

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Financial Statements  
and Independent Auditor's Report**

**December 31, 2023 and 2022**

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# Habitat for Humanity Saint Louis and Affiliates

## Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	13

## Independent Auditor's Report

To the Board of Directors  
Habitat for Humanity Saint Louis and Affiliates  
St. Louis, MO

We have audited the consolidated financial statements of Habitat for Humanity Saint Louis and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Saint Louis and Affiliates as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity Saint Louis and Affiliates and to meet our other 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 the 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 for Humanity Saint Louis and Affiliates' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### *Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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



Chicago, Illinois  
July 15, 2024

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Statements of Financial Position  
December 31, 2023 and 2022**

Assets

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 218,699	\$ 98,299
Restricted cash	3,569,800	48,554
Pledges receivable	-	11,500
Grants receivable	89,516	148,457
Mortgages receivable	15,984	21,471
Other receivables, net	153,845	252,426
Home construction and inventory	3,604,387	775,501
ReStore inventory	351,426	413,024
Prepaid expenses and other assets	<u>34,988</u>	<u>31,418</u>
Total current assets	<u>8,038,645</u>	<u>1,800,650</u>
Fixed assets		
Property and equipment, net	<u>3,497,757</u>	<u>3,540,252</u>
Total fixed assets	<u>3,497,757</u>	<u>3,540,252</u>
Long-term assets		
Mortgages receivable, net	1,254,343	1,286,828
Investments in new markets tax credit programs	2,660,587	2,455,376
Capitalized costs, net	249,107	83,370
Right of use asset - operating lease	<u>1,672,481</u>	<u>153,847</u>
Total long-term assets	<u>5,836,518</u>	<u>3,979,421</u>
Total assets	<u>\$ 17,372,920</u>	<u>\$ 9,320,323</u>

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Statements of Financial Position  
December 31, 2023 and 2022**

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current liabilities		
Lines of credit	\$ 924,724	\$ 762,010
Current portion of long-term debt	44,125	43,131
Accounts payable and accrued expenses	840,282	612,391
Deferred revenue	<u>383,982</u>	<u>132,983</u>
Total current liabilities	<u>2,193,113</u>	<u>1,550,515</u>
Deposits liability		
Mortgage escrows	<u>267,878</u>	<u>270,508</u>
Long-term liabilities		
Long-term debt	13,195,260	6,429,284
Lease liability	<u>1,686,575</u>	<u>155,327</u>
Total long-term liabilities	<u>14,881,835</u>	<u>6,584,611</u>
Total liabilities	<u>17,342,826</u>	<u>8,405,634</u>
Commitments and contingencies	-	-
Net assets		
Without donor restrictions	25,233	905,803
With donor restrictions	<u>4,861</u>	<u>8,886</u>
Total net assets	<u>30,094</u>	<u>914,689</u>
Total liabilities and net assets	<u>\$ 17,372,920</u>	<u>\$ 9,320,323</u>

See Notes to Consolidated Financial Statements.

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Statement of Activities  
Year Ended December 31, 2023**

	Without donor restrictions	With donor restrictions	Total
Operating support and revenue			
Contributions and sponsorships	\$ 1,472,764	\$ 421,270	\$ 1,894,034
Grants	493,625	-	493,625
Sales to homeowners	230,000	-	230,000
ReStore retail sales	950,758	-	950,758
Donated property, materials and services	969,614	43,574	1,013,188
Fundraising and special events revenue (net of expenses of \$1,059)	-	9,822	9,822
Other income	264,719	-	264,719
Net assets released from restrictions	478,691	(478,691)	-
Total operating support and revenue	4,860,171	(4,025)	4,856,146
Operating expenses			
Program services			
Home construction and construction support	2,281,937	-	2,281,937
ReStore retail operations	2,589,647	-	2,589,647
Total program services	4,871,584	-	4,871,584
Supporting activities			
Management and general	666,108	-	666,108
Fundraising	287,845	-	287,845
Total supporting activities	953,953	-	953,953
Total operating expenses	5,825,537	-	5,825,537
Other revenue			
Net investment return	84,796	-	84,796
Total other revenue	84,796	-	84,796
Change in net assets	(880,570)	(4,025)	(884,595)
Net assets - beginning of year	905,803	8,886	914,689
Net assets - end of year	\$ 25,233	\$ 4,861	\$ 30,094

See Notes to Consolidated Financial Statements.

