

Habitat for Humanity of St. Charles County

Consolidated Financial Statements

Year Ended June 30, 2024



Independent Auditor's Report

Board of Directors
Habitat for Humanity of St. Charles County and Subsidiaries
St. Peters, Missouri

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity of St. Charles County and Subsidiaries (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2024, and the related 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 accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of St. Charles County and Subsidiaries as of June 30, 2024, 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 ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity of St. Charles County and Subsidiaries 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of St. Charles County and Subsidiaries's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Habitat for Humanity of St. Charles County and Subsidiaries'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of St. Charles County and Subsidiaries'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.

Wipfli LLP

Wipfli LLP

St. Charles, Missouri
December 22, 2025

Habitat for Humanity of St. Charles County and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2024

Assets

Current assets:

Cash and cash equivalents	\$	429,394
Certificates of deposit		104,705
Escrow deposits		61,383
Promises to give		87,618
Grants receivable		14,591
Mortgages receivable, current portion		113,989
Inventory		12,947
Prepaid expenses		32,233

Total current assets 856,860

Security deposits 12,775

Home construction in progress 1,765,378

Property and equipment, net of depreciation 60,878

Mortgages receivable, net of unamortized discount and current portion 1,547,651

Operating lease right of use assets 1,054,662

Total assets \$ 5,298,204

Habitat for Humanity of St. Charles County and Subsidiaries

Consolidated Statement of Financial Position (Continued)

June 30, 2024

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 50,750
Accrued liabilities	46,096
Escrow deposits payable	30,453
Current portion of operating lease obligations	227,714
Current portion of long-term debt	8,731

Total current liabilities	363,744
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Long-term liabilities:

Long-term debt, net of current portion	1,500,856
Operating lease obligations, net of current portion	835,627
Secured obligations from the sale of mortgages receivable	152,113

Total long-term liabilities	2,488,596
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Total liabilities	2,852,340
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Net assets:

Without donor restrictions	2,358,248
With donor restrictions	87,616

Total net assets	2,445,864
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Total liabilities and net assets	\$ 5,298,204
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See accompanying notes to the consolidated financial statements.

Habitat for Humanity of St. Charles County and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Program revenue:			
ReStore sales	973,032	-	973,032
Sale of home revenue, net of mortgage discounts	187,545	-	187,545
Amortization of mortgages receivable discount	135,629	-	135,629
Gain on sale of home	15,888	-	15,888
Total program revenue	1,312,094	-	1,312,094
Support and other revenue:			
Contributions	\$ 522,826	\$ 87,616	\$ 610,442
Grants	30,500	-	30,500
Special event revenue	167,583	-	167,583
Contributed nonfinancial assets	6,053	-	6,053
Interest income	3,759	-	3,759
Miscellaneous income	56,665	-	56,665
Total support and other revenue	787,386	87,616	875,002
Net assets released from restrictions	117,044	(117,044)	-
Total revenue	2,216,524	(29,428)	2,187,096
Expenses:			
Program services:			
Mission	1,027,698	-	1,027,698
ReStore	911,917	-	911,917
Total program services	1,939,615	-	1,939,615
Supporting services:			
Management and general	227,555	-	227,555
Fundraising	291,813	-	291,813
Total supporting services	519,368	-	519,368
Total expenses	2,458,983	-	2,458,983
Change in net assets	(242,459)	(29,428)	(271,887)
Net assets - beginning of year	2,600,707	117,044	2,717,751
Net assets - end of year	\$ 2,358,248	\$ 87,616	\$ 2,445,864

See accompanying notes to the consolidated financial statements.

