

HABITAT FOR HUMANITY CHICAGO

Financial Statements

June 30, 2025

HABITAT FOR HUMANITY CHICAGO

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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, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year 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, 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. 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 30 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
January 23, 2026

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidated Statement of Financial Position
June 30, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$	1,915,972
Accounts receivable		-
Contributions receivable		1,160,333
Mortgages receivable - short-term, net		139,173
Donated materials inventory		274,887
Prepaid expenses		59,227
Construction in progress		1,702,478
Note receivable - short-term		3,192
Security deposit		95,528
Operating lease right-of-use asset - current		619,318
		619,318
Total Current Assets		5,970,108

Fixed Assets

Equipment and furniture		441,350
Cars and trucks		80,463
Less: accumulated depreciation		(248,592)
		(248,592)
Total Fixed Assets		273,221

Non-Current Assets

Mortgages receivable - long-term, net		3,128,104
Note receivable - long-term		61,184
Operating lease right-of-use asset - non-current		3,157,400
Intangible assets		8,432
		8,432
Total Non-Current Assets		6,355,120

Total Assets		\$ 12,598,449
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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidated Statement of Financial Position
June 30, 2025

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 332,720
Deferred revenue	-
Notes payable - current, net	154,238
Operating lease liability - current	<u>525,243</u>
Total Current Liabilities	<u>1,012,201</u>

Long-Term Liabilities

Notes payable - long-term, net	2,939,543
Operating lease liability - non-current	<u>3,303,065</u>
Total Long-Term Liabilities	<u>6,242,608</u>
Total Liabilities	<u>7,254,809</u>

Net Assets

Net assets without donor restrictions	4,131,027
Net assets with donor restrictions	<u>1,212,613</u>
Total Net Assets	<u>5,343,640</u>

Total Liabilities and Net Assets	<u><u>\$ 12,598,449</u></u>
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See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidated Statement of Activities
For the Year Ended June 30, 2025

Support and Revenue	
Individuals	\$ 2,075,057
Public	51,059
Corporations and foundations	2,371,259
Nonprofit and religious organizations	81,785
In-kind donations	317,256
Sales of homes	1,721,700
Special events income	1,035,236
Special events expense	(82,064)
ReStore income	1,934,126
Interest income	115,600
Mortgage interest amortization	189,311
Miscellaneous	327,234
	<hr/>
Total Support and Revenue	10,137,559
Operating Expenses	
Program services-	
Construction and affordable homeownership	5,406,352
Other programming	1,582,007
ReStore	2,453,869
Total program services	<hr/> 9,442,228
Supporting services-	
Management and general	384,175
Fundraising	1,648,274
Total supporting services	<hr/> 2,032,449
Total Operating Expenses	<hr/> 11,474,677
Increase (Decrease) in Net Assets/Net Income (Loss)	(1,337,118)
Net Assets - Beginning of Year	<hr/> 6,680,758
Net Assets - End of Year	<hr/> <hr/> \$ 5,343,640

