
Habitat for Humanity of Metro Denver, Inc.

**Consolidated Financial Report
with Supplemental Information
June 30, 2024**

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Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of Metro Denver, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Metro Denver, Inc. (the "Organization" or Habitat), which comprise the consolidated statement of financial position as of June 30, 2024 and 2023 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of Habitat and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits 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 audits 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.

To the Board of Directors
Habitat for Humanity of Metro Denver, Inc.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Habitat'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's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moran, PLLC

October 10, 2024

Habitat for Humanity of Metro Denver, Inc.

Consolidated Statement of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 5,162,013	\$ 11,817,656
Restricted cash	8,422,374	-
Investments	4,486,858	1,159,153
Mortgage notes receivable - Net	18,985,970	19,577,677
Real estate under development	21,866,011	19,642,222
Land held in trust	7,609,776	6,878,939
Investment in HFHI NMTC Leveraged Lender 2016-1, LLC	2,933,535	2,933,533
Other receivables and assets	4,558,250	4,338,981
Grants receivable	505,509	857,139
Leveraged loan receivable - Navajo NMTC	15,081,899	-
Leased assets - Operating lease right-of-use assets - Net	4,658,617	5,805,099
Property and equipment - Net	13,074,549	9,532,478
	\$ 107,345,361	\$ 82,542,877
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 867,915	\$ 1,934,922
Line of credit	486,339	-
Accrued expenses	1,204,738	1,127,576
Homeowner deposits	28,375	10,252
Lease liabilities - Operating	5,005,651	6,115,250
Notes payable	11,365,096	5,632,240
Forgivable notes payable	1,069,300	400,800
Notes payable HFHI	198,541	163,891
Note payable HFHI NMTC SUB-CDE II, LLC	4,320,176	4,280,819
Notes payable - Navajo NMTC	26,109,000	-
	50,655,131	19,665,750
Net Assets		
Without donor restrictions:		
Undesignated	43,627,817	51,676,626
Undesignated - Land held in trust	7,609,776	6,878,939
Board designated for land and infrastructure	2,000,000	2,000,000
	53,237,593	60,555,565
With donor restrictions	3,452,637	2,321,562
	56,690,230	62,877,127
	\$ 107,345,361	\$ 82,542,877

Habitat for Humanity of Metro Denver, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Home sales	\$ 8,400,920	\$ -	\$ 8,400,920	\$ 9,670,264	\$ -	\$ 9,670,264
Contributions and grants	4,436,538	3,062,757	7,499,295	4,684,858	2,849,860	7,534,718
Forgiveness of debt	606,500	-	606,500	3,060,000	-	3,060,000
Donated goods, services, and property	1,853,133	-	1,853,133	2,722,085	-	2,722,085
Fee for construction services revenue	3,170,522	-	3,170,522	1,746,135	-	1,746,135
Mortgage interest income	330,895	-	330,895	458,193	-	458,193
Ground lease income	307,540	-	307,540	263,914	-	263,914
Rental income	107,857	-	107,857	138,652	-	138,652
Other income	993,713	-	993,713	933,698	-	933,698
Sales from ReStores - Net:						
Sales from ReStores - Donated goods	3,477,347	-	3,477,347	4,002,402	-	4,002,402
Sales from ReStores - Purchased and other goods	3,637,694	-	3,637,694	2,715,096	-	2,715,096
Cost of purchased inventory and refunds	(1,997,318)	-	(1,997,318)	(1,477,896)	-	(1,477,896)
Total sales from ReStores - Net	5,117,723	-	5,117,723	5,239,602	-	5,239,602
Net assets released from restrictions	1,931,682	(1,931,682)	-	4,451,967	(4,451,967)	-
Total revenue, gains, and other support	27,257,023	1,131,075	28,388,098	33,369,368	(1,602,107)	31,767,261
Expenses						
Program services:						
Home construction	20,638,819	-	20,638,819	18,759,034	-	18,759,034
Family and mortgage services	2,044,465	-	2,044,465	2,239,994	-	2,239,994
ReStores	7,100,238	-	7,100,238	4,965,122	-	4,965,122
Total program services	29,783,522	-	29,783,522	25,964,150	-	25,964,150
Support services:						
Management and general	3,078,905	-	3,078,905	2,655,540	-	2,655,540
Fundraising activities	2,188,437	-	2,188,437	1,767,605	-	1,767,605
Total support services	5,267,342	-	5,267,342	4,423,145	-	4,423,145
Total expenses	35,050,864	-	35,050,864	30,387,295	-	30,387,295
Change in Net Assets - Before other income	(7,793,841)	1,131,075	(6,662,766)	2,982,073	(1,602,107)	1,379,966
Other Income - Investment return - Net	475,869	-	475,869	308,813	-	308,813
Change in Net Assets	(7,317,972)	1,131,075	(6,186,897)	3,290,886	(1,602,107)	1,688,779
Net Assets - Beginning of year	60,555,565	2,321,562	62,877,127	57,264,679	3,923,669	61,188,348
Net Assets - End of year	\$ 53,237,593	\$ 3,452,637	\$ 56,690,230	\$ 60,555,565	\$ 2,321,562	\$ 62,877,127

See notes to consolidated financial statements.

Habitat for Humanity of Metro Denver, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services			Support Services			Total	
	Home Construction	Family and Mortgage Services	ReStores	Total Program Services	Management and General	Fundraising Activities		Total Support Services
Cost of homes sold	\$ 11,673,349	\$ -	\$ -	\$ 11,673,349	\$ -	\$ -	\$ -	\$ 11,673,349
Salaries and wages	2,824,040	1,171,401	2,661,957	6,657,398	1,293,030	1,008,923	2,301,953	8,959,351
Volunteer labor on homes	1,185,955	-	-	1,185,955	-	-	-	1,185,955
Construction services	2,954,148	-	-	2,954,148	-	-	-	2,954,148
Occupancy	29,273	13,892	993,658	1,036,823	466,012	5,305	471,317	1,508,140
Payroll taxes and benefits	571,444	233,430	569,762	1,374,636	399,497	256,168	655,665	2,030,301
Habitat for Humanity International tithe	350,000	-	-	350,000	-	-	-	350,000
Depreciation and amortization	231,505	20,018	196,054	447,577	161,376	17,349	178,725	626,302
Professional fees	14,439	108,873	954,951	1,078,263	226,472	95,195	321,667	1,399,930
Bank fees	2,000	8,075	167,903	177,978	1,743	6,373	8,116	186,094
Insurance	110,057	47,558	237,494	395,109	80,175	40,878	121,053	516,162
Other construction costs	133,885	216,977	331,458	682,320	52	-	52	682,372
Marketing and communications	-	1,386	185,785	187,171	-	411,199	411,199	598,370
Office supplies	143,021	75,348	274,496	492,865	107,431	61,588	169,019	661,884
Vehicle costs	101,661	210	164,234	266,105	2,767	2,580	5,347	271,452
Interest	7,022	3,750	195,392	206,164	166,073	-	166,073	372,237
Volunteer costs	6,329	324	4,192	10,845	329	159,429	159,758	170,603
Telephone	36,361	15,530	65,646	117,537	18,636	16,384	35,020	152,557
Printing and postage	8,697	6,658	21,035	36,390	6,753	7,353	14,106	50,496
Miscellaneous	149,531	15,558	11,907	176,996	15,268	75,605	90,873	267,869
Donated goods and services	5,365	39,511	500	45,376	-	9,715	9,715	55,091
Administrative fees	438	52,830	1,923	55,191	77,721	-	77,721	132,912
Equipment purchase and repair	65,368	-	35,854	101,222	1,928	699	2,627	103,849
Staff development	20,485	5,840	12,509	38,834	7,403	6,556	13,959	52,793
Travel and transportation	14,446	7,296	13,528	35,270	46,239	7,138	53,377	88,647
	20,638,819	2,044,465	7,100,238	29,783,522	3,078,905	2,188,437	5,267,342	35,050,864
ReStore cost of purchased inventory netted against revenue	-	-	1,997,318	1,997,318	-	-	-	1,997,318
Total functional expenses	\$ 20,638,819	\$ 2,044,465	\$ 9,097,556	\$ 31,780,840	\$ 3,078,905	\$ 2,188,437	\$ 5,267,342	\$ 37,048,182