Habitat for Humanity of St. Charles County and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	<u>Program Services</u>			<u>Supporting Services</u>		
	Mission	ReStore	Total	Management and General	Fundraising	Total
Salaries	\$ 242,037	\$ 399,826	\$ 641,863	\$ 50,377	\$ 150,353	\$ 842,593
Employee benefits	22,428	63,625	86,053	3,053	8,879	97,985
Payroll taxes	18,704	31,649	50,353	3,850	11,651	65,854
Advertising	2,632	382	3,014	672	17,052	20,738
Cost of ReStore inventory sold	-	38,217	38,217	-	-	38,217
Cost of new home expenses	555,711	-	555,711	-	-	555,711
Depreciation	-	-	-	25,712	-	25,712
Education and seminars	1,114	-	1,114	372	3,146	4,632
Equipment	12,072	48,627	60,699	6,791	1,283	68,773
Events	-	-	-	-	54,175	54,175
Homeowner fees	3,031	-	3,031	-	-	3,031
Insurance	9,827	9,779	19,606	3,309	6,225	29,140
Interest	71,021	-	71,021	-	-	71,021
Miscellaneous	831	27,624	28,455	9,750	3,768	41,973
Mortgage servicing fees	21,393	-	21,393	-	-	21,393
Postage and shipping	354	3,112	3,466	1,437	-	4,903
Professional fees	7,533	819	8,352	86,344	7,834	102,530
Rent	14,000	184,800	198,800	13,700	13,700	226,200
Repairs and maintenance	11,358	8,341	19,699	1,531	845	22,075
Supplies	7,509	7,831	15,340	3,221	349	18,910
Telephone and internet	294	-	294	8,016	438	8,748
Tithes, dues, and subscriptions	25,849	5,557	31,406	3,248	12,115	46,769
Utilities	-	81,728	81,728	6,172	-	87,900
Total expenses	\$ 1,027,698	\$ 911,917	\$ 1,939,615	\$ 227,555	\$ 291,813	\$ 2,458,983

See accompanying notes to the consolidated financial statements.

Habitat for Humanity of St. Charles County and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (271,887)
Adjustments to reconcile change in net assets to net cash flows	
From operating activities:	
Depreciation	25,712
Sales of homes, less mortgage discount expense	(192,202)
Amortization of mortgages receivable discount	(135,629)
Amortization of secured obligations from sale of mortgage receivables discount	4,332
Gain on sale of home	(15,888)
Noncash lease expense	307,901
Change in operating assets and liabilities:	
Escrow deposits	121,503
Accounts receivable	(70,586)
Grants receivable	45,619
Inventory	(267)
Prepaid expenses	(5,032)
Security deposits	(3,679)
Home construction in progress	(197,967)
Accounts payable	29,603
Accrued expenses	(6,220)
Escrow liability	(64,960)
Lease obligations	(352,403)
Secured obligations from the sale of mortgages receivable	(4,332)
Net cash flows from operating activities	(786,382)
Cash flows from investing activities:	
Payments received from mortgage receivables	430,498
Proceeds from sale of certificates of deposit	101,072
Purchases of certificates of deposits	(104,705)
Net cash flows from investing activities	426,865
Cash flows from financing activities:	
Draws on long-term debt	473,731
Payments on long-term debt	(18,903)
Net cash flows from financing activities	454,828
Net change in cash and cash equivalents	95,311
Cash and cash equivalents - beginning of year	334,083
Cash and cash equivalents - end of year	\$ 429,394

Noncash activities:

During the year ended June 30, 2024, the Organization established right of use assets totaling \$1,153,503 with lease obligations.

During the year ended June 30, 2024, the Organization paid \$71,021 for interest.

See accompanying notes to the consolidated financial statements.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Habitat for Humanity of St. Charles County and Subsidiaries (the "Organization") was incorporated in 1997 and is a non-denominational, Christian not-for-profit organization organized under the laws of the State of Missouri. The Organization is affiliated with Habitat for Humanity International, Inc. ("HFHI"). The Organization's mission is seeking to put God's love into action to bring people together to build homes, communities and hope. The Organization is dedicated to building and renovating homes in St. Charles County in partnership with hardworking, low-income families. The Organization also operates a retail hardware store ("ReStore") with sales to the general public. Inventory is primarily donated, with the sale proceeds used to carry out the Organization's mission.