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Statement of Activities  
Year Ended December 31, 2022**

	Without donor restrictions	With donor restrictions	Total
Operating support and revenue			
Contributions and sponsorships	\$ 841,537	\$ 427,176	\$ 1,268,713
Grants	609,758	-	609,758
Sales to homeowners	900,000	-	900,000
ReStore retail sales	885,119	-	885,119
Donated property, materials and services	1,073,275	54,310	1,127,585
Fundraising and special events revenue (net of expenses of \$0)	-	8,820	8,820
Other income	444,072	-	444,072
Net assets released from restrictions	496,306	(496,306)	-
Total operating support and revenue	5,250,067	(6,000)	5,244,067
Operating expenses			
Program services			
Home construction and construction support	2,702,061	-	2,702,061
ReStore retail operations	2,247,474	-	2,247,474
Total program services	4,949,535	-	4,949,535
Supporting activities			
Management and general	574,384	-	574,384
Fundraising	287,968	-	287,968
Total supporting activities	862,352	-	862,352
Total operating expenses	5,811,887	-	5,811,887
Other revenue			
Net investment return	31,682	-	31,682
Total other revenue	31,682	-	31,682
Change in net assets	(530,138)	(6,000)	(536,138)
Net assets - beginning of year	1,435,941	14,886	1,450,827
Net assets - end of year	\$ 905,803	\$ 8,886	\$ 914,689

See Notes to Consolidated Financial Statements.



# Habitat for Humanity Saint Louis and Affiliates

## Consolidated Statement of Functional Expenses Year Ended December 31, 2023

	Program services			Supporting activities			Total
	Construction	ReStore operations	Total	Management and general	Fundraising	Total	
Salaries and wages	\$ 878,117	\$ 617,667	\$ 1,495,784	\$ 230,363	\$ 194,493	\$ 424,856	\$ 1,920,640
Employee taxes and benefits	238,920	147,208	386,128	57,354	38,876	96,230	482,358
Home construction costs	405,617	-	405,617	-	-	-	405,617
Discount on mortgages	164,686	-	164,686	-	-	-	164,686
Impairment on inventory	17,869	-	17,869	-	-	-	17,869
Cost of merchandise sales	-	1,047,103	1,047,103	-	-	-	1,047,103
New market tax credit expenses	52,037	-	52,037	-	-	-	52,037
Committee expenses	1,324	-	1,324	5,506	-	5,506	6,830
Computer expenses	8,157	5,004	13,161	6,808	3,389	10,197	23,358
Depreciation and amortization	92,783	63,142	155,925	9,257	-	9,257	165,182
Facilities cost	10,389	576,385	586,774	59,245	-	59,245	646,019
Insurance	32,568	560	33,128	36,410	-	36,410	69,538
Interest expense and service charges	298,640	18,626	317,266	26,077	3,600	29,677	346,943
Marketing and public relations	8,469	770	9,239	761	29,710	30,471	39,710
Miscellaneous	18,381	46,527	64,908	5,200	245	5,445	70,353
Office expenses	17,027	20,177	37,204	30,432	11,547	41,979	79,183
Postage	150	744	894	586	1,214	1,800	2,694
Professional fees	6,710	-	6,710	193,031	-	193,031	199,741
Telephone	5,025	8,011	13,036	2,360	1,394	3,754	16,790
Travel and meals	962	-	962	48	-	48	1,010
Vehicle	24,106	37,723	61,829	2,670	3,377	6,047	67,876
	<u>\$ 2,281,937</u>	<u>\$ 2,589,647</u>	<u>\$ 4,871,584</u>	<u>\$ 666,108</u>	<u>\$ 287,845</u>	<u>\$ 953,953</u>	<u>\$ 5,825,537</u>

See Notes to Consolidated Financial Statements.