Habitat for Humanity of Metro Denver, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Support Services			Total
	Home Construction	Family and Mortgage Services	ReStores	Total Program Services	Management and General	Fundraising Activities	Total Support Services	
Cost of homes sold	\$ 11,006,908	\$ -	\$ -	\$ 11,006,908	\$ -	\$ -	\$ -	\$ 11,006,908
Salaries and wages	2,656,558	1,306,239	2,263,690	6,226,487	1,055,315	863,614	1,918,929	8,145,416
Volunteer labor on homes	1,338,222	-	-	1,338,222	-	-	-	1,338,222
Construction services	1,547,191	-	-	1,547,191	-	-	-	1,547,191
Occupancy	259,309	37,842	692,688	989,839	244,783	8,152	252,935	1,242,774
Payroll taxes and benefits	529,486	239,126	449,304	1,217,916	275,883	178,247	454,130	1,672,046
Habitat for Humanity International tithe	360,716	-	-	360,716	12,667	1,000	13,667	374,383
Depreciation and amortization	190,369	22,282	128,682	341,333	124,449	14,855	139,304	480,637
Professional fees	25,919	114,418	11,767	152,104	317,353	116,615	433,968	586,072
Bank fees	-	3,066	157,161	160,227	1,167	22,449	23,616	183,843
Insurance	66,817	39,381	137,505	243,703	66,865	25,056	91,921	335,624
Other construction costs	151,464	114,642	248,315	514,421	-	-	-	514,421
Marketing and communications	-	-	251,472	251,472	1,106	408,591	409,697	661,169
Office supplies	90,417	65,250	188,235	343,902	106,493	50,951	157,444	501,346
Vehicle costs	116,343	1,172	182,065	299,580	3,365	3,293	6,658	306,238
Interest	3,770	5,894	57,734	67,398	71,054	1,414	72,468	139,866
Volunteer costs	108,388	2,674	10,104	121,166	916	14,423	15,339	136,505
Telephone	28,444	15,980	55,650	100,074	24,032	10,613	34,645	134,719
Printing and postage	7,345	7,627	35,297	50,269	5,284	7,334	12,618	62,887
Miscellaneous	89,695	211,215	-	300,910	23,384	22,154	45,538	346,448
Donated goods and services	10,936	9,743	-	20,679	4,972	4,118	9,090	29,769
Administrative fees	1,108	28,541	5,216	34,865	241,593	-	241,593	276,458
Equipment purchase and repair	125,311	-	60,694	186,005	11,478	402	11,880	197,885
Staff development	34,262	6,091	19,061	59,414	18,588	4,986	23,574	82,988
Travel and transportation	10,056	8,811	10,482	29,349	44,793	9,338	54,131	83,480
	18,759,034	2,239,994	4,965,122	25,964,150	2,655,540	1,767,605	4,423,145	30,387,295
ReStore cost of purchased inventory netted against revenue	-	-	1,477,896	1,477,896	-	-	-	1,477,896
Total functional expenses	\$ 18,759,034	\$ 2,239,994	\$ 6,443,018	\$ 27,442,046	\$ 2,655,540	\$ 1,767,605	\$ 4,423,145	\$ 31,865,191

Habitat for Humanity of Metro Denver, Inc.

Consolidated Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ (6,186,897)	\$ 1,688,779
Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Mortgages made to homeowners	(8,211,170)	(9,352,180)
Amortization of mortgage loan discounts	(30,356)	(458,195)
Depreciation and amortization expense	626,301	480,637
Amortization of New Markets Tax Credit loan costs	39,357	39,357
Unrealized gain on investments	(6,178)	-
Investment return on investments held by The Denver Foundation	(146,162)	(5,260)
Forgiveness of notes payable	(606,500)	(3,060,000)
Gain on sale of mortgage notes receivable	(1,259)	(19,499)
Noncash operating lease expense	36,883	139,248
Donated land held in trust	(312,737)	(337,922)
Contributed rent at below-market rates under long-term leases	(21,289)	(870,281)
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:		
Grants receivable	351,630	(772,562)
Real estate under development	(2,641,889)	(7,840,717)
Other receivables and assets	(197,980)	359,799
Change in investment in HFHI NMTC Leveraged Lender 2016-1, LLC - Net	(2)	(15,126)
Accounts payable	(1,067,007)	1,008,362
Accrued expenses	181,545	(394,356)
Homeowner deposits	18,123	(20,312)
Net cash, cash equivalents, and restricted cash used in operating activities	(18,175,587)	(19,430,228)
Cash Flows from Investing Activities		
Sale of investments	1,027,205	7,800,000
Purchase of investments	(4,221,389)	-
Distributions for fees paid to The Denver Foundation	18,819	90,858
Mortgage principal and related amounts received - Net of repurchases and modifications	1,867,095	1,180,278
Proceeds from sale of mortgages	6,863,014	7,374,558
Payments for purchase of property and equipment	(4,168,372)	(6,898,344)
Net cash, cash equivalents, and restricted cash provided by investing activities	1,386,372	9,547,350
Cash Flows from Financing Activities		
Net proceeds from line of credit	486,339	-
Payments on leveraged loan receivable - Navajo NMTC	(15,081,899)	-
Proceeds from notes payable - Navajo NMTC	26,109,000	-
Proceeds from notes payable	6,000,000	-
Repayments of notes payable	(267,144)	(267,144)
Proceeds from notes payable HFHI	106,625	1,497
Repayments of notes payable HFHI	(71,975)	(80,628)
Proceeds from forgivable note payable	1,275,000	810,000
Net cash, cash equivalents, and restricted cash provided by financing activities	18,555,946	463,725
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	1,766,731	(9,419,153)
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	11,817,656	21,236,809
Cash, Cash Equivalents, and Restricted Cash - End of year	\$ 13,584,387	\$ 11,817,656
Consolidated Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	\$ 5,162,013	\$ 11,817,656
Restricted cash	8,422,374	-
Total cash, cash equivalents, and restricted cash	\$ 13,584,387	\$ 11,817,656
Supplemental Cash Flow Information - Cash paid for interest	\$ 182,559	\$ 33,091
Significant Noncash Transactions - Additions of operating lease right-of-use assets	\$ -	\$ 2,559,181

Note 1 - Nature of Organization

Habitat for Humanity of Metro Denver, Inc.

Habitat for Humanity of Metro Denver, Inc. (Habitat) is a nonprofit corporation formed on April 20, 1979 to raise funds to build, rehabilitate, and repair affordable housing for low-income individuals who presently live in inadequate housing or cannot purchase housing through conventional sources. To qualify for housing, applicants must demonstrate need for housing, ability to pay for the services, and willingness to partner with Habitat. All Habitat partner families complete sweat equity, attend homeowner education classes, and pay for their home or repairs. Financing for individuals purchasing homes is provided by Habitat utilizing below-market interest rate financing, and monthly payments meet HUD's affordability standards.

Habitat operates four Home Improvement Outlets (the "ReStores") to provide the community with a source of low-cost materials for home improvement, to reduce the volume of materials going to landfills, and to generate funds for Habitat. Many Habitat homeowners volunteer at the ReStores to earn sweat equity hours and work experience.

Habitat is an affiliate of Habitat for Humanity International (Habitat International or HFHI).

Affordable Mortgage Solutions, LLC

Affordable Mortgage Solutions, LLC (AMS) is a not-for-profit, wholly owned subsidiary of Habitat and commenced operations on July 10, 2018. AMS' mission is to provide affordable home mortgages to low- and moderate-income families who lack adequate access to capital, with a purpose of providing services that expand homeownership opportunities to underserved individuals and families. AMS will provide mortgages for Habitat's traditional residential construction business for borrowers of up to 80 percent of area median income (AMI), and it will expand its lending services to provide mortgages to low- and moderate-income families (up to 100 percent AMI) buying homes listed on the open market (homes not constructed or renovated by Habitat).

Consistent with Habitat's historical underwriting practices, mortgages are offered at a below-market interest rate, down payment requirements are minimal, and private mortgage insurance (PMI) is waived. Total housing-related expenses (principal, interest, property taxes, homeowner's insurance, and HOA, if applicable) will not exceed 30 percent of the borrower's gross household income. Additionally, all borrowers must be willing to partner with Habitat by committing their energy (through sweat equity), time (by participating in financial literacy and home ownership classes), and financial resources (contributing to a down payment and closing costs). These partnership activities are deemed critical to the continued success of its lending to lower-income families.

Although AMS is a distinct and separate legal entity from Habitat, it is disregarded for tax purposes and included in Habitat's IRS Form 990. Through a shared services agreement, Habitat has committed to provide certain management and administrative and homebuyer program services to AMS, and AMS has committed to provide mortgage loan origination and loan servicing for Habitat. Habitat has also agreed to cover any AMS operating expenses in excess of its revenue for the foreseeable future.

Colorado Community Land Trust

Habitat operates three community land trusts for the purpose of providing opportunities for low- and moderate-income people to secure decent affordable housing and to assure quantity, quality, and affordability of housing for future low- and moderate-income individuals. This mission is accomplished through placing land in trust to be held in perpetuity and leasing it back to Habitat homeowners under long-term land leases. These land trusts have been formed in partnership with certain housing authorities in counties within the Denver metro area in order to reduce property tax obligations.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1 - Nature of Organization (Continued)

Colorado Community Land Trust-Denver, LLC (CCLT-Denver) was formed in 2014 as part of a partnership with the Denver Housing Authority. Initially, CCLT-Denver focused solely on homes built on the former Lowry Air Force Base and was instrumental in the completion of 189 homes in the Lowry neighborhood. Since then, CCLT-Denver expanded its service area and now has a total portfolio of 264 homes located throughout Lowry, Speer, Cole, and Swansea neighborhoods within the City and County of Denver.