St. Charles Habitat Community Based Development Organization ("CBDO") and St. Charles Habitat Community Housing Development Organization ("CHDO") were formed in the State of Missouri on July 27, 2017 and January 11, 2018, respectively. CBDO and CHDO were established to apply for and obtain additional federal funding from the U.S. Department of Housing and Urban Development ("HUD") for new construction projects. CBDO and CHDO had no activity during the year ended June 30, 2024.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Habitat for Humanity of St. Charles County and its wholly owned subsidiaries, CBDO and CHDO.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains cash balances at more than one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At various times during the year ended June 30, 2024, the Organization's total cash balances exceeded the FDIC's threshold. The Organization has not experienced any losses on such accounts for balances in excess of the FDIC insurance. Management believes the Organization is not exposed to any significant credit risk related to those accounts.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets, revenue, 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) imposed restrictions.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restriction expires within the same reporting period in which the contribution is received. All other donor restricted contributions are reported as increases in net assets with donor restrictions. 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. The Organization does not have any net assets with donor restrictions that are perpetual in nature as of June 30, 2024.

Description of Functional Expenses

Program

Program services include those expenditures that enable the Organization to fulfill its mission.

Management and General

Management and general expense includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program mission, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Organization. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Fundraising

Fundraising expense provides the structure necessary to encourage and secure grants and private financial support from corporations, foundations and individuals through various fundraising events and activities. Expenses which directly benefit program, management and general, or fundraising are charged to the respective functional area on the basis of actual costs. Other expenses are charged and allocated to program, management and general, and fundraising based on an appropriate allocation method, including inputs such as hours or square footage. The expenses that are allocated include occupancy, depreciation, and interest, which are allocated on square footage basis, as well as salaries, employee benefits, payroll taxes, dues, marketing, fundraising, insurance, postage, printing, professional fees, program services, supplies, telephone and internet, and travel, which are allocated on estimates of time and effort.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit are carried at cost plus accrued interest. Certificates of deposit are not required to be classified in one of the levels prescribed by the fair value hierarchy. At June 30, 2024, the Organization held multiple certificates of deposit totaling \$104,705, at yields ranging from 5.10% to 5.15%, which are scheduled to mature in 2024.

The certificates of deposit are held at a financial institution with maturities of nine months, and renew automatically unless the Organization directs otherwise. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Based on this analysis, the Organization believes it will collect all amounts owed on these securities and has not recognized an allowance for credit losses on these securities.

Escrow Deposits

Pursuant to the mortgage promissory notes described in Note 4, the Organization is required to deposit monthly payments into an escrow account to pay for real estate taxes and homeowners' insurance. This account is restricted in nature and the Organization cannot use the account for operating activities.

Promises to Give

Unconditional promises to give, which come from individuals, trusts, companies, foundations, state and local agencies, and other non-profits, are recognized as revenue or gains in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques. Unconditional promises to give that are expected to be received in less than one year are classified as current on the statements of financial position. Unconditional promises to give that are expected to be received in future periods are classified as long-term on the statements of financial position.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grants Receivable

Grants receivable represent written or oral agreements to contribute cash or other assets to the Organization. At June 30, 2024, management deemed all grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants was required. All amounts are expected to be received within one year.

Mortgages Receivable

Mortgage receivables represent the amount charged to homeowners for Habitat-built houses and secured with loans that are to be paid back over an established period of time of 20 to 30 years. The mortgages are non-interest bearing and require monthly payments. Each mortgage receivable is discounted based on the mortgage discount rate established by HFHI in the year the mortgage is originated. The Organization obtains a second deed of trust for any difference between the agreed-upon purchase price and the current fair value of the property. This difference, referred to as a "second mortgage", is payable to the Organization should the homeowner sell the property before the mortgage is paid off. The Organization does not record the second mortgage on the statement of financial position as the likelihood of collection is remote.

Beginning July 1, 2023, the carrying amount of mortgages receivable require an analysis to determine if the value should be reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of an allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The Organization uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables and contract assets with similar risk characteristics and evaluates receivables and contract assets individually when specific customer balances no longer share those risk characteristics. Prior to 2023, the allowance for doubtful accounts reflected losses that the Organization estimated had been incurred as of the reporting date and was based on historical loss experience, current receivables aging, and management's assessment of current conditions. An allowance for credit losses for was not considered necessary at June 30, 2024.

Inventory

Purchased inventory items consist of purchased paint and flooring to be sold by the Organization's ReStore and is stated at cost, which is determined using the weighted-average method.

Donated inventory items to be sold by the Organization's ReStore have not been reflected in the statement of financial position. Since uncertainty about the value of these items exists until the items are sold, no value is assigned to these items until the time of sale.