# Habitat for Humanity Saint Louis and Affiliates

## Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	Program services			Supporting activities			
	Construction	ReStore operations	Total	Management and general	Fundraising	Total	Total
Salaries and wages	\$ 784,882	\$ 530,311	\$ 1,315,193	\$ 211,918	\$ 197,696	\$ 409,614	\$ 1,724,807
Employee taxes and benefits	188,750	124,170	312,920	45,692	36,972	82,664	395,584
Home construction costs	1,063,309	-	1,063,309	-	-	-	1,063,309
Discount on mortgages	265,132	-	265,132	-	-	-	265,132
Impairment on inventory	33,709	-	33,709	-	-	-	33,709
Cost of merchandise sales	-	894,841	894,841	-	-	-	894,841
New market tax credit expenses	24,889	-	24,889	-	-	-	24,889
Committee expenses	1,439	-	1,439	1,733	-	1,733	3,172
Computer expenses	7,260	5,007	12,267	7,153	2,832	9,985	22,252
Depreciation and amortization	78,487	66,926	145,413	14,697	-	14,697	160,110
Facilities cost	7,382	547,291	554,673	44,413	-	44,413	599,086
Insurance	17,996	558	18,554	27,320	-	27,320	45,874
Interest expense and service charges	185,592	7,411	193,003	19,859	3,254	23,113	216,116
Marketing and public relations	3,833	28	3,861	1,104	29,576	30,680	34,541
Miscellaneous	4,097	2,946	7,043	2,900	140	3,040	10,083
Office expenses	19,946	24,330	44,276	20,566	12,390	32,956	77,232
Postage	390	-	390	434	1,066	1,500	1,890
Professional fees	1,372	-	1,372	173,481	-	173,481	174,853
Telephone	5,613	8,561	14,174	2,652	1,444	4,096	18,270
Travel and meals	1,208	-	1,208	-	-	-	1,208
Vehicle	6,775	35,094	41,869	462	2,598	3,060	44,929
	<u>\$ 2,702,061</u>	<u>\$ 2,247,474</u>	<u>\$ 4,949,535</u>	<u>\$ 574,384</u>	<u>\$ 287,968</u>	<u>\$ 862,352</u>	<u>\$ 5,811,887</u>

See Notes to Consolidated Financial Statements.

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Contribution and sponsorship receipts	\$ 2,004,115	\$ 1,065,283
Grant receipts	803,565	524,828
Sales to homeowners receipts	191,967	670,813
ReStore retail receipts	950,758	885,119
Net fundraising and special events receipts	9,822	8,820
Investment receipts	84,796	31,682
Other operating receipts	<u>169,038</u>	<u>358,817</u>
 Total receipts	 <u>4,214,061</u>	 <u>3,545,362</u>
 Salaries and wages paid	(2,383,613)	(2,106,720)
Home construction costs paid	(3,097,916)	(988,524)
Cost of merchandise sales	(15,891)	-
New markets tax credit transaction costs paid	(26,349)	(24,889)
Committee expenses paid	(6,830)	(3,172)
Computer expenses paid	(23,358)	(22,252)
Facilities expenses paid	(607,757)	(323,520)
Insurance paid	(424)	(60,911)
Interest expense and service charges paid	(346,943)	(216,116)
Marketing and PR expenses paid	(39,710)	(34,541)
Administrative expenses paid	(236,932)	(157,186)
Professional fees paid	<u>(199,741)</u>	<u>(20,853)</u>
 Total disbursements	 <u>(6,985,464)</u>	 <u>(3,958,684)</u>
 Net cash (used in) provided by operating activities	 <u>(2,771,403)</u>	 <u>(413,322)</u>

