 2023, respectively.

Note K – Retirement Plan

The Organization has a 401(k) Plan, which allows eligible employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. At the discretion of management, the Organization may make matching contributions. During the years ended June 30, 2024 and 2023, the Organization made matching contributions to the plan of \$125,393 and \$58,339, respectively.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note L – Significant Agreements

Effective April 9, 2013, the Organization entered into an agreement with Habitat for Humanity of Northern Fox Valley (“HFHNFV”) to open and operate a ReStore in Chicago, Illinois with the expectation of generating net profits for both HFHNFV and the Organization, and that the Organization will eventually acquire the ReStore from HFHNFV. According to the terms of the agreement, net proceeds from the ReStore were distributed solely to HFHNFV to reimburse its initial investment until the investments of HFHNFV and the Organization was equal; this occurred in September 2016. Thereafter, monthly net profits were distributed equally between HFHNFV and the Organization. Effective November 1, 2019, the Organization assumed control of the ReStore and continues to share 50% of the net profits from this ReStore as part of a revenue sharing agreement with HFHNFV through January 1, 2023. For the years ended June 30, 2024 and 2023, net shared proceeds from the ReStore distributed to both the Organization and HFHNFV were \$-0- and \$165,069, respectively.

Note M – Concentration of Custodial Risk

Financial instruments that potentially subject the Organization to concentration of custodial risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At June 30, 2024 and 2023, the Organization had \$3,504,882 and \$540,443 in excess of FDIC insured limit.

Note N—Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts with donor-imposed purpose and time restrictions.

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 3,823,316	\$ 736,232
Accounts receivable	20,000	56,806
Contributions receivable	164,145	297,450
Note receivable – short term	3,192	3,192
Investments	676,068	3,837,217
Less contractual or donor-imposed restrictions:		
Donor restrictions for specific purposes	<u>(596,263)</u>	<u>(674,514)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,090,458</u>	<u>\$ 4,256,383</u>

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2024 and 2023

Note O – Donated Services

Other than the amounts noted in Note B, there have been no amounts reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program and support service.

Note P – Subsequent Events

Effective September 5, 2024, the Organization has entered into a 10 year lease agreement for office space.

Effective October 15, 2024, the Organization has settled a complaint from July 2021 that arose at ReStore North.

The Organization has determined that no material events or transactions occurred subsequent to June 30, 2024 and through the date of the independent auditor's report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Financial Position
June 30, 2024

	HFHC	HFHC Funding Co. LLC	Eliminations	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 3,823,316	\$ -	\$ -	\$ 3,823,316
Investments	676,068	-	-	676,068
Accounts receivable	20,000	-	-	20,000
Contributions receivable	164,145	-	-	164,145
Mortgages receivable, net - short-term	28,446	98,143	-	126,589
Donated materials inventory	117,165	-	-	117,165
Prepaid expenses	334	-	-	334
Construction in progress	2,534,721	-	-	2,534,721
Note receivable - short-term	3,192	-	-	3,192
Security deposit	71,187	-	-	71,187
Operating lease right-of-use asset - current	601,307	-	-	601,307
Due from parent	-	3,852,944	(3,852,944)	-
Investment in subsidiary	402,881	-	(402,881)	-
Total Current Assets	8,442,762	3,951,087	(4,255,825)	8,138,024
Property and Equipment				
Equipment and furniture	307,656	-	-	307,656
Cars and trucks	80,463	-	-	80,463
Less: accumulated depreciation	(177,315)	-	-	(177,315)
Total Property and Equipment	210,804	-	-	210,804
Non-Current Assets				
Mortgages receivable, net - long-term	363,524	2,229,575	-	2,593,099
Note receivable - long-term	64,369	-	-	64,369
Operating lease right-of-use asset - non-current	3,198,194	-	-	3,198,194
Intangible assets, net of amortization	10,962	-	-	10,962
Total Non-Current Assets	3,637,049	2,229,575	-	5,866,624
Total Assets	\$ 12,290,615	\$ 6,180,662	\$ (4,255,825)	\$ 14,215,452

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Financial Position
June 30, 2024