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, 2025

	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	\$ 895,026	\$ 636,326	\$ 1,103,036	\$ 2,634,388	\$ 180,446	\$ 880,561	\$ 1,061,007	\$ 3,695,395
Payroll taxes	65,532	46,869	89,952	202,353	14,227	64,909	79,136	281,489
Dues and subscriptions	1,039	800	1,174	3,013	510	2,506	3,016	6,029
Insurance	55,652	73,800	88,340	217,792	9,146	36,900	46,046	263,838
Marketing	317	3,740	15,011	19,068	135	40,519	40,654	59,722
Supplies	218	589	-	807	2,521	198	2,719	3,526
Telephone and internet	1,019	991	8,933	10,943	1,108	1,267	2,375	13,318
Printing and postage	3,608	5,071	10,413	19,092	382	380,521	380,903	399,995
Professional services	150,486	18,044	8,538	177,068	50,792	124,379	175,171	352,239
Auto expense	199	-	14,957	15,156	-	-	-	15,156
Rent	44,160	21,680	787,674	853,514	6,072	10,840	16,912	870,426
Travel	5,658	41,407	2,128	49,193	8,667	1,360	10,027	59,220
Construction costs	224,393	-	-	224,393	-	-	-	224,393
Contract labor	95,808	109,599	-	205,407	69,999	2,500	72,499	277,906
Dedications	370	-	-	370	-	-	-	370
Grants	172,688	-	-	172,688	-	-	-	172,688
Neighborhood projects	-	186,738	-	186,738	-	-	-	186,738
Equipment and maintenance	1,531	2,375	15,954	19,860	686	1,324	2,010	21,870
Bank fees	-	-	48,061	48,061	4,681	30,793	35,474	83,535
Depreciation and amortization	-	-	63,484	63,484	10,323	-	10,323	73,807
Notes payable amortization	107,391	-	-	107,391	-	-	-	107,391
Mortgage discount	1,031,098	-	-	1,031,098	-	-	-	1,031,098
Bad debt expense - escrows	46,509	-	-	46,509	-	-	-	46,509
Construction in process write-down	429,143	-	-	429,143	-	-	-	429,143
Outside services	34,059	-	-	34,059	6,164	-	6,164	40,223
Technology	35,737	48,153	33,092	116,982	21,318	65,195	86,513	203,495
Interest expense	-	-	-	-	569	-	569	569
Training	3,312	1,498	1,038	5,848	3,205	3,454	6,659	12,507
Tithe	-	370,848	-	370,848	-	-	-	370,848
Utilities	1,572	2,095	97,224	100,891	851	1,048	1,899	102,790
Cost of home sales	1,986,802	-	-	1,986,802	-	-	-	1,986,802
ReStore expenses	-	-	10,981	10,981	-	-	-	10,981
Miscellaneous	13,025	2,151	53,879	69,055	(7,627)	-	(7,627)	61,428
Total Functional Expenses	\$ 5,406,352	\$ 1,572,774	\$ 2,453,869	\$ 9,432,995	\$ 384,175	\$ 1,648,274	\$ 2,032,449	\$ 11,465,444

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidated Statement of Cash Flows

For the Years Ended June 30, 2025

<u>Cash Flows from Operating Activities</u>	
Change in net assets	\$ (1,337,118)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	73,807
Mortgage discount	1,031,098
(Increase) decrease in:	
Accounts receivable	20,000
Contributions receivable	(996,188)
Donated materials inventory	(157,722)
Prepaid expenses	(58,893)
Note receivable	3,185
Security deposit	(24,341)
Construction in progress	832,243
Operating lease right-of-use asset	22,783
Increase (decrease) in:	
Accounts payable	(124,258)
Deferred revenue	-
Operating lease liability	(20,869)
Net Cash Provided by (Used in) Operating Activities	<u>(736,273)</u>
<u>Cash Flows from Financing Activities</u>	
Loan proceeds/principal payments - net	<u>(134,758)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(134,758)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of fixed assets	(133,694)
Change in mortgages receivable - net	<u>(1,578,687)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,712,381)</u>
Net (Decrease) in Cash and Cash Equivalents	(2,583,412)
Cash and Cash Equivalents - Beginning of Year	<u>4,499,384</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,915,972</u></u>

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Supplemental Disclosure of Cash Flow Information -

Cash paid during the year for:

Income tax	\$ -
Interest	<u>\$ 9,233</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

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, 2025

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, 2025

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.

US Treasuries

Included in cash and cash equivalents are short term US Treasuries that are comprised of the following as of June 30, 2025:

<u>Account</u>	<u>Interest %</u>	<u>Maturity</u>	<u>Amount</u>
US Treasuries	0.25%	09/25	\$ 505,401

HABITAT FOR HUMANITY CHICAGO
Notes to Financial Statements
June 30, 2025

Note B – Summary of Significant Accounting Policies (continued)

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. 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, 2025, the expense booked to write down Construction in progress was \$429,143.