Colorado Community Land Trust-Arapahoe, LLC (CCLT-Arapahoe) was formed in July 2021 as part of a partnership with the Housing Authority of the City of Littleton, Colorado (dba South Metro Housing Options). Habitat holds 99 percent of the membership interest in CCLT-Arapahoe, with South Metro Housing Options holding the remaining 1 percent. CCLT-Arapahoe has a total portfolio of 35 homes located throughout the South Denver and Arapahoe County area.

Colorado Community Land Trust-Jefferson, LLC (CCLT-Jefferson) was formed in April 2023 as part of a partnership with the Housing Authority of Jefferson County, Colorado (dba Foothills Regional Housing). Habitat holds 99 percent of the membership interest in CCLT-Jefferson, with Foothills Regional Housing holding the remaining 1 percent. CCLT-Jefferson has a total portfolio of 7 homes located throughout the South Denver and Jefferson County area.

CCLT-Denver, CCLT-Arapahoe, and CCLT-Jefferson are 501(c)(3) limited liability companies. In accordance with CRS 29-4-226 and 29-4-277, they are exempt from property tax due to the partnerships with Denver Housing Authority, South Metro Housing Options, and Foothills Regional Housing.

HFHMD Funding Company I, LLC

HFHMD Funding Company I, LLC (HFCI) is a separately incorporated limited liability company formed for the purpose of holding certain mortgages that have been securitized with a bank. Habitat is the sole member of HFCI.

HFHMD Navajo Building QALICB, INC.

HFHMD Navajo Building QALICB, INC. (Navajo QALICB) is a not-for-profit, wholly owned subsidiary of Habitat formed in October 2023 for the purpose of utilizing New Markets Tax Credit financing to finance the renovation of an existing building into the headquarters of HFHMD, which will include office space, manufacturing space, and a ReStore location.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Habitat, AMS, CCLT-Denver, CCLT-Arapahoe, CCLT-Jefferson, HFCI, and Navajo QALICB, which are collectively referred to herein as Habitat. All material interorganization accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of Habitat have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash Equivalents and Restricted Cash

Habitat considers all investments with an original maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Unspent cash from the New Markets Tax Credit transaction (Note 11) is reflected as restricted cash on the consolidated statement of financial position.

Investments

Investments in marketable equity and debt securities and investments held by The Denver Foundation (the "Foundation") are stated at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the consolidated statement of activities and changes in net assets.

Investments in limited liability companies (LLCs) in which Habitat owns a minority interest (see Note 8) are accounted for using the equity method. Under the equity method, the investment is carried at cost, adjusted for Habitat's proportionate share of undistributed earnings or losses. Impairment losses due to a decline in the value of the investment that is other than temporary are recognized when incurred. No impairment losses were recognized for 2024 and 2023.

Significant Concentrations of Credit Risk

Financial instruments, which potentially subject Habitat to concentrations of credit risk, consist of cash and money market accounts that may, during the year, exceed the federally insured limit set by the FDIC and SIPC, investments, and mortgage notes receivable. Certain interest-bearing, non-interest-bearing, and brokerage accounts are guaranteed by the FDIC or SIPC up to \$250,000 or \$500,000. Certain investments are held in a brokerage account guaranteed by private insurance held by the investment manager up to an additional \$49,500,000 over the SIPC limits. At June 30, 2024, Habitat had deposits in excess of federally or privately insured limits of approximately \$12,620,000.

Habitat finances the construction and ownership of homes to low-income individuals in the Denver metro area. The mortgages are secured by a deed of trust. Habitat has established procedures to limit the risk of default through two primary practices. First, Habitat includes a long-term affordability covenant in mortgages, through which it charges below-market interest and sets the first mortgage such that the monthly payment is no more than 30 percent of gross monthly income, thereby designing the monthly mortgage payments of the owners to be manageable. In this scenario, Habitat homes are appraised for value prior to sale, with the sale price being set at appraised (or fair market) value. Habitat may utilize down payment assistance or a subordinate second mortgage to bring the first mortgage down to an affordable level based on a specific family's financial situation. Second, Habitat utilizes a community land trust model, in which it sells homes while maintaining the underlying land in trust to be held in perpetuity. In this scenario, the sale price and first mortgage on the home are set to the appraised value of the property, less the value of the land, as the homebuyer is only purchasing the improvements, thereby resulting in a lower cost of ownership. Under both practices, the values of homes that collateralize the mortgage notes receivable are subject to market value fluctuations beyond the control of management.

Credit risk with respect to contributions receivable is limited due to the number and creditworthiness of the corporations, foundations, churches, and individuals that comprise the contributor base. There were no significant concentrations of contribution and grant revenue during the years ended June 30, 2024 and 2023.

Real Estate Under Development

Homes Under Construction

Costs incurred in conjunction with home construction are recorded as assets until the sale of the home. A reserve to bring them to the lower of cost or net realizable value would be recorded if cost exceeded future value. At June 30, 2024 and 2023, no reserve was considered necessary.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Property Held for Sale or Future Development

Property held for sale or future development consists of (a) homes that have been reacquired due to collection problems with homeowners and are expected to be transferred to new homeowners within the next year, (b) purchased or donated land that will be developed for future home construction, (c) homes that have been reacquired from previous homeowners that will be sold on the open market, and (d) properties acquired for renovations to be sold to new homeowners within the next year. Properties held are valued at the lower of cost or net realizable value. The proceeds of disposal are expected to approximate the net carrying amount of the relevant assets and liabilities, and, accordingly, no impairment loss has been recognized on the classification of property held for sale.

Land Held in Trust

Land held in trust is composed of land to be held in perpetuity by CCLT-Denver, CCLT-Arapahoe, and CCLT-Jefferson. The land held in trust is recorded at its fair value at the date of previous merger transactions, cost, or contributed value.

Other Receivables and Assets

Included in other receivables and assets are deposits, prepaid expenses, prepaid land lease expense (Note 9), and certain mortgage servicing assets.

Certain mortgages held by Habitat are subsequently sold or pledged as collateral on notes payable to third parties, one of which services the loans it holds, and the other group of loans continues to be serviced by Habitat. Mortgage servicing assets included in other receivables and assets include amounts received for insurance, property taxes, and other fees on such loans that Habitat services.

Leases

Habitat determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating lease right-of-use (ROU) assets in the consolidated statement of financial position while finance leases are recorded as finance lease ROU assets. Lease liabilities represent Habitat's contractual obligation to make lease payments over the lease term. Habitat did not have any finance leases during the years ended June 30, 2024 or 2023.

Lease liabilities are measured based on the net present value (NPV) of future lease payments using the discount rate described in Note 9. Habitat additionally enters into short-term leases with a lease term of one year or less and has elected not to include these amounts in the right-of-use assets or lease liabilities. Habitat recognizes expense for operating leases and short-term leases on a straight-line basis over the lease term.

Habitat elected to use the risk-free rate as the discount rate for calculating right-of-use assets and lease liabilities in place of the incremental borrowing rate for the associated leases.

Property and Equipment

Property and equipment with value in excess of \$5,000 are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from 3 to 30 years. The cost of leasehold improvements is amortized over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Impairment or Disposal of Long-lived Assets

Habitat reviews the recoverability of long-lived assets, including buildings, equipment, and other long-lived assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Deferred Finance Charges

During 2018, Habitat capitalized the costs associated with obtaining the New Markets Tax Credit (NMTC) loan described in Note 8. These deferred loan costs are being amortized over the life of the related note payable using a method approximating the effective interest method. Amortization of deferred loan costs is included in interest expense in the accompanying consolidated statement of functional expenses. Amortization expense for the years ended June 30, 2024 and 2023 was \$39,357. The unamortized balance at June 30, 2024 and 2023 was netted against the corresponding NMTC notes payable (see Note 8).

Classification of Net Assets

Net assets of Habitat are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of Habitat.

Board-designated net assets are net assets without donor restrictions designated based on actions taken by the board of directors, which can be altered or revoked at a future time at the discretion of the board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Habitat or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition

Contributions and Contributions Receivable

Unconditional promises to give cash and other assets to Habitat are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the gift is received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Home Sales

Habitat generates revenue from real estate transactions representing the sale of homes to homebuyers. These home sales are considered to be exchange transactions. During the years ended June 30, 2024 and 2023, Habitat recognized home sale revenue, net of down payment assistance, of \$8,400,920 and \$9,670,264, respectively.

Habitat enters into contracts with homeowners that include a single performance obligation to provide a completed home to the homebuyer. The performance obligation in each contract is satisfied at a point in time when the transfer of title to the homebuyer is complete, which occurs when the title and mortgages are signed at closing. Control is transferred at the time the homebuyer can move into the home upon closing. In connection to the home sales, Habitat originates mortgages receivable. At the time of closing of the home sale, certain fees are collected by Habitat in relation to originating mortgages receivable. Direct loan origination costs and loan origination fees are offset and recorded net as a component of accrued expenses. Deferred costs recorded as of June 30, 2024 and 2023 of \$238,344 and \$227,917, respectively, are related to loans classified as available for sale and, therefore, will be recognized as revenue upon sale of the underlying mortgage receivable.