	HFHC	HFHC Funding Co. LLC	Eliminations	Total
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 456,978	\$ -	\$ -	\$ 456,978
Deferred revenue	-	-	-	-
Due to affiliate	3,852,944	-	(3,852,944)	-
Notes payable - current, net	14,339	237,606	-	251,945
Operating lease liability - current	603,996	-	-	603,996
Total Current Liabilities	<u>4,928,257</u>	<u>237,606</u>	<u>(3,852,944)</u>	<u>1,312,919</u>
Long-Term Liabilities				
Notes payable - long-term, net	25,140	5,540,175	-	5,565,315
Operating lease liability - current	3,245,181	-	-	3,245,181
Total Long-Term Liabilities	<u>3,270,321</u>	<u>5,540,175</u>	<u>-</u>	<u>8,810,496</u>
Total Liabilities	<u>8,198,578</u>	<u>5,777,781</u>	<u>(3,852,944)</u>	<u>10,123,415</u>
Net Assets				
Net assets without donor restrictions	3,495,774	-	-	3,495,774
Net assets with donor restrictions	596,263	-	-	596,263
Partners' equity in LLC	-	402,881	(402,881)	-
Total Net Assets	<u>4,092,037</u>	<u>402,881</u>	<u>(402,881)</u>	<u>4,092,037</u>
Total Liabilities and Net Assets	<u>\$ 12,290,615</u>	<u>\$ 6,180,662</u>	<u>\$ (4,255,825)</u>	<u>\$ 14,215,452</u>

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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Financial Position

June 30, 2023

	HFHC	HFHC Funding Co. LLC	Eliminations	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 736,232	\$ -	\$ -	\$ 736,232
Investments	3,837,217	-	-	3,837,217
Accounts receivable	56,806	-	-	56,806
Contributions receivable	297,450	-	-	297,450
Mortgages receivable - short-term, net	23,857	69,276	-	93,133
Inventory	114,624	-	-	114,624
Prepaid expenses	336	-	-	336
Construction in progress	2,056,486	-	-	2,056,486
Note receivable - short-term	3,192	-	-	3,192
Security deposit	38,110	-	-	38,110
Operating lease right-of-use asset - current	345,306	-	-	345,306
Due from parent	-	2,708,609	(2,708,609)	-
Investment in subsidiary	291,864	-	(291,864)	-
Total Current Assets	7,801,480	2,777,885	(3,000,473)	7,578,892
Property and Equipment				
Equipment and furniture	137,189	-	-	137,189
Cars and trucks	80,463	-	-	80,463
Less: accumulated depreciation	(147,332)	-	-	(147,332)
Total Property and Equipment	70,320	-	-	70,320
Non-Current Assets				
Mortgages receivable - long-term, net	652,734	1,568,192	-	2,220,926
Note receivable - long-term	67,559	-	-	67,559
Operating lease right-of-use asset - non-current	1,809,194	-	-	1,809,194
Intangible assets, net of amortization	-	-	-	-
Total Non-Current Assets	2,529,487	1,568,192	-	4,097,679
Total Assets	\$ 10,401,287	\$ 4,346,077	\$ (3,000,473)	\$ 11,746,891

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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Financial Position
June 30, 2023

	HFHC	HFHC Funding Co. LLC	Eliminations	Total
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 336,621	\$ -	\$ -	\$ 336,621
Deferred revenue	-	-	-	-
Due to affiliate	2,708,609	-	(2,708,609)	-
Notes payable - current, net	14,975	168,443	-	183,418
Operating lease liability - current	308,856	-	-	308,856
Total Current Liabilities	<u>3,369,061</u>	<u>168,443</u>	<u>(2,708,609)</u>	<u>828,895</u>
Long-Term Liabilities				
Notes payable - long-term, net	36,228	3,885,770	-	3,921,998
Operating lease liability - current	1,873,809	-	-	1,873,809
Total Long-Term Liabilities	<u>1,910,037</u>	<u>3,885,770</u>	<u>-</u>	<u>5,795,807</u>
Total Liabilities	<u>5,279,098</u>	<u>4,054,213</u>	<u>(2,708,609)</u>	<u>6,624,702</u>
Net Assets				
Net assets without donor restrictions	4,447,675	-	-	4,447,675
Net assets with donor restrictions	674,514	-	-	674,514
Partners' equity in LLC	-	291,864	(291,864)	-
Total Net Assets	<u>5,122,189</u>	<u>291,864</u>	<u>(291,864)</u>	<u>5,122,189</u>
Total Liabilities and Net Assets	<u>\$ 10,401,287</u>	<u>\$ 4,346,077</u>	<u>\$ (3,000,473)</u>	<u>\$ 11,746,891</u>

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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Activities/Loss
For the Year Ended June 30, 2024