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from investing activities		
Investment in SLDC	(205,211)	-
Guarantee fees paid	(217,519)	-
Proceeds from sale of property and equipment	7,000	-
Purchases of property and equipment	<u>(70,905)</u>	<u>(29,731)</u>
Net cash used in investing activities	<u>(486,635)</u>	<u>(29,731)</u>
Cash flows from financing activities		
Proceeds from lines of credit, net	162,714	384,962
Proceeds from long-term debt	6,780,000	22,843
Principal payments on long-term debt	<u>(43,030)</u>	<u>(40,611)</u>
Net cash provided by financing activities	<u>6,899,684</u>	<u>367,194</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	3,641,646	(75,859)
Cash, cash equivalents, and restricted cash, beginning	<u>146,853</u>	<u>222,712</u>
Cash, cash equivalents, and restricted cash, end	<u><u>\$ 3,788,499</u></u>	<u><u>\$ 146,853</u></u>
Significant noncash investing and financing activities		
Increase in right of use asset	\$ (1,874,077)	\$ (515,954)
Increase in lease liability	<u>1,874,077</u>	<u>515,954</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Habitat for Humanity Saint Louis and Affiliates**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities		
Change in net assets	\$ (884,595)	\$ (536,138)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Discount on home construction and inventory	17,869	33,709
Discount on mortgages receivable	164,686	265,132
Donated property, materials and services	77,489	(178,434)
Depreciation and amortization	165,182	160,110
Gain on sale of property and equipment	(7,000)	-
Changes in assets and liabilities		
Pledges receivable, net	11,500	(9,400)
Grants receivable, net	58,941	(80,232)
Other receivables, net	98,581	318,849
ReStore inventory	(15,891)	-
Home construction and inventory	(2,846,755)	127,149
Prepaid expenses	(3,570)	677,397
Right of use asset	(1,518,634)	(153,847)
Mortgages receivable	(126,714)	(314,442)
Accounts payable and accrued expenses	227,891	(360,686)
Mortgage escrows	(2,630)	(239)
Deferred revenue	250,999	(517,577)
Lease liability	<u>1,531,248</u>	<u>155,327</u>
Net cash (used in) provided by operating activities	<u>\$ (2,801,403)</u>	<u>\$ (413,322)</u>

See Notes to Consolidated Financial Statements.

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

#### Note 1 - Organization

Habitat for Humanity Saint Louis ("Habitat") was organized as a nonprofit organization in the State of Missouri and is associated with Habitat for Humanity International, Inc. Habitat has received tax exempt status under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954 to construct affordable, decent housing for sale to low-income families at cost and to build communities by encouraging existing homeowners to upgrade and improve their property.

On July 10, 2014, HFHSL Community Housing Development Organization ("HFHSL CHDO") and on January 27, 2015, HFHSL Community Housing Development Corporation II ("HFHSL CHDC II"), were formed in the State of Missouri.

HFHSL CHDO and HFHSL CHDC II are Community Housing Development Organizations ("CHDO's") sanctioned by the U.S. Department of Housing and Urban Development's ("HUD") HOME Program, whose purpose is to assist in developing community low-income housing. CHDO's receive certain priority and eligibility for HUD grants.

On August 12, 2020, HFHSL QALICB Real Estate Holding LLC ("QALICB") was organized as a nonprofit organization in the State of Missouri for the purpose of management of real estate for use in its homebuilding activity program. QALICB is owned entirely by Habitat.

These consolidated financial statements include the accounts of Habitat for Humanity Saint Louis, HFHSL Community Housing Development Organization, and HFHSL Community Housing Development Corporation II, and HFHSL QALICB Real Estate Holding LLC (collectively, the "Organization"). Inter-company activity is eliminated in consolidation.

The primary source of the Organization's revenues is contributions and sponsorships received from the general public, corporations, and religious organizations. Habitat also operates two retail hardware stores (the "ReStores") with sales to the general public. Inventory is primarily donated, with the sale proceeds used to carry out the Organization's mission.

The Organization's activities are primarily comprised of the following:

#### **Program services**

*Home construction, financing and support* - Includes all home construction costs such as materials, supplies, labor and overhead, as well as financing certain mortgages for the homeowners. This programming also includes construction supporting costs such as real estate development, volunteer mobilization and family selection services.

*ReStore operations* - Includes salaries, utilities, and overhead necessary to operate two discount and recycled materials hardware stores. This programming also includes the estimated value of donated merchandise sold in the stores.

#### **Supporting activities**

*Management and general* - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the consolidated financial and budgetary responsibilities of the Organization.