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 \$46,509 for the year ended June 30, 2025.

Donated Materials Inventory

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

HABITAT FOR HUMANITY CHICAGO
Notes to Financial Statements
June 30, 2025

Note B – Summary of Significant Accounting Policies (continued)

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 \$71,277 for the year ended June 30, 2025.

Intangible Assets

Intangible assets are valued at cost and are amortized over their useful lives of three years. Amortization expense was \$2,530 for the year ended June 30, 2025.

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.

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.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note B – Summary of Significant Accounting Policies (continued)

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 \$172,605 were recognized as revenue for the year ended June 30, 2025. Contributed goods to be used for fund raising purposes for use in the construction program, new office and other operational uses of \$150,362 were recognized as revenue for the year ended June 30, 2025. 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, 2025. 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, 2025.

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, 2025, 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.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note B – Summary of Significant Accounting Policies (continued)

Leases (continued)

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.

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, 2025, this discount rate was calculated to be 8.01%.

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.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note B – Summary of Significant Accounting Policies (continued)

Mortgage Discount (continued)

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, 2025, non-cash mortgage discount expense was \$1,028,460. As of June 30, 2025, non-cash mortgage interest amortization revenue was \$189,311.

Note C – Restatement

During the year ending June 30, 2025, the Organization performed an analysis of mortgages and their related notes payable resulting from past leveraging transactions. The mortgages were discounted to account for fair market value while the related notes payable were not through the fiscal year ending June 30, 2024. Accordingly, the Organization has restated its financial statements for the year ended June 30, 2024. The effect of the discounted notes payable was to increase net assets without donor restrictions by \$2,588,721 and decrease notes payable and due to affiliate by \$2,588,721. Therefore, net assets without donor restrictions, due to affiliate, notes payable – current - net and notes payable – long term - net at July 1, 2024 have been restated to \$6,084,495, \$1,264,223, \$152,471 and \$3,076,068, respectively. The cumulative effect of this adjustment increased total beginning net assets at July 1, 2024 by \$2,588,721.

Note D - 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, 2025. The Organization has evaluated its tax positions and determined it has no uncertain tax positions at June 30, 2025. The Organization's 2022-2024 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.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note E – Mortgages Receivable

As of June 30, 2025, the following details the mortgages receivable:

	<u>2025</u>
Total mortgages receivables before adjustments	\$ 8,267,445
Less: unamortized discount	(4,931,034)
Less: allowance for uncollectible accounts	(67,122)
Less: allowance for past due escrow balances	<u>(2,012)</u>
Net Mortgages Receivable	<u>\$ 3,267,277</u>
	<u>2025</u>
Amounts due in:	
Less than one year	\$ 347,001
One to two years	347,001
Two to three years	347,001
Three to four years	347,001
Four to five years	347,001
Five years and beyond	<u>6,532,440</u>
	<u>\$ 8,267,445</u>

Discount rates range from four percent to eight percent.

Note F – Intangibles

At June 30, 2025, intangible assets of \$8,432 on the Statement of Financial Position consist of the following:

	<u>As of June 30, 2025</u>	
	<u>Carrying Value</u>	<u>Accumulated Amortization</u>
Website Redesign	<u>\$ 52,171</u>	<u>\$ 43,739</u>
Net Balance		<u>\$ 8,432</u>

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

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

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 June 30, 2026 while a new note and technical assistance plan is being contemplated. The outstanding balance at June 30, 2025 is \$64,376.