Home Construction in Progress

Land acquired for homes along with materials, labor, supplies, services, and other costs are recorded as home construction in progress assets until expensed at the time of sale of the property.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are recorded at the estimated fair market value at the date of donation. Major additions and improvements above the capitalization policy limit are capitalized to the property and equipment accounts, while repairs and maintenance items, which do not improve or extend the useful life of the respective assets, are expensed as incurred.

Depreciation of property and equipment is provided by the straight-line method over the following estimated useful lives:

Leasehold improvements:	Lesser of the lease term or 10 years
Office furniture and equipment	5-10 years
Vehicles	5 years

Depreciation expense for the year ended June 30, 2024 was \$25,712.

Long-Lived Assets

The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Organization would recognize an impairment loss at that time. No impairment loss was recognized during the year ended June 30, 2024.

Income Taxes

The Organization is exempt from federal income taxes 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 on 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)(1). Accordingly, no provision or liability for income taxes has been included in the consolidated financial statements. Management does not believe there are any uncertain tax positions as of June 30, 2024.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Recognition of Revenue and Support

Operating Revenues:

Revenue from operations is primarily derived from ReStore and home sales. Revenues from these sources are recognized when the services are provided, in an amount that reflects the consideration that the Organization expects to be entitled to in exchange for those services. All revenues from contracts with customers is recognized at a point-in-time.

ReStore sales revenue are primarily from customers in St. Charles county and surrounding counties with payment due at the point of sale. The nature of these sales does not give rise to contract costs or any variable consideration or warranties.

The Organization excludes from revenue all taxes assessed by a governmental authority that are imposed on the sales from ReStore and collected from customers (e.g., sales tax).

Home sales are to qualified low-income individuals and families in the greater St. Charles area. Homes are sold at the appraised or fair market value of the home and funded primarily through financing provided by the Organization. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgage. Some qualified buyers may receive down payment assistance from other agencies to reduce their loan amount. The Organization recognizes revenue from home sales when a home closing occurs and title is transferred to the home buyer. The nature of these sales does not give rise to any other contract costs or variable considerations.

The key factor affecting the amount, timing and uncertainty of the Organization's revenue is its concentration of revenue attributed to Restore sales and sales to homeowners. Management does not believe that the Organization is exposed to any significant risk to its concentration of revenues.

The Organization does not have any contract liabilities and does not have any significant contract-related assets outside of mortgages receivable.

Contribution Revenues:

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Recognition of Revenue and Support (Continued)

Contribution Revenues (Continued):

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. The Organization has a similar policy related to its investment income.

Grant Revenues:

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability. The Organization received no grant awards considered exchange transactions for the year ended June 30, 2024.

Special Events:

The gross revenue for special events includes contributions for the events and event ticket revenue, as presented on the statements of activities. The Organization records event ticket revenue equal to the fair value of the direct benefit communicated to donors and contribution income for the additional amount received when the event takes place. Payments made in the current year for expenses for special events to be held in the next year are presented as prepaid expenses on the statements of financial position. Event ticket revenue received for special events to be held in the next year would be treated as deferred revenue and the related contributions are treated as refundable advances. These items are recognized on the statements of activities at the point in time when the event is held.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributed Nonfinancial Assets

Contributed noncash assets are recorded as contributions of nonfinancial assets at their fair values at the date of donation. Contributed services are recognized as contributions in accordance with GAAP for Not-for-Profit Organizations, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended June 30, 2024, the Organization recorded \$6,053 of contributed materials and services.

Advertising

The Organization expenses the costs of advertising as incurred. Advertising costs totaled \$20,738 for the year ended June 30, 2024.

Leases

The Organization is a lessee in noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Leases (Continued)

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization separates lease and non-lease components to determine the lease payment.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 22, 2025, which is the date the financial statements were available to be issued.