The transaction price for home sales is determined based on the third-party appraised value of the home reduced by any discounts provided to the homebuyer by Habitat. The resulting mortgages can be interest or non-interest bearing and are recorded as described further in Note 6.

There are no contract assets associated with these contracts recorded as of June 30, 2024 and 2023 or at the beginning of the year ended June 30, 2023. Homeowner deposits (contract liabilities) are composed of down payments and fees made in advance of a homeowner gaining control of a completed home. Homeowner deposits as of June 30, 2024 and 2023 and at the beginning of the year ended 2023 were \$28,375, \$10,252, and \$30,564, respectively.

Donated Goods, Services, and Property

Donated goods utilized in the operations of Habitat, except for goods donated for sale in the ReStores, are recorded at the estimated fair value at the date of the donation. Goods donated for sale in the ReStores are recorded at their sale prices at the time of sale. See Note 17 for additional information.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Donated services are recognized as contributions at estimated fair value on the date of receipt if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat.

Habitat reports gifts of property and equipment, including land and land held in trust, as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Habitat reports the expiration of donor restrictions when the assets are placed in service.

Fee for Construction Services

Habitat generates revenue from construction services performed for other nonprofits and homeowners. For the years ended June 30, 2024 and 2023, Habitat recognized fee for construction services revenue of \$3,170,522 and \$1,746,135, respectively. Accounts receivable of \$412,548, \$97,427, and \$635,000 related to these services have been recorded in other receivables and assets on the consolidated statement of financial position as of June 30, 2024 and 2023 and at the beginning of the year ended June 30, 2023, respectively. There were no contract assets or liabilities as of June 30, 2024 and 2023 and at the beginning of the year ended June 30, 2023 related to fee-for-service revenue.

Habitat's fee for construction services revenue is primarily recognized over time as services are performed, as Habitat generally has an enforceable right to payment for performance completed to date, and the customer receives the benefit as Habitat performs the construction services. Habitat typically invoices fee-for-service contracts upon the completion of projects and provides that customers pay within 30 days of invoice. Habitat's fee-for-service contracts occasionally contain multiple performance obligations, with the transaction price for services being performed being allocated on a relative stand-alone selling price (SSP) basis. The SSP is the price at which Habitat would sell a promised service separately to a customer in similar circumstances and to similar customers. In most cases, fee-for-service contracts are cancelable but require payment for performance to date. Therefore, at the time revenue is recognized, Habitat does not estimate expected refunds for services, nor does Habitat exclude any such amounts from revenue.

Sales from ReStores

Habitat generates revenue through transactions with customers at its ReStore locations in the metro Denver area. For the years ended June 30, 2024 and 2023, Habitat recognized ReStore sales of \$7,115,041 and \$6,717,498, respectively. ReStore sales did not generate any accounts receivable or contract assets or liabilities as of June 30, 2024 and 2023 and at the beginning of the year ended June 30, 2023.

Habitat's ReStore sales revenue is recognized at a point in time, as the products are homogenous and can be sold to a variety of customers. Habitat recognizes revenue when it satisfies a single performance obligation by transferring control of its products and the risk of loss to a customer. Control is generally transferred when the ReStore products are provided to the customer at the ReStore location in exchange for cash. Habitat does not have significant financing components or payment terms related to ReStore sales. Sales to customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

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

Customer returns can be made up to 30 days after purchase, subject to certain limitations. Habitat does not reserve for potential returns from customers and associated refunds or credits related to such returns, as these amounts are typically insignificant. Habitat does not offer warranties on goods sold.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing program and other support services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses incurred directly for a program service are charged to such service. Payroll, payroll taxes, and related expenses are allocated based on actual time spent on specific program activities and based on periodic time and effort studies. Fringe benefits are allocated to all services on a pro rata basis of total direct salary expenses incurred. Certain overhead costs are also allocated to services on a pro rata basis of total square footage occupied by each service. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

Habitat and Navajo QALICB are not-for-profit corporations and are exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). CCLT-Denver, CCLT-Arapahoe, and CCLT-Jefferson are not-for-profit limited liability companies and are exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). HFCI and AMS are disregarded entities for tax purposes and are, therefore, included in the tax reporting of Habitat.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including October 10, 2024, which is the date the consolidated financial statements were available to be issued.

Adoption of New Accounting Pronouncement

As of July 1, 2023, Habitat adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including Habitat's billed and unbilled accounts receivable and notes receivable, by requiring Habitat to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the historical practice where an allowance was not recognized until the losses were considered probable. Habitat reviewed its practices of the account and measurement of its allowance for credit losses on financial assets and determined the impact of the adoption of the ASU was not significant to the financial statements as a whole.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 3 - Liquidity and Availability of Resources

The following reflects Habitat's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

	2024	2023
Cash, cash equivalents, and restricted cash	\$ 13,584,387	\$ 11,817,656
Investments	4,486,858	1,159,153
Other receivables and assets	1,341,299	2,181,967
Grants receivable	505,509	857,139
Mortgage notes receivable - Available for sale and balances collectible within one year	10,393,205	9,985,438
Restricted cash	(8,422,374)	-
Donor-imposed restrictions	(3,452,637)	(2,321,562)
Board-designated funds	(2,000,000)	(2,000,000)
	<u>\$ 16,436,247</u>	<u>\$ 21,679,791</u>
Financial assets available to meet cash needs for general expenditures within one year		

Habitat manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets to meet general expenditures expected within one year of fiscal year end
- Monitoring potential changes in the Community Reinvestment Act that could adversely impact the market for low- and moderate-income mortgage loans

Habitat strives to maintain liquid assets in an amount equal to or greater than 120 percent of total general expenditures and cash and cash equivalents on hand equal to or greater than two months of operating expenses at all times.

In addition to the liquid assets described above, Habitat has committed lines of credit, which it could draw upon if needed, as further described in Note 12.

During the years ended June 30, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

Note 4 - Investments

Habitat's investments in marketable equity securities consist of exchange-traded funds totaling \$3,200,362 at June 30, 2024. Habitat had no investments in marketable equity securities at June 30, 2023.

Invested funds at The Denver Foundation totaling \$1,286,496 and \$1,159,153 at June 30, 2024 and 2023, respectively, are pooled with other funds in a diversified portfolio maintained by the Foundation in order to realize the benefits of common administration, but Habitat retains all legal and equitable ownership rights.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 4 - Investments (Continued)

The net investment return on Habitat's pro rata share of the pooled investments held by the Foundation is summarized as follows:

	2024	2023
Ordinary income	\$ 20,346	\$ 19,965
Realized gains	62,673	195,449
Unrealized gain (loss)	63,143	(210,154)
Investment management fees	(18,819)	(90,858)
Total	<u>\$ 127,343</u>	<u>\$ (85,598)</u>

Net investment return on the consolidated statement of activities and changes in net assets is composed of the following items:

	2024	2023
Interest income on cash, cash equivalents, and restricted cash	\$ 208,112	\$ 342,621
Earnings on NMTC investment (Note 8)	29,335	44,460
Other interest income	115,229	7,330
Net investment return attributable to the Foundation	146,162	5,260
Investment management and administrative fees on investments	(22,969)	(90,858)
Investment return - Net	<u>\$ 475,869</u>	<u>\$ 308,813</u>

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that Habitat has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Habitat's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The carrying amounts of financial assets required to be measured at fair value on a recurring basis include investments held by the Foundation, the fair value of which is based upon information determined and reported by the Foundation and corroborated with the Foundation's audited financial statements by management. Habitat's pro rata share of the pooled investments does not have an active market and is, therefore, classified under Level 3 in the fair value hierarchy.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 5 - Fair Value Measurements (Continued)

The following tables present information about Habitat’s assets measured at fair value on a recurring basis at June 30, 2024 and 2023 and the valuation techniques used by Habitat to determine those fair values:

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2024</u>				
	<u>Quoted Prices in</u>			
	<u>Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>	
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>	
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>	<u>Balance at</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>June 30, 2024</u>
Marketable equity securities -				
Exchange-traded funds	\$ 3,200,362	\$ -	\$ -	\$ 3,200,362
Investments held by the Foundation	-	-	1,286,496	1,286,496
Total	\$ 3,200,362	\$ -	\$ 1,286,496	\$ 4,486,858

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2023</u>				
	<u>Quoted Prices in</u>			
	<u>Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>	
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>	
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>	<u>Balance at</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>June 30, 2023</u>
Investments held by the Foundation	\$ -	\$ -	\$ 1,159,153	\$ 1,159,153

Note 6 - Mortgage Notes Receivable

Mortgage notes receivable consist of non-interest-bearing and below-market interest-bearing notes received from homebuyers in connection with the sale of homes constructed by Habitat. Habitat has two classes of loans. The first class of notes is those that are discounted to their present values using the market rate of interest at the closing date; the discount rate varies from approximately 0.5 to 8.8 percent. These notes are expected to be held to maturity. For mortgages that include a below-market interest rate, the notes are discounted to their present values using the difference between the below-market rate and the market rate of interest at the closing date. The discount is amortized over the lives of the mortgages using the effective interest method. The second class of notes is those that are classified as available for sale and held at their face value. Habitat determines the proper accounting for loans based upon the individual characteristics of the underlying mortgage and its ability to market the receivable. Funds received from sale of mortgage notes receivable are reinvested in Habitat. Gains on the sale of mortgage notes receivable are included in revenue, gains, and other support on the consolidated statement of activities and changes in net assets.