Note H - Leases

The Organization is party, 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, 2025, consist of the following:

<u>Cost element</u>	<u>Amount</u>
Operating lease cost	
Amortization of right-of-use assets	\$ 599,982
Interest on lease liabilities	200,696
Total operating lease cost	<u>\$ 800,678</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, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2026	\$ 711,822
2027	763,835
2028	835,867
2029	794,920
2030	724,475
Thereafter	664,356
Total future minimum lease payments	<u>4,495,275</u>
Less: imputed interest included therein	<u>(666,967)</u>
Net	<u>\$ 3,828,308</u>

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note H – Leases (continued)

The following table provides additional information related to the Organization’s leases as of June 30, 2025:

	<u>Operating Leases</u>
Current portion of lease liabilities	\$ 525,243
Long-term portion of lease liabilities	<u>3,303,065</u>
Total lease liabilities	<u>\$ 3,828,308</u>
Weighted average remaining lease term	10 years
Weighted average discount rate	4.16%

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, 2025, \$42,111 remains payable to Illinois Housing Development Authority.

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, 2025, \$297,195 remains payable to PNC Bank.

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, 2025, \$888,335 remains payable to Northern Trust Bank.

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, 2025, \$1,173,764 remains payable to Northern Trust Bank.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note I – Long-Term Debt (continued)

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, 2025, \$547,796 remains payable to Northern Trust Bank. 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, 2025, 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, 2025, \$819,723 remains payable to Northern Trust Bank.

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, 2025, \$1,817,871 remains payable to Northern Trust Bank.

As of June 30, 2025, the following details the notes payable:

	<u>2025</u>
Note payable to IHDA	\$ 42,111
Note payable to PNC Bank	297,195
Notes payable to Northern Trust	5,247,459
Other	33,538
Less: unamortized discount	<u>(2,526,522)</u>
Net Notes Payable	<u>\$ 3,093,781</u>

HABITAT FOR HUMANITY CHICAGO
Notes to Financial Statements
June 30, 2025

Note I – Long-Term Debt (continued)

As of June 30, 2025, the amount required to be paid on the notes payable for each of the next five fiscal years and thereafter are as follows:

2026	\$ 266,382
2027	270,693
2028	251,399
2029	248,545
2030	248,545
Thereafter	4,334,739
Less: unamortized discount	<u>(2,526,522)</u>
Net Notes Payable	<u><u>\$ 3,093,781</u></u>

Note J – Net Assets with Donor Restrictions

During the years ended June 30, 2025, net assets with donor restrictions of \$1,212,613, were available solely for the purpose of building affordable housing. The amount of \$1,379,579 was released from restricted funds for building affordable housing as the Organization fulfilled the donor-imposed restrictions during the years ended June 30, 2025.

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, 2025, the Organization made matching contributions to the plan of \$144,576.

Note L – 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, 2025, the Organization had \$186,314 in excess of FDIC insured limit.

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note M – 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 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>2025</u>
Financial assets, at year-end:	
Cash and cash equivalents	\$ 1,915,972
Accounts receivable	-
Contributions receivable	1,160,333
Note receivable – short term	3,192
Less contractual or donor-imposed restrictions:	
Donor restrictions for specific purposes	<u>(1,212,613)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,866,884</u>

HABITAT FOR HUMANITY CHICAGO

Notes to Financial Statements

June 30, 2025

Note O – Subsequent Events

Illinois Affordable Housing Tax Credit Program

In May 2025, the Organization submitted an application to the Illinois Housing Development Authority ("IHDA") to participate in the 2025 Illinois Affordable Housing Tax Credit Program ("IL Tax Credits"). The program leverages federal Low-Income Housing Tax Credits and offers a state income tax credit equal to 50% of eligible donations made to qualified affordable housing projects, encouraging private investment in affordable housing across Illinois. The application was approved in IHDA's Board July 2025, securing approximately \$900K in anticipated public funding revenue tied to \$2M in eligible donations. In August 2025, the Organization paid a \$52,000 reservation fee, confirming its commitment to proceed with the townhome developments included in the application and securing the allocation of tax credit proceeds. Funds are scheduled for disbursement in October 2025 and will be recognized as public funding revenue in the fiscal year ending June 30, 2026.