## **Habitat for Humanity Saint Louis and Affiliates**

### **Notes to Consolidated Financial Statements December 31, 2023 and 2022**

*Fundraising* - Provides the structure necessary to encourage and secure consolidated financial support for the Organization through grants, contributions, and special events.

#### **Note 2 - Summary of significant accounting policies**

##### **Basis of presentation**

The Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and general and fundraising expenses.

##### **Principles of consolidation**

The accompanying consolidated financial statements include the accounts of Habitat, HFHSL CHDO, HFHSL CHDC and QALICB. All intercompany balances and transactions have been eliminated in consolidation.

##### **Revenue recognition**

Contributions and grants received are recorded as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions. Contributions of assets other than cash are recorded at their estimated fair market value.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues. The expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled, or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional pledges receivable that are expected to be collected within a year are recorded at their net realizable value when the donor makes the promise. Unconditional pledges receivable that are expected to be collected in the future years are recorded at the present value of their estimated future cash flows.

Grants that are received prior to recognition of revenue are recorded as deferred revenue.

Sales to homeowners represent the sale of homes built or rehabilitated by the Organization. The resulting mortgages are noninterest-bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The Organization recognizes income from the sales to homeowners when home closings occur.

##### **Donated property, materials and services**

Donated materials are valued at the lower of estimated donor cost or fair value at the date of contribution. Certain professional services are donated to the Organization by various organizations. Since these donated services meet the criteria for recognition, as stated by generally accepted accounting principles, they are recorded at fair value at the date of donation. In addition, a substantial number of volunteers have donated a significant amount of time to the Organization. These donated services have not been recognized as contributions in the consolidated financial statements since the recognition criteria, as stated by generally accepted accounting principles, were not met. Some donated materials and services are designated by the donor for specific construction projects, and accordingly, are recorded as with donor restrictions.

## **Habitat for Humanity Saint Louis and Affiliates**

### **Notes to Consolidated Financial Statements December 31, 2023 and 2022**

Donated investments are recorded at the fair market value as of the date of the contribution. Gains and losses on investments and other assets or liabilities, are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

#### **Net assets**

The Organization classifies net assets as without donor restrictions and with donor restrictions.

Without donor restrictions net assets of the Organization are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

With donor restrictions net assets of the Organization result (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither or either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

#### **Use of estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Investments in new markets**

The Organization's long-term investments are investments in entities related to the New Markets Tax Credit ("NMTC") program. The NMTC investments are accounted for using the equity method. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of income or loss and increased or decreased by the amount of any contributions made or distributions received. All investment activity is reflected in the accompanying consolidated statements of activities as net investment return.

The Organization assess other-than-temporary declines in values in its NMTC investments. Annually, the carrying value of each investment is compared to its respective fair value. If an other-than-temporary decline in its carrying value exists, an impairment loss is recorded on the Organization's consolidated statement of activities to reduce the investment to fair value.

#### **Cash and cash equivalents**

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

#### **Inventory**

Inventory primarily consists of ReStore merchandise, construction in progress, homes available for sale, and land and buildings occupied and subject to lease with the option to purchase.

ReStore inventory consists of materials and is stated at donated value. Any purchased inventory is stated at the lower of cost or market value.



## **Habitat for Humanity Saint Louis and Affiliates**

### **Notes to Consolidated Financial Statements December 31, 2023 and 2022**

All direct material and equipment costs and indirect costs related to home construction are recorded as construction in progress inventory. When revenue from the sale of a home is recognized, the corresponding costs are expensed in the consolidated statement of activities and changes in net assets as program services.

Homes are transferred from construction in progress to homes available for sale once completed, with the accrued impairment for the sale of the mortgage and the expected loss on the sale of the property. Homes available for sale also includes foreclosed homes mortgage balances which are recorded at the unpaid mortgage balance at the time of foreclosure.

#### **Mortgages receivable**

Mortgages receivable consist of noninterest-bearing notes received from homebuyers in connection with the sale of homes constructed by the Organization. The notes are discounted to their present values using various interest rates at the time of closing. The discount is amortized over the lives of the mortgages using the effective interest method. An allowance for estimated doubtful accounts has been setup based on past collection experience of homeowners.