	HFHC Unrestricted	HFHC Restricted	HFHC Funding Co. LLC	Eliminations	Total
Support and Revenue					
Individuals	\$ 764,097	\$ 36,000	\$ -	\$ -	\$ 800,097
Public	-	2,051,383	-	-	2,051,383
Corporations and foundations	660,827	786,600	-	-	1,447,427
Nonprofit and religious organizations	21,396	33,754	-	-	55,150
In-kind donations	246,200	-	-	-	246,200
Sales of homes	1,413,700	-	-	-	1,413,700
Special events income (including \$18,965 of In-kind donations)	988,394	-	-	-	988,394
Special events expense	(67,923)	-	-	-	(67,923)
ReStore income	1,613,734	-	-	-	1,613,734
Interest	115,692	-	-	-	115,692
Mortgage interest amortization	46,173	-	120,746	-	166,919
Recovery of mortgage receivable	-	-	-	-	-
Miscellaneous	110,737	-	-	-	110,737
Total	5,913,027	2,907,737	120,746	-	8,941,510
Net assets released					
from restriction	2,985,988	(2,985,988)	-	-	-
Total Support and Revenue	8,899,015	(78,251)	120,746	-	8,941,510
Operating Expenses					
Program services-					
Construction and affordable homeownership	4,677,226	-	-	-	4,677,226
Other programming	1,405,734	-	9,729	-	1,415,463
ReStore	1,919,696	-	-	-	1,919,696
Total program services	8,002,656	-	9,729	-	8,012,385
Supporting services-					
Management and general	469,406	-	-	-	469,406
Fundraising	1,489,871	-	-	-	1,489,871
Total supporting services	1,959,277	-	-	-	1,959,277
Total Operating Expenses	9,961,933	-	9,729	-	9,971,662
Increase (Decrease) in Net Assets Before Net Income (Loss) of Subsidiary - LLC	(1,062,918)	(78,251)	111,017	-	(1,030,152)
Net Income (Loss) of Subsidiary - LLC	111,017	-	(111,017)	-	-
Increase (Decrease) in Net Assets	(951,901)	(78,251)	-	-	(1,030,152)
Net Assets - Beginning of Year	4,447,675	674,514	-	-	5,122,189
Net Assets - End of Year	\$ 3,495,774	\$ 596,263	\$ -	\$ -	\$ 4,092,037

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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Activities/Loss

For the Year Ended June 30, 2023

	HFHC Unrestricted	HFHC Restricted	HFHC Funding Co. LLC	Eliminations	Total
Support and Revenue					
Individuals	\$ 1,206,472	\$ 39,950	\$ -	\$ -	\$ 1,246,422
Public	-	19,500	-	-	19,500
Corporations and foundations	889,169	208,169	-	-	1,097,338
Nonprofit and religious organizations	26,520	42,063	-	-	68,583
In-kind donations	112,777	-	-	-	112,777
Sales of homes	885,649	-	-	-	885,649
Special events income (including \$18,965 of In-kind donations)	937,409	-	-	-	937,409
Special events expense	(47,993)	-	-	-	(47,993)
ReStore income	1,580,852	-	-	-	1,580,852
Interest	119,199	-	-	-	119,199
Mortgage interest amortization	36,205	-	100,892	-	137,097
Recovery of mortgage receivable	-	-	-	-	-
Miscellaneous	17,713	-	-	-	17,713
Total	<u>5,763,972</u>	<u>309,682</u>	<u>100,892</u>	<u>-</u>	<u>6,174,546</u>
Net assets released from restriction	<u>407,488</u>	<u>(407,488)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>6,171,460</u>	<u>(97,806)</u>	<u>100,892</u>	<u>-</u>	<u>6,174,546</u>
Operating Expenses					
Program services-					
Construction and affordable homeownership	3,341,661	-	-	-	3,341,661
Other programming	888,629	-	10,211	-	898,840
ReStore	1,488,446	-	-	-	1,488,446
Total program services	<u>5,718,736</u>	<u>-</u>	<u>10,211</u>	<u>-</u>	<u>5,728,947</u>
Supporting services-					
Management and general	348,933	-	-	-	348,933
Fundraising	1,109,004	-	-	-	1,109,004
Total supporting services	<u>1,457,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,457,937</u>
Total Operating Expenses	<u>7,176,673</u>	<u>-</u>	<u>10,211</u>	<u>-</u>	<u>7,186,884</u>
Increase (Decrease) in Net Assets Before Net Income					
(Loss) of Subsidiary - LLC	(1,005,213)	(97,806)	90,681	-	(1,012,338)
Net Income (Loss) of Subsidiary - LLC	<u>90,681</u>	<u>-</u>	<u>(90,681)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	(914,532)	(97,806)	-	-	(1,012,338)
Net Assets - Beginning of Year	<u>5,362,207</u>	<u>772,320</u>	<u>-</u>	<u>-</u>	<u>6,134,527</u>
Net Assets - End of Year	<u>\$ 4,447,675</u>	<u>\$ 674,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,122,189</u>