PNC Note Payable Modification

In September 2025, the Organization amended its Note Payable to PNC Bank, originally issued in January 2016. The amendment, initiated by the lender, simplifies servicing by allowing the Organization to retain early mortgage payoffs and removes the requirement to substitute delinquent collateral. Covenant obligations were streamlined to annual financial reporting and portfolio updates. The note's original maturity date and interest rate remain unchanged, and a standardized amortization schedule was adopted. The amendment does not materially affect the Organization's financial position or cash flows.

Other than the matters noted above, the Organization has determined that no material events or transactions occurred subsequent to June 30, 2025 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, 2025

	HFHC	HFHC Funding Co. LLC	Eliminations	Total
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,915,972	\$ -	\$ -	\$ 1,915,972
Accounts receivable	-	-	-	-
Contributions receivable	1,160,333	-	-	1,160,333
Mortgages receivable - short-term, net	39,802	99,371	-	139,173
Donated materials inventory	274,887	-	-	274,887
Prepaid expenses	59,227	-	-	59,227
Construction in progress	1,702,478	-	-	1,702,478
Note receivable - short-term	3,192	-	-	3,192
Security deposit	95,528	-	-	95,528
Operating lease right-of-use asset - current	619,318	-	-	619,318
Due from parent	-	1,372,554	(1,372,554)	-
Investment in subsidiary	537,900	-	(537,900)	-
Total Current Assets	6,408,637	1,471,925	(1,910,454)	5,970,108
<u>Property and Equipment</u>				
Equipment and furniture	441,350	-	-	441,350
Cars and trucks	80,463	-	-	80,463
Less: accumulated depreciation	(248,592)	-	-	(248,592)
Total Property and Equipment	273,221	-	-	273,221
<u>Non-Current Assets</u>				
Mortgages receivable - long-term, net	1,008,488	2,119,616	-	3,128,104
Note receivable - long-term	61,184	-	-	61,184
Operating lease right-of-use asset - non-current	3,157,400	-	-	3,157,400
Intangible assets, net of amortization	8,432	-	-	8,432
Total Non-Current Assets	4,235,504	2,119,616	-	6,355,120
Total Assets	\$ 10,917,362	\$ 3,591,541	\$ (1,910,454)	\$ 12,598,449

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Financial Position
June 30, 2025

	HFHC	HFHC Funding Co. LLC	Eliminations	Total
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts payable and accrued expenses	\$ 332,720	\$ -	\$ -	\$ 332,720
Deferred revenue	-	-	-	-
Due to affiliate	1,372,554	-	(1,372,554)	-
Notes payable - current, net	14,339	139,899	-	154,238
Operating lease liability - current	525,243	-	-	525,243
Total Current Liabilities	2,244,856	139,899	(1,372,554)	1,012,201
<u>Long-Term Liabilities</u>				
Notes payable - long-term, net	25,801	2,913,742	-	2,939,543
Operating lease liability - current	3,303,065	-	-	3,303,065
Total Long-Term Liabilities	3,328,866	2,913,742	-	6,242,608
Total Liabilities	5,573,722	3,053,641	(1,372,554)	7,254,809
<u>Net Assets</u>				
Net assets without donor restrictions	4,131,027	-	-	4,131,027
Net assets with donor restrictions	1,212,613	-	-	1,212,613
Partners' equity in LLC	-	537,900	(537,900)	-
Total Net Assets	5,343,640	537,900	(537,900)	5,343,640
Total Liabilities and Net Assets	\$ 10,917,362	\$ 3,591,541	\$ (1,910,454)	\$ 12,598,449

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Activities/Loss
For the Year Ended June 30, 2025