Habitat’s mortgage notes receivable are as follows:

	<u>2024</u>	<u>2023</u>
Held to maturity - Net	\$ 9,306,694	\$ 10,477,025
Available for sale	9,679,276	9,100,652
Total	\$ 18,985,970	\$ 19,577,677

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 6 - Mortgage Notes Receivable (Continued)

Habitat's held-to-maturity mortgage notes receivable are broken down as follows:

	2024	2023
Face value of outstanding held-to-maturity mortgage notes receivable	\$ 12,736,179	\$ 14,048,832
Less discount	(3,325,102)	(3,571,807)
Less allowance for credit losses	(104,383)	-
Total	<u>\$ 9,306,694</u>	<u>\$ 10,477,025</u>

Principal payments of approximately \$715,000 will be due in the year ended June 30, 2024 on the above held-to-maturity mortgage notes receivable.

All mortgage notes receivable are collateralized by the respective homes sold. A committee of the board meets together with management on a regular basis to review delinquent loans and to consider if any foreclosure proceedings should be initiated. Receivable balances are considered to be delinquent based on contractual terms. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the loans. Habitat collectively evaluates held-to-maturity mortgage notes receivable to determine the allowance for credit losses using a model that considers Habitat's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts.

Loans Sold to a Colorado Governmental Agency

Under a mortgage loan purchase agreement with a Colorado governmental agency (CGA) effective October 1, 2020 and amended during the current year, the CGA has committed to purchase up to \$20,000,000 of mortgage notes receivable between October 1, 2020 and April 1, 2025. Approximately \$14,100,000 in mortgage loans has been sold to the CGA as of June 30, 2024. During the years ended June 30, 2024 and 2023, AMS sold its interest in certain mortgages receivable under this master agreement and received cash proceeds of \$6,054,538 and \$2,633,084, respectively. These transactions were recorded as sales.

The sales agreements with the CGA require, among other things, that, should a mortgagor default on the payment on a loan and the default not be cured within 60 days, Habitat may be required to substitute one or more other mortgage loans, which have an aggregate principal balance at least equal to but not more than 125 percent of the outstanding balance of the mortgage loan being replaced, or repurchase the defaulted loan. Habitat will be reimbursed for the excess of the outstanding principal balance of the replacement mortgage loan over the outstanding principal balance of the mortgage loan being replaced. No liability has been recorded for this substitution provision because management believes that the fair value of each underlying mortgaged asset exceeds the value of the associated loan. At June 30, 2024 and 2023, the outstanding principal balance of loans held by the CGA that are guaranteed by Habitat and AMS was approximately \$16,895,000 and \$11,914,000, respectively. There were no repurchases during the years ended June 30, 2024 and 2023.

Loans Sold to Banks

Habitat has entered into agreements to sell its interest in certain mortgages receivable to banks. These transactions are recorded as sales and are described in the table below. Habitat continues to service these loans on the banks' behalf.

During the years ended June 30, 2024 and 2023, Habitat entered into certain mortgage loan purchase and sale agreements with a bank to sell its interest in certain mortgages receivable to a bank for which it did not maintain the mortgage servicing rights and which, as such, have been excluded from the table below. Under these transactions, which are recorded as sales, Habitat received proceeds of \$876,836 and \$4,741,474, respectively.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 6 - Mortgage Notes Receivable (Continued)

Irrespective of the holder of the servicing rights of the mortgage notes, the sales agreements with banks described above require, among other things, that should a mortgagor default on the payment on a loan and the default not be cured within an established number of days per the agreements, Habitat is required to perform one of the following based on the underlying sales agreements: repurchase the loan or substitute with a performing loan of equitable terms, balance, and property. Habitat will be reimbursed for the excess of the outstanding principal balance of the replacement mortgage loan over the outstanding principal balance of the mortgage loan being replaced. No liability has been recorded for this substitution provision because management believes that the fair value of each underlying mortgaged asset exceeds the value of the associated loan.

The following summarizes Habitat loans sold to banks and the outstanding principal balance of loans serviced by Habitat as of June 30, 2024 and 2023:

Bank Acquiring Mortgage Loan	Fiscal Year of Sale	Outstanding Principal Balance of Loans Guaranteed as of June 30		
		Habitat Proceeds Received	2024	2023
Bank F	2022	\$ 2,043,777	\$ 1,943,555	\$ 1,994,790
Bank E	2022	6,175,590	5,308,020	5,619,868
Bank F	2021	2,032,150	1,872,246	1,925,298
Bank B	2020	4,478,006	4,091,559	4,205,803
Bank B	2019	3,315,847	3,003,204	3,421,904
Bank E	2019	1,929,688	1,518,885	1,575,911
Bank E	2019	1,296,821	1,066,060	1,100,303
Bank B	2019	3,299,168	2,764,457	3,167,472
Bank B	2019	3,351,866	2,525,470	2,699,028
Bank C	2018	1,246,478	863,994	931,626
Bank C	2017	1,717,024	971,267	1,193,199
Bank B	2016	4,718,966	2,365,955	2,722,700
Bank B	2015	5,614,408	3,211,862	3,470,288
Bank A	2014	1,032,467	782,562	832,285
Bank A	2013	1,991,754	1,053,145	1,199,978

Loans Transferred to a Bank

In previous years, Habitat transferred its interest in certain mortgages receivable to HFCI, which collateralized its interest in those mortgages receivable to Bank D, by entering into certain note payable agreements and receiving cash proceeds related to the transaction. These transactions were recorded as loans. Habitat continues to service these mortgages. See Note 13 for notes payable to Bank D.

The following summarizes Habitat loans transferred to a bank:

Bank Acquiring Transferred Loan	Fiscal Year of Sale	Outstanding Principal Balance of Mortgage Collateralized as of June 30		
		Habitat Proceeds Received	2024	2023
Bank D*	2020	\$ 2,915,963	\$ 2,422,066	\$ 2,782,923
Bank D	2018	2,997,488	2,157,020	2,283,839
Bank D	2014	1,032,467	513,354	607,675

*The outstanding principal balance as of June 30, 2024 and 2023 for this transaction includes certain payments on mortgages not subject to collateralization that have original payment schedules with the homeowner greater than 30 years in length.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 7 - Real Estate Under Development

Real estate under development consists of undeveloped land and infrastructure costs, as well as partially completed single-family and multifamily dwellings. At June 30, 2024 and 2023, 130 and 141 units, respectively, were under development beyond the land purchase phase. Included in the units under development are 88 and 89 home repair projects at June 30, 2024 and 2023, respectively.

Habitat's real estate under development is composed of the following:

	2024	2023
Construction in progress	\$ 15,069,933	\$ 6,211,287
Home repairs, renovation units, and accessory dwelling units (ADU)	6,638,301	12,990,010
Land under development	157,777	440,925
Total	\$ 21,866,011	\$ 19,642,222

There were transfers of \$418,100 from real estate under development to land held in trust during the year ended June 30, 2024. There were transfers of \$483,330 from real estate under development to land held in trust during the year ended June 30, 2023.

Note 8 - Investment in HFHI NMTC Leveraged Lender 2016-1, LLC

During November 2017, Habitat participated in an NMTC program. As a participant in this program, Habitat invested in HFHI NMTC Leveraged Lender 2016-1, LLC (HFHI NMTC) with other affiliates of HFHI and also entered into a promissory note with HFHI NMTC SUB-CDE II, LLC, a qualified CDE. Habitat has invested in a 13.58 percent ownership of HFHI NMTC, which was initially recorded at its cost of \$2,933,529 and records its share of income or loss as an adjustment to the investment balance and investment income or loss. HFHI NMTC invested these funds in an investment fund, which in turn made an investment in the CDE. During the year ended June 30, 2024, the change in Habitat's investment balance was \$2 for net distributions and other changes in estimated value due to earnings and losses of HFHI NMTC. During the year ended June 30, 2023, the change in Habitat's investment balance for net contributions and distributions from HFHI NMTC was \$15,126.