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2024:

Cash and cash equivalents	\$	429,394
Certificates of deposit		104,705
Promises to give		87,618
Grants receivable		14,591
Mortgages receivable, current portion		113,989
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Total financial assets available for general expenditure	\$	750,297

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line-of-credit in the amount of \$100,000 upon which it could draw. Additionally, the Organization formed its wholly owned subsidiaries, CBDO and CHDO, to have access to additional grants to help fund the Organization's mission.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 3: Home Construction-in-Progress

Home construction in progress consists of the following at June 30, 2024:

Haven Point	\$ 1,662,728
7 Spring Fawn	38,604
Lorene Drive	36,193
1443 Kathleen Wentzville	27,246
2296 N. Village	607
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Total home construction-in-progress	<u>\$ 1,765,378</u>

Note 4: Mortgages Receivable

Mortgages receivable balances are as follows:

<i>As of June 30,</i>	2024
Mortgages receivable at face value	\$ 4,712,699
Less: mortgage receivable reserve	(112,209)
Less: unamortized mortgage discounts	(2,938,850)
<hr/>	
Net mortgages receivable	1,661,640
Less: current portion of mortgages receivable	(113,989)
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Long-term portion of mortgages receivable net of unamortized discount	<u>\$ 1,547,651</u>

At June 30, 2024, the Organization had 59 outstanding mortgages receivable. The following schedule summarizes the payment status of the receivables at June 30, 2024

	Number of Loans	Loan Amount
Current	59	\$ 4,712,699
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Total	59	<u>\$ 4,712,699</u>

Included in mortgages receivable as of June 30, 2024 are three mortgages sold with recourse to a bank to be pledged as collateral against the Organization's outstanding loan, disclosed in Note 6. Also included in mortgages receivable as of June 30, 2024 are seven additional mortgages sold with limited recourse to a private equity firm, disclosed in Note 8.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 5: Property and Equipment

Property and equipment, consists of the following at June 30, 2024:

Leasehold improvements	\$	178,332
Office furniture and equipment		83,448
Vehicles		62,838
		324,618
Accumulated depreciation		(263,740)
		60,878
Property and equipment, net	\$	60,878

Note 6: Line of Credit

The Organization has a revolving line-of-credit agreement with a bank for up to \$100,000 with interest at 10.34% payable monthly. This agreement renews annually on December 31. At June 30, 2024, there was no amount outstanding on this line-of-credit.

Note 7: Long-Term Debt

Long-term debt consisted of the following at June 30, 2024:

Note payable with a maximum borrowing of \$1,500,000, due in monthly interest only payments at 6.25%. Beginning April 1, 2026, principal and interest payments are due in monthly installments of \$12,861, with interest at 6.25%, with the final payment due on March 1, 2033. Real estate purchased with loan proceeds are pledged as collateral.	\$	1,450,241
Non-interest bearing note payable with a bank, due in quarterly installments of \$7,343 with final payment due on April 1, 2026. Three mortgages receivables are pledged as collateral.		59,346
		1,509,587
Total long-term debt		1,509,587
Less: current maturities		(8,731)
		1,500,856
Total long-term liabilities, net	\$	1,500,856

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 7: Long-Term Debt (Continued)

Future annual minimum principal payments as of June 30, 2024 are as follows:

2025	\$	8,731
2026		70,999
2027		62,448
2028		66,285
2029		70,170
Thereafter		1,230,954
<hr/>		
Total	\$	1,509,587
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In November 2008, the Organization sold ten mortgages receivable with recourse at a 25% discount rate to a bank. A note payable was established to reflect funds received by the Organization. The Organization continues to service the mortgages. On a quarterly basis, the Organization remits payments collected to the bank. If any mortgage is 90 days past due, or in default, the Organization must substitute the mortgage with a comparable mortgage receivable in good standing or repurchase the mortgage at 75%. Seven of the ten mortgages were paid in full prior to June 30, 2024. The bank changed the quarterly remittance amount to reflect the payoff of the seven mortgages, decreasing the amount the Organization remits for the remaining three mortgage payments quarterly until the mortgage is paid off.

Note 8: Secured Obligations from Sale of Mortgage Receivables

During the year ended June 30, 2019, the Organization sold seven noninterest bearing mortgage receivables to a third party private equity firm discounted at 7.25% for \$291,471. In accordance with ASC 860, Transfers and Servicing, the Organization treats the sale of mortgage receivables in which it retains an interest as a secured obligation. The mortgage receivables for the notes sold continue to be included as assets in the statement of financial position with a corresponding liability in the form of secured obligations from the sale of mortgage receivables. At June 30, 2024, the balance of the mortgage receivable sold was \$524,352, with an unamortized discount remaining of \$315,783. If a mortgage were to default, the Organization may be required to re-purchase a maximum of four mortgages at its discounted value and would in turn require all of the rights and obligations as the note holder. Due to the Organization only being required to re-purchase a maximum of four of the seven mortgages in the event of default, the Organization has recorded a reserve at June 30, 2024 of \$112,209, against the mortgage receivables and the corresponding liability for the four smallest loan balances net of unamortized discounts. As of June 30, 2024, the balance of the corresponding liability to the private equity firm net of the reserve was \$152,113.