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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2024

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Total</u>
Cash Flows from Operating Activities			
Change in net assets	\$ (1,141,169)	\$ 111,017	\$ (1,030,152)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	31,669	-	31,669
Unrealized (gain) loss	-	-	
Mortgage discount	-	804,353	804,353
(Increase) decrease in:			
Accounts receivable	36,806	-	36,806
Contribution receivable	133,305	-	133,305
Donated materials inventory	(2,541)	-	(2,541)
Prepaid expenses	2	-	2
Note receivable	3,190	-	3,190
Security deposit	(33,077)	-	(33,077)
Construction in progress	(478,235)	-	(478,235)
Right-of-use asset	(1,645,001)	-	(1,645,001)
Increase (decrease) in:			
Accounts payable	120,357	-	120,357
Deferred revenue	-		
Operating lease liability	1,666,512	-	1,666,512
Net Cash Provided by (Used in) Operating Activities	<u>(1,308,182)</u>	<u>915,370</u>	<u>(392,812)</u>
Cash Flows from Financing Activities			
Proceeds (purchase) of investments	3,161,149	-	3,161,149
Loan proceeds/principal payments - net	<u>(11,724)</u>	<u>1,723,568</u>	<u>1,711,844</u>
Net Cash Provided by (Used in) Financing Activities	<u>3,149,425</u>	<u>1,723,568</u>	<u>4,872,993</u>
Cash Flows from Investing Activities			
Purchase of fixed assets	(183,115)	-	(183,115)
Due to/from parent	1,144,335	-	1,144,335
Due to/from affiliate	-	(1,144,335)	(1,144,335)
Change in mortgages receivable - net	<u>284,621</u>	<u>(1,494,603)</u>	<u>(1,209,982)</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,245,841</u>	<u>(2,638,938)</u>	<u>(1,393,097)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,087,084	-	3,087,084
Cash and Cash Equivalents at Beginning of Year	<u>736,232</u>	<u>-</u>	<u>736,232</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,823,316</u>	<u>\$ -</u>	<u>\$ 3,823,316</u>

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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2023

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Total</u>
Cash Flows from Operating Activities			
Change in net assets	\$ (1,103,019)	\$ 90,681	\$ (1,012,338)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	15,279	-	15,279
Unrealized (gain) loss	(668)	-	(668)
Mortgage discount	-	526,916	526,916
(Increase) decrease in:			
Accounts receivable	(24,273)	-	(24,273)
Contribution receivable	526,000	-	526,000
Donated materials inventory	4,299	-	4,299
Prepaid expenses	40,545	-	40,545
Note receivable	4,522	-	4,522
Security deposit	-	-	-
Construction in progress	(376,021)	-	(376,021)
Right-of-use asset	305,598	-	305,598
Increase (decrease) in:			
Accounts payable	(31,891)	-	(31,891)
Deferred revenue	-	-	-
Operating lease liability	(355,994)	-	(355,994)
Net Cash Provided by (Used in) Operating Activities	<u>(995,623)</u>	<u>617,597</u>	<u>(378,026)</u>
Cash Flows from Financing Activities			
Proceeds (purchase) of investments	(3,836,548)	-	(3,836,548)
Loan proceeds/principal payments - net	<u>(5,355)</u>	<u>748,257</u>	<u>742,902</u>
Net Cash Provided by (Used in) Financing Activities	<u>(3,841,903)</u>	<u>748,257</u>	<u>(3,093,646)</u>
Cash Flows from Investing Activities			
Purchase of fixed assets	(36,400)	-	(36,400)
Due to/from parent	558,846	-	558,846
Due to/from affiliate	-	(558,846)	(558,846)
Change in mortgages receivable - net	<u>80,923</u>	<u>(807,008)</u>	<u>(726,085)</u>
Net Cash Provided by (Used in) Investing Activities	<u>603,369</u>	<u>(1,365,854)</u>	<u>(762,485)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,234,157)	-	(4,234,157)
Cash and Cash Equivalents at Beginning of Year	<u>4,970,389</u>	<u>-</u>	<u>4,970,389</u>
Cash and Cash Equivalents at End of Year	<u>\$ 736,232</u>	<u>\$ -</u>	<u>\$ 736,232</u>

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