The following is unaudited summarized financial information as to assets, liabilities, and results of operations of HFHI NMTC:

	2024	2023
Total assets	\$ 21,601,879	\$ 21,601,865
Total revenue	216,090	216,090
Net income	216,090	216,090

In exchange for the investment and promissory note during 2017, Habitat received a net cash inflow of approximately \$1,057,000, net of transaction expenses, which was utilized to build homes or infrastructure or acquire land. Habitat is required to maintain a separate accounting of the activities undertaken using the loan proceeds, build homes in qualified census tracts, and build one home per year from these funds for years two through seven. As of June 30, 2024 and 2023, Habitat is in compliance with these conditions.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 8 - Investment in HFHI NMTC Leveraged Lender 2016-1, LLC (Continued)

Habitat has a promissory note due to the CDE of \$4,351,669, net of loan costs as of June 30, 2024 and 2023 of \$31,493 and \$70,850, respectively. This note requires semiannual interest-only payments until November 2024 at 0.67 percent. The loan matures in November 2047 and is secured by substantially all the assets acquired from the loan proceeds. The interest is paid to the CDE by Habitat and other affiliates of HFHI in proportion to their ownership of HFHI NMTC, which is repaid to the investment fund. The interest is then returned to HFHI NMTC, and, ultimately, 99.99 percent of the interest is returned to Habitat and other affiliates of HFHI based on their percentage ownership of HFHI NMTC. In December 2024, the investment fund may exercise a put option, resulting in HFHI NMTC holding the debt, thereby releasing Habitat from any obligation outstanding under the promissory note.

Habitat was in compliance with the solvency and debt service coverage ratios required by the note agreement as of June 30, 2024 and 2023.

Note 9 - Leases

Property Leases

Habitat is obligated under noncancelable operating leases for its three ReStore buildings, one production warehouse, and two office spaces, expiring at various dates through January 2032, exclusive of optional renewal extension periods that are not reasonably certain to be exercised. Certain leases include optional renewal extension periods that Habitat evaluates on a lease-by-lease basis and includes them in the right-of-use asset and lease liability balances when they become reasonably certain to be exercised. The right-of-use assets and related lease liabilities recorded have been calculated using a weighted-average risk-free discount rate of 3.21 percent. Certain leases require Habitat to pay taxes, insurance, utilities, and maintenance costs. The weighted-average remaining lease term for leases, excluding those classified as short term, was 7.17 and 7.87 years as of June 30, 2024 and 2023, respectively. Cash paid for operating leases during the years ended June 30, 2024 and 2023 was approximately \$1,096,000 and \$895,000, respectively. Total operating lease expense during the years ended June 30, 2024 and 2023, excluding short-term lease expense, was \$1,156,295 and \$1,025,585, respectively. Common area maintenance was approximately \$160,000 and \$224,000 during the years ended June 30, 2024 and 2023, respectively.

Vehicle and Other Leases

Habitat has also entered into noncancelable operating leases for vehicles and office equipment. The lease agreements have monthly payments ranging from approximately \$45 to \$2,550, which include maintenance charges, and expire at various times from July 2024 to August 2027. Certain vehicle leases include variable lease payments based on the Consumer Price Index (CPI). The total lease expense for these leases for the years ended June 30, 2024 and 2023 was approximately \$180,000 and \$150,000, respectively. The right-of-use assets and lease liabilities for these leases was not significant and have not been recorded on the consolidated statement of financial position.

Long-term Land Leases

During August 2018, May 2022, and June 2023, Habitat entered into certain long-term land leases that expire in April 2118, May 2121, and June 2122, respectively. The leases contain optional renewal periods ranging from 51 to 99 years. These leases required trivial prepayments of cash in exchange for the usage of the land. Long-term land leases should only be recorded under the provisions of ASC 842 to the extent that consideration is exchanged for usage of the underlying land, and, as a result, management has determined that recording of a right-of-use asset would be inappropriate given the below-market rental rates provided for in the lease agreements. To that extent, no right-of-use assets or lease liabilities have been recorded.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 9 - Leases (Continued)

The August 2018 lease required a payment of \$300,000 at lease commencement. The May 2022 lease required a payment of \$20,500 at lease commencement. The June 2023 lease required a payment of \$100 at lease commencement. These lease payments were determined to be at a below-market rate due to the lessors being charitable organizations pursuing affordable housing goals. The difference between the payment and estimated fair value of the leased asset at lease commencement has been recorded as prepaid land lease expense within other receivables and assets on the consolidated statement of financial position and contribution revenue in the period of lease commencement. These leases were entered into by Habitat with the intent to redevelop low-income housing on the associated property. The lease payments have been recorded as a prepaid land lease expense in other assets on the consolidated statement of financial position and are being amortized over the term of the leases.

Future minimum rent on noncancelable leases as of June 30, 2024 for each of the next five years and thereafter, inclusive of amounts under optional lease extension terms expected by Habitat to be exercised, is as follows:

Years Ending June 30	Property Leases	Short-term and Other Leases	Total
2025	\$ 995,883	\$ 116,780	\$ 1,112,663
2026	748,292	43,634	791,926
2027	720,098	31,443	751,541
2028	635,529	5,995	641,524
2029	644,859	858	645,717
Thereafter	1,909,198	-	1,909,198
Total	5,653,859	198,710	5,852,569
Less amount representing interest	648,208	-	648,208
Obligations under leases	<u>\$ 5,005,651</u>	<u>\$ 198,710</u>	<u>\$ 5,204,361</u>

Note 10 - Property and Equipment

Property and equipment are summarized as follows:

	2024	2023
Buildings and improvements	\$ 8,802,496	\$ 8,709,005
Rental units	1,071,001	1,071,001
Vehicles	596,560	526,423
Leasehold improvements	495,537	495,537
Office equipment	493,407	397,985
Furniture and fixtures	112,949	87,030
Construction equipment	40,459	40,459
Construction in progress	3,992,510	111,246
Total cost	15,604,919	11,438,686
Accumulated depreciation	2,530,370	1,906,208
Property and equipment - Net	<u>\$ 13,074,549</u>	<u>\$ 9,532,478</u>

Depreciation and amortization expense related to property and equipment for 2024 and 2023 was \$626,301 and \$480,637, respectively.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 11 - Navajo New Markets Tax Credit (NMTC)

In 2024, Habitat entered into transactions with two Community Development Entities (CDEs) under the NMTC program for the acquisition and rehabilitation of a property located in Denver, Colorado for the purpose of establishing a new, central headquarters for Habitat. Habitat formed Navajo QALICB, a qualified active low-income community business, to facilitate the transaction and which became the owner of the property. Habitat has partnered with an investor, Capital One, N.A. (Investor), to utilize the NMTC program. Capital One, N.A. established a special purpose entity called COCRF Investor 266, LLC (COCR266) to raise the capital for the transaction.

Leveraged Loan Receivable - Navajo NMTC

Using the proceeds from the bank term loan, proceeds from the reimbursement of previously incurred expenses in connection with the acquisition and renovation of the property from Navajo QALICB, as well as cash on hand, Habitat made a NMTC leveraged loan totaling \$15,081,899 to COCRF266.

The leveraged loan matures on December 31, 2051, and principal is payable quarterly commencing on July 1, 2031. Interest is payable quarterly at 1.10 percent commencing on February 1, 2024.

Notes Payable - Navajo NMTC

Bank Term Loan

Habitat entered into a term loan on February 1, 2024 totaling \$5,000,000 with Native American Bank, N.A. to fund a portion of its loans into the NMTC structure. The loan bears interest at a fixed rate of 6.50 percent and includes an 15-month interest-only period, with a maturity date of the earlier of (i) June 30, 2031 or (ii) the date that the leveraged loan, as described below, is paid in full. The loan outstanding balance of \$5,000,000 is included in notes payable - Navajo NMTC on the accompanying consolidated statement of financial position at June 30, 2024. The loan is subject to certain financial covenants.

QLICI Loans

The CDEs loaned funds totaling \$21,109,000 to Navajo QALICB for use in the project, which is included in notes payable - Navajo NMTC on the accompanying consolidated statement of financial position at June 30, 2024. The proceeds of the QLICI loans will be used to finance the acquisition, renovation, and development of the improvements of the property; to pay associated closing costs; and to reimburse Habitat for previously incurred expenses in connection with the acquisition and renovation of the property. Habitat has provided a payment guaranty under the QLICI loans.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 11 - Navajo New Markets Tax Credit (NMTC) (Continued)

QLICI loans consist of the following at June 30, 2024:

CGRF Subsidiary Twenty-Five LLC Loan A - Bears interest at 1.25213 percent per annum, interest-only payments due quarterly beginning on February 1, 2024 through June 30, 2031. Commencing in July 2031, principal and interest payments of \$116,223 will be due quarterly until maturity on December 31, 2058	\$ 10,801,600
CGRF Subsidiary Twenty-Five LLC Loan B - Bears interest at 1.25213 percent per annum, interest-only payments due quarterly beginning on February 1, 2024 through June 30, 2031. Commencing in July 2031, principal and interest payments of \$47,638 will be due quarterly until maturity on December 31, 2058	4,427,400
CEF SUB-CDE 7, LLC Loan A - Bears interest at 1.35631 percent per annum, interest-only payments due quarterly beginning on February 1, 2024 through June 30, 2031. Commencing in July 2031, principal and interest payments of \$46,986 will be due quarterly until maturity on December 31, 2058	4,308,000
CEF SUB-CDE 7, LLC Loan B - Bears interest at 1.35631 percent per annum, interest-only payments due quarterly beginning on February 1, 2024 through June 30, 2031. Commencing in July 2031, principal and interest payments of \$17,145 will be due quarterly until maturity on December 31, 2058	<u>1,572,000</u>
Total	<u>\$ 21,109,000</u>

As part of the financing agreement, Habitat has entered into a put and call agreement with the investor to take place at the end of the seven-year tax credit period in February 2031. Under the agreement, the investor can exercise a put option to sell all interest in the investment fund for \$1,000. If the investor does not exercise the put option, then the agreement allows Habitat to exercise a call option to purchase the interest in the investment fund at an appraised fair value.