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 9: Net Assets With Donor Restrictions

Net assets with donor restrictions, as of June 30, 2024, are restricted as follows:

Time restrictions	\$	87,618
Total	\$	87,618

Net assets totaling \$117,044 were released from net assets with donor restrictions for the year ending June 30, 2024, as a result of the Organization incurring expenditures satisfying the related restricted purposes.

Note 10: Contributed Services - Nonfinancial Assets

The value of contributed services as of June 30, 2024 are as follows:

Engineering consulting	\$	3,713
Discount on rent		1,200
Pest control services		650
Advertising services		490
Total	\$	6,053

Contributed services comprise professional services from a substantial number of unpaid volunteers possessing specialized trade skills that are essential services to the Organization's programs. Contributed services are valued and reported at the estimated fair value in the consolidated financial statements based on current rates for similar services. Substantially all donated services are used in the Organization's programs.

Note 11: Leases

The Organization leases the office space, a truck, and a shopping center under noncancelable operating lease agreements. The lease agreements typically have initial terms of 8 to 10 years and may include one or more options to renew, with renewals that can extend the lease term 5 years. The Organization's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

Components of lease expense were as follows for the year ended June 30, 2024:

Operating lease cost	\$	335,950
Total	\$	335,950

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 11: Leases (Continued)

Cash paid for amounts included in the measurement of lease liabilities were as follows for the year ended June 30, 2024

Operating cash flows from operating leases	\$ 380,452
Total	\$ 760,904

Consolidated statement of financial position information related to the operating leases are as follows as of June 30, 2024:

Operating lease right-of-use asset	\$ 1,054,662
Current portion of operating lease obligations	227,714
Noncurrent portion of operating lease obligations	835,627
Total lease obligations	\$ 1,063,341

Weighted-average remaining lease terms and discount rates are as follows as of June 30, 2024:

Weighted average remaining lease term	4.74 years
Weighted average discount rate	2.04 %

Maturities of lease liabilities are as follows as of June 30, 2024:

2025		\$ 267,497
2026		237,657
2027		218,848
2028		223,255
2029		227,671
Total lease payments		1,174,928
Less: imputed interest		(111,587)
Total		\$ 1,063,341

Habitat for Humanity of St. Charles County and Subsidiaries

Notes to the Consolidated Financial Statements

Note 12: Disaggregation of Revenues from Contracts with Customers

The Organization disaggregates revenue from contracts with customers by type of revenue as noted in the statement of activities, which depicts how the nature, amounts, timing, and uncertainty of revenue and cash flows are affected by economic factors. Disaggregation of revenue for the year ended June 30, 2024 consists of:

Revenues recognized at a point in time	\$ 1,176,465
Revenues recognized over time	135,629
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Total net contract revenue	\$ 1,312,094
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Note 13: Retirement Plan

The Organization maintains a SIMPLE IRA Plan for all eligible employees. Under the terms of the plan, employees may contribute up to the maximum allowed by law. The Organization contributes 2% of employees' salaries to the plan regardless of employee participation elections up to the maximum allowed by law. The Board may elect to contribute additional amounts to the plan. Employees are immediately vested in all contributions to the plan. During the year ended June 30, 2024, the Organization contributed \$9,608 to the plan, included in employee benefits expense on the statement of functional expenses.

Note 14: Related Party Transactions

The Organization voluntarily remits a portion of its contributions as a tithe to HFHI on an annual basis. These funds are used to construct homes in economically depressed areas around the world. During the year ended June 30, 2024, the Organization paid tithes of \$9,000. The Organization also paid dues to HFHI on an annual basis. During the year ended June 30, 2024, the Organization paid dues of \$15,000.