	HFHC Unrestricted	HFHC Restricted	HFHC Funding Co. LLC	Eliminations	Total
Support and Revenue					
Individuals	\$ 2,075,057	\$ -	\$ -	\$ -	\$ 2,075,057
Public	-	51,059	-	-	51,059
Corporations and foundations	496,259	1,875,000	-	-	2,371,259
Nonprofit and religious organizations	11,915	69,870	-	-	81,785
In-kind donations	317,256	-	-	-	317,256
Sales of homes	1,721,700	-	-	-	1,721,700
Special events income (including \$5,711 of In-kind donations)	1,035,236	-	-	-	1,035,236
Special events expense	(82,064)	-	-	-	(82,064)
ReStore income	1,934,126	-	-	-	1,934,126
Investment income	115,600	-	-	-	115,600
Mortgage interest amortization	45,059	-	144,252	-	189,311
Recovery of mortgage receivable	-	-	-	-	-
Miscellaneous	327,234	-	-	-	327,234
Total	7,997,378	1,995,929	144,252	-	10,137,559
Net assets released from restriction	1,379,579	(1,379,579)	-	-	-
Total Support and Revenue	9,376,957	616,350	144,252	-	10,137,559
Operating Expenses					
Program services-					
Construction and affordable homeownership	5,406,352	-	-	-	5,406,352
Other programming	1,572,774	-	9,233	-	1,582,007
ReStore	2,453,869	-	-	-	2,453,869
Total program services	9,432,995	-	9,233	-	9,442,228
Supporting services-					
Management and general	384,175	-	-	-	384,175
Fundraising	1,648,274	-	-	-	1,648,274
Total supporting services	2,032,449	-	-	-	2,032,449
Total Operating Expenses	11,465,444	-	9,233	-	11,474,677
Increase (Decrease) in Net Assets Before Net Income					
(Loss) of Subsidiary - LLC	(2,088,487)	616,350	135,019	-	(1,337,118)
Net Income (Loss) of Subsidiary - LLC	135,019	-	(135,019)	-	-
Increase (Decrease) in Net Assets	(1,953,468)	616,350	-	-	(1,337,118)
Net Assets - Beginning of Year	6,084,495	596,263	-	-	6,680,758
Net Assets - End of Year	\$ 4,131,027	\$ 1,212,613	\$ -	\$ -	\$ 5,343,640

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2025

	HFHC	HFHC Funding Co. LLC	Total
	<u> </u>	<u> </u>	<u> </u>
<u>Cash Flows from Operating Activities</u>			
Change in net assets	\$ (1,472,137)	\$ 135,019	\$ (1,337,118)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	73,807	-	73,807
Mortgage discount	-	1,031,098	1,031,098
(Increase) decrease in:			
Accounts receivable	20,000	-	20,000
Contribution receivable	(996,188)	-	(996,188)
Donated materials inventory	(157,722)	-	(157,722)
Prepaid expenses	(58,893)	-	(58,893)
Note receivable	3,185	-	3,185
Security deposit	(24,341)	-	(24,341)
Construction in progress	832,243	-	832,243
Right-of-use asset	22,783	-	22,783
Increase (decrease) in:			
Accounts payable	(124,258)	-	(124,258)
Deferred revenue	-	-	-
Operating lease liability	(20,869)	-	(20,869)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided by (Used in) Operating Activities	<u>(1,902,390)</u>	<u>1,166,117</u>	<u>(736,273)</u>
<u>Cash Flows from Financing Activities</u>			
Loan proceeds/principal payments - net	<u>661</u>	<u>(135,419)</u>	<u>(134,758)</u>
Net Cash Provided by (Used in) Financing Activities	<u>661</u>	<u>(135,419)</u>	<u>(134,758)</u>
<u>Cash Flows from Investing Activities</u>			
Purchase of fixed assets	(133,694)	-	(133,694)
Due to/from parent	108,331	-	108,331
Due to/from affiliate	-	(108,331)	(108,331)
Change in mortgages receivable - net	<u>(656,320)</u>	<u>(922,367)</u>	<u>(1,578,687)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(681,683)</u>	<u>(1,030,698)</u>	<u>(1,712,381)</u>
Net (Decrease) in Cash and Cash Equivalents	(2,583,412)	-	(2,583,412)
Cash and Cash Equivalents at Beginning of Year	<u>4,499,384</u>	<u>-</u>	<u>4,499,384</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,915,972</u>	<u>\$ -</u>	<u>\$ 1,915,972</u>

See Independent Auditors' Report