#### **Assets held for sale**

Long-lived assets to be sold are classified as "held for sale" in the period in which certain criteria are met such as the estimated timeframe in which the assets are expected to be sold. As a result, depreciation is not recorded on an asset once deemed to be held for sale, and it is recorded in the consolidated financial statements at the lower of its carrying value or fair value less cost to sell.

#### **Capitalization and depreciation**

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

#### **Construction in progress**

Costs incurred for construction in progress are capitalized when incurred. If at any time management determines that the costs incurred would no longer provide a future benefit to the Organization, the costs are expensed in the period in which the determination is made.

#### **Capitalized costs**

Guarantee fees paid in conjunction with the NMTC investments are capitalized and amortized over seven years, the NMTC guarantee period.

#### **Impairment of long-lived assets**

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during 2023 and 2022, respectively.

#### **Income taxes**

Habitat has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2023 and 2022. Due to its tax-exempt status, Habitat is not subject to income taxes. They are required to file, and do file, tax returns with the IRS and other taxing authorities. The Forms 990, Return of

## **Habitat for Humanity Saint Louis and Affiliates**

### **Notes to Consolidated Financial Statements December 31, 2023 and 2022**

Organization Exempt from Income Tax, are subject to examination by the IRS generally for three years after they were filed.

#### **Advertising costs**

Advertising costs are charged to operations when incurred.

#### **Reclassifications**

Certain reclassifications may have been made to conform prior year data to the current presentation.

#### **Functional expenses**

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Included in each functional category are the expenses directly attributable to that functional area plus certain indirect or shared costs that have been allocated to the area. Expenses are allocated based on program, management and general, and resource development, with ReStore expenses being separately netted. Program expenses are defined as all costs related to the construction of homes, including hard and soft costs of a development, as well as all construction overhead expenses (staff salaries and benefits, and operating expenses related to construction). Program expenses also include the costs of mobilizing the volunteers used in the construction of homes, as well as the cost to select and educate partner families.

#### **New accounting pronouncements**

The Association adopted Accounting Standards Updates ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), on January 1, 2023, and subsequent issued various corresponding updates that updated the impairment model for financial assets measured at amortized cost, known as the Current Expected Credit Loss ("CECL") model. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities are required to use a new forward-looking "expected loss" model that generally results in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses due to credit-related factors will be recognized as an allowance on the balance sheet with a corresponding adjustment to earnings in the statements of activities. There are various transition methods available upon adoption. Adopting Topic 326 did not result in adjustments to the financial statements.

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

#### Note 3 - Availability and liquidity

The following represents the Organization's financial assets at December 31, 2023 and 2022:

	2023	2022
Financial assets at year end		
Cash and cash equivalents	\$ 218,699	\$ 98,299
Restricted cash	3,569,800	48,554
Contributions receivable	89,516	159,957
Total financial assets	3,878,015	306,810
Less amounts not available to be used within one year		
Net assets with donor restrictions	4,861	8,886
Financial assets not available to be used within one year	4,861	8,886
Financial assets available to meet general expenditures within one year	\$ 3,873,154	\$ 297,924

#### Liquidity management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, construction expenditures, liabilities and other obligations become due. The Organization utilizes project specific construction lines of credit to manage hard and soft construction expenses, as well as certain organization expenses as related directly to the construction program. These lines exist solely during the specific construction period and are paid in full upon the origination of a repayable mortgage on the sale of each home.

To help manage unanticipated liquidity needs, the Organization utilizes short-term (on a daily basis) cash flow analysis and projection report. The Organization also utilizes a long-term cash flow analysis that operates as a trended profit and loss report which uses the annual budget as a basis but is updated in real time to reflect actual revenue and expenses. This allows for the projection of the availability of cash surplus and thus enhanced planning and budgeting for times of unexpected liquidity needs.

Additionally, the Organization has a proven track record of applying for and receiving grants and tax credit allocations that have been utilized to cover any gaps in revenue versus expense, as well as to actually fund ongoing operational expenses.

#### Note 4 - Cash and cash equivalents

The Organization maintains its cash reserve balances in several accounts. The cash reserve balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash reserve balances during