Note 12 - Lines of Credit

Habitat has entered into two line of credit agreements with the same bank and has available borrowings of approximately \$2,000,000 and \$1,881,000 under these agreements. During the current year, Habitat also entered into a line of credit agreement with another bank and has available borrowings of approximately \$2,000,000.

Under the new line of credit agreement for \$2,000,000 entered into on April 30, 2024, borrowings are subject to rates based on *The Wall Street Journal* prime rate less a margin of 0.75 percent, with a floor of 3.50 percent (7.75 percent as of June 30, 2024). Interest is payable monthly with the outstanding balance due 12 months after date of the draw. The agreement matures in April 2026. At June 30, 2024, a \$486,339 balance was outstanding on the line of credit.

Under the agreement for \$2,000,000 renewed on February 26, 2024, borrowings are subject to rates based on *The Wall Street Journal* prime rate minus 0.50 and 0.25 percent as of June 30, 2024 and 2023, respectively, with a floor of 3.00 percent (8.00 and 7.75 percent as of June 30, 2024 and 2023, respectively). Interest is payable monthly with the outstanding balance due at maturity on December 13, 2024. At June 30, 2024 and 2023, no balance was outstanding on the line of credit.

Under the agreement for \$1,881,000 renewed on August 8, 2023, borrowings are subject to rates based on *The Wall Street Journal* prime rate minus 0.50 percent, with a floor of 4.00 percent (8.00 percent as of June 30, 2024). Interest is payable monthly with the outstanding balance due at maturity on June 30, 2026. Prior to the renewal, borrowings were subject to rates based on *The Wall Street Journal* prime rate plus 0.75 percent, with a floor of 4.00 percent (9.00 percent as of June 30, 2023). There were no outstanding borrowings at June 30, 2024 and 2023.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 13 - Notes Payable

Habitat's notes payable at June 30 are as follows:

	2024	2023
Note payable to Bank D bearing 0 percent interest; payable in equal monthly payments of \$8,157 through April 1, 2048; followed by declining payments ranging from \$7,831 to \$6,106; and maturing on October 1, 2049. The note is secured by deeds of trust related to the underlying mortgage loans pledged by Habitat, of which the first 30 years of payments on these mortgage loans are held as collateral under this agreement (see Note 6)	\$ 2,371,971	\$ 2,466,555
Note payable to Bank D bearing 0 percent interest; payable in equal monthly payments of \$10,482 through November 1, 2033; followed by declining payments ranging from \$10,367 to \$447; and maturing on August 1, 2047. The note is secured by deeds of trust related to the underlying mortgage loans pledged by Habitat (see Note 6)	2,158,928	2,284,712
Note payable to Bank D bearing 0 percent interest; payable in equal monthly payments of \$3,898 through September 1, 2031; followed by declining payments ranging from \$3,611 to \$480; and maturing on March 31, 2042. These payments are equal to the payments due on the borrower's mortgage notes receivable. The note is secured by deeds of trust related to the underlying mortgage loans pledged by Habitat (see Note 6)	584,197	630,973
Promissory note due to the PB and K Family Foundation; interest-only payments due quarterly beginning on June 30, 2020 at 1.5 percent; entire principal balance and all accrued and unpaid interest is due in full at maturity on June 30, 2028. The note is subject to certain financial covenants	250,000	250,000
Promissory note due to the Colorado Gives Foundation; annual interest-only payments due quarterly beginning on June 11, 2024 at 3.00 percent; entire principal balance and all accrued and unpaid interest is due in full at maturity on June 11, 2034. The note is subject to certain financial covenants	1,000,000	-
Promissory note due to the Colorado Growth and Revitalization Fund; interest-only payments due monthly beginning in April 2024 at 3.00 percent; entire principal balance and all accrued and unpaid interest is due in full at maturity on April 30, 2025	500,000	-
Promissory note due to the Colorado Housing and Finance Authority; monthly interest-only payments due monthly beginning in April 2024 at 4.35 percent; entire principal balance and all accrued and unpaid interest is due in full at maturity on April 30, 2025	1,500,000	-
Note payable to Habitat Mortgage Solutions, LLC; interest-only payments due monthly beginning in December 2023 at 2.75 percent; entire principal balance and all accrued and unpaid interest is due in full at maturity on December 31, 2025. The note is subject to certain financial covenants	1,000,000	-
Note payable to HMS Loan Fund I, LLC; interest-only payments due monthly beginning in December 2023 at 4.00 percent; entire principal balance and all accrued and unpaid interest is due in full at maturity on December 31, 2026	2,000,000	-
Total	<u>\$ 11,365,096</u>	<u>\$ 5,632,240</u>

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 13 - Notes Payable (Continued)

The balance of the above debt matures as follows:

Years Ending June 30	Amount
2025	\$ 2,267,144
2026	3,267,144
2027	267,144
2028	267,144
2029	267,144
Thereafter	<u>5,029,376</u>
Total	<u>\$ 11,365,096</u>

Note 14 - Forgivable Notes Payable

Habitat has entered into certain notes payable due to the City and County of Denver, Colorado. No interest or principal payments are required so long as Habitat remains in compliance with the terms and conditions, as stated in the loan agreements. The primary condition of the funding is that it be used for development of certain properties. The amounts will be forgiven and recorded as grants revenue upon the sale of the last units developed at each site with these funds to qualifying homeowners. Forgiveness of certain notes payable occurs on the 99th year of the promissory note date so long as Habitat is in compliance with the terms of the agreements. As of June 30, 2024 and 2023, Habitat is using the remaining funds for those specified purposes and is in compliance with the terms of the note agreements.

During the year ended June 30, 2024, Habitat entered into an agreement as described above that calls for total borrowings of \$1,275,000, with funds received as installments upon the sale of certain properties. There are no remaining commitments under this agreement.

During the years ended June 30, 2024 and 2023, \$606,500 and \$3,060,000, respectively, was recorded as forgiveness of debt in the consolidated statement of activities and changes in net assets.

As of June 30, 2024 and 2023, Habitat had \$1,069,300 and \$400,800, respectively, of notes outstanding due to the City and County of Denver, Colorado.

Note 15 - Notes Payable to HFHI

Habitat's notes payable to HFHI consist of the following:

	<u>2024</u>	<u>2023</u>
Unsecured, non-interest-bearing notes payable to Habitat International; payable in monthly installments ranging from \$220 to \$1,171; maturing between December 2024 and June 2030	\$ 198,541	\$ 163,891

Principal payments under the above agreement are as follows:

Years Ending June 30	Amount
2025	\$ 71,068
2026	53,830
2027	42,516
2028	31,062
2029	<u>65</u>
Total	<u>\$ 198,541</u>

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 16 - Net Assets

Net Assets without Donor Restrictions - Board Designated

The board of directors has designated \$2,000,000 of unrestricted net assets at June 30, 2024 and 2023 for future land and infrastructure costs expected on outstanding and planned projects.

Net Assets with Donor Restrictions

Net assets with donor restrictions are entirely for home sponsorships as of June 30, 2024 and 2023.

Note 17 - Donated Goods, Services, and Property

Donated goods, services, and property recorded as in-kind donations are as follows:

	2024	2023
Donated goods resold in ReStores	\$ 3,477,347	\$ 4,002,402
Donated land held in trust and below-market rent	312,737	1,208,203
Volunteer labor and services	1,235,706	1,413,583
Goods used in operations	304,690	100,299
Total	<u>\$ 5,330,480</u>	<u>\$ 6,724,487</u>

Donated Goods Resold in ReStores

Consistent with the Habitat International *Affiliate Operations Manual*, goods donated to the ReStores are reflected as revenue at the sale price at the time of sale when there is an objective, measurable basis for determining fair value. This accounting reflects the nature of many donations received by the ReStores wherein significant uncertainties exist about the realizability of the values; thus, fair value is not determinable within reasonable limits until the time of sale.

Donated Land Held in Trust and Below-market Rent

Donated land is composed of contributed land, as well as land leased to Habitat at below-market rates. Contributed land is valued using appraisals performed by qualified professionals. Donated land recorded during the years ended June 30, 2024 and 2023 was \$312,737 and \$337,922, respectively. As described further in Note 9, Habitat has entered into certain long-term land leases during the year ended June 30, 2023 that required payment of \$100 at lease inception, which was not representative of fair value. The fair market value of the land was determined to be approximately \$923,000 based on a present value calculation of future ground lease income and analysis of comparable property sale prices. As a result, a contribution that represents the excess of estimated fair market value to cash paid of \$870,281 was recorded, which is included in donated goods, services, and property on the consolidated statement of activities and changes in net assets at June 30, 2023. The amount of contributed rent over the remaining lease term is reported as a component of other receivables and assets on the consolidated statement of financial position, and the related rent expense is recorded straight-line over the life of the lease. All contributed land and land leased at below-market rental rates are used in program services.

Volunteer Labor and Services

In 2024 and 2023, Habitat estimated the cost of volunteer labor to be approximately \$59,800 and \$57,500, respectively, for a multi-unit homes, \$7,000 and \$6,700, respectively, for a home repair, and \$24,700 and \$23,700, respectively, for an accessory dwelling unit. This value is determined based on average hours incurred multiplied by the market rate of the estimated average cost of the specified services performed.

These volunteer costs are recognized as contribution revenue and cost of homes sold in the consolidated statement of activities and changes in net assets when the home is sold. Materially all volunteer labor and services are used in program services.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17 - Donated Goods, Services, and Property (Continued)

Goods Used in Operations

Goods used in operations are primarily composed of building materials, office supplies, and other equipment valued using estimated market value of the corresponding items. Amounts included in this category are used in both program and general and administrative functions.

Note 18 - Transactions with Habitat International and Habitat for Humanity of Colorado

Habitat voluntarily remits a portion of its contributions to Habitat International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2024 and 2023, Habitat contributed \$350,000 and \$374,383, respectively, to Habitat International. This amount is included in program services in the consolidated statement of activities and changes in net assets.

Habitat is a subrecipient of certain government grants received directly by Habitat International and Habitat for Humanity of Colorado.

Note 19 - Retirement Plans

Habitat maintains a tax-deferred annuity plan (the "Plan") qualified under IRC Section 401(k). The Plan covers all employees of Habitat. Habitat provides employees the opportunity to contribute a portion of their gross salaries to the Plan, up to the maximum amount established by the Plan. The Plan includes a safe harbor match of each participant's elective deferrals, not exceeding 3 percent of the participant's compensation, plus 50 percent of the participant's elective deferrals in excess of 3 percent but not in excess of 5 percent of the participant's compensation. Contributions to the Plan totaled \$254,782 and \$200,910 for the years ended June 30, 2024 and 2023, respectively.

Note 20 - Commitments and Contingencies

Guarantee Agreements

Habitat has entered into various grant agreements to receive funds for construction development costs. The grant arrangements require individuals who purchase homes funded by these grant moneys to sign a promissory note payable to the grantor agency for a specified amount. The promissory note must be repaid to the grantor in the event of a sale, transfer, or other disposition of the home within a specified period of time. The promissory note is forgiven if a sale, transfer, or other disposition of the home does not occur within the time specified in the grant agreement.

Habitat has guaranteed these homeowners' promissory notes to the grantor agencies. Should Habitat need to foreclose on a home, it will pay the homeowner's promissory note from the proceeds arising from the resale of the home.

Grant Awards

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against Habitat for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits, as Habitat management believes that the use of funds complies with the stipulated restrictions.

Claims and Litigation

Habitat is subject to litigation from time to time. When necessary, to the extent not covered by insurance, Habitat will establish a reserve for loss contingencies that are considered probable and reasonably estimable. There was no reserve for loss contingencies as of June 30, 2024 and 2023.

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Board of Directors
Habitat for Humanity of Metro Denver, Inc.

We have audited the consolidated financial statements of Habitat for Humanity of Metro Denver, Inc. as of and for the years ended June 30, 2024 and 2023 and have issued our report thereon dated October 10, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of HFHMD and Affiliates (consisting of Habitat, AMS, CCLT-Denver, CCLT-Arapahoe, CCLT-Jefferson, and HFCI) and Navajo QALICB are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Plante & Moran, PLLC

October 10, 2024

Habitat for Humanity of Metro Denver, Inc.

Consolidating Statement of Financial Position

Year Ended June 30, 2024

	HFHMD and Affiliates	Navajo QALICB	Eliminating Entries	Total
Assets				
Cash and cash equivalents	\$ 5,162,013	\$ -	\$ -	\$ 5,162,013
Restricted cash	275,237	8,147,137	-	8,422,374
Investments	4,486,858	-	-	4,486,858
Mortgage notes receivable - Net	18,985,970	-	-	18,985,970
Related party receivables	-	2,164,305	(2,164,305)	-
Real estate under development	21,866,011	-	-	21,866,011
Land held in trust	7,609,776	-	-	7,609,776
Investment in HFHI NMTC Leveraged Lender 2016-1, LLC	2,933,535	-	-	2,933,535
Other receivables and assets	4,558,250	-	-	4,558,250
Grants receivable	505,509	-	-	505,509
Leveraged loan receivable - Navajo NMTC	15,081,899	-	-	15,081,899
Leased assets - Operating lease right-of-use assets - Net	4,658,617	-	-	4,658,617
Property and equipment - Net	3,080,163	9,994,386	-	13,074,549
	\$ 89,203,838	\$ 20,305,828	\$ (2,164,305)	\$ 107,345,361
Liabilities and Net Assets (Deficiency in Net Assets)				
Liabilities				
Accounts payable	\$ 867,915	\$ -	\$ -	\$ 867,915
Related party payables	2,164,305	-	(2,164,305)	-
Line of credit	486,339	-	-	486,339
Accrued expenses	1,204,738	-	-	1,204,738
Homeowner deposits	28,375	-	-	28,375
Lease liabilities - Operating	5,005,651	-	-	5,005,651
Notes payable	11,365,096	-	-	11,365,096
Forgivable notes payable	1,069,300	-	-	1,069,300
Notes payable HFHI	198,541	-	-	198,541
Note payable HFHI NMTC SUB-CDE II, LLC	4,320,176	-	-	4,320,176
Notes payable - Navajo NMTC	5,000,000	21,109,000	-	26,109,000
	31,710,436	21,109,000	(2,164,305)	50,655,131
Net Assets (Deficiency in Net Assets)				
Without donor restrictions:				
Undesignated	44,430,989	(803,172)	-	43,627,817
Undesignated - Land held in trust	7,609,776	-	-	7,609,776
Board designated for land and infrastructure	2,000,000	-	-	2,000,000
	54,040,765	(803,172)	-	53,237,593
With donor restrictions	3,452,637	-	-	3,452,637
	57,493,402	(803,172)	-	56,690,230
Total liabilities and net assets (deficiency in net assets)	\$ 89,203,838	\$ 20,305,828	\$ (2,164,305)	\$ 107,345,361

Habitat for Humanity of Metro Denver, Inc.

Consolidating Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2024			
	HFHMD and Affiliates	Navajo QALICB	Eliminating Entries	Total
Changes in Net Assets without Donor Restrictions				
Revenue, gains, and other support:				
Home sales	\$ 8,400,920	\$ -	\$ -	\$ 8,400,920
Contributions and grants	4,436,538	-	-	4,436,538
Forgiveness of debt	606,500	-	-	606,500
Donated goods, services, and property	1,853,133	677,499	(677,499)	1,853,133
Fee for construction services revenue	3,170,522	-	-	3,170,522
Mortgage interest income	330,895	-	-	330,895
Ground lease income	307,540	-	-	307,540
Rental income	107,857	-	-	107,857
Other income	993,713	-	-	993,713
Developer fee	500,000	-	(500,000)	-
Sales from ReStores - Net:				
Sales from ReStores - Donated goods	3,477,347	-	-	3,477,347
Sales from ReStores - Purchased and other goods	3,637,694	-	-	3,637,694
Cost of purchased inventory and refunds	(1,997,318)	-	-	(1,997,318)
Total sales from restores - net	5,117,723	-	-	5,117,723
Net assets released from restrictions	1,931,682	-	-	1,931,682
Total revenue, gains, and other support	27,757,023	677,499	(1,177,499)	27,257,023
Expenses:				
Program services	29,330,014	1,631,007	(1,177,499)	29,783,522
Support services	5,267,342	-	-	5,267,342
Total expenses	34,597,356	1,631,007	(1,177,499)	35,050,864
Change in Net Assets without Donor Restrictions - Before other income	(6,840,333)	(953,508)	-	(7,793,841)
Other Income - Investment return - Net	325,533	150,336	-	475,869
Change in Net Assets without Donor Restrictions	(6,514,800)	(803,172)	-	(7,317,972)
Changes in Net Assets with Donor Restrictions				
Contributions and grants	3,062,757	-	-	3,062,757
Net assets released from restrictions	(1,931,682)	-	-	(1,931,682)
Change in Net Assets with Donor Restrictions	1,131,075	-	-	1,131,075
Change in Net Assets	\$ (5,383,725)	\$ (803,172)	\$ -	\$ (6,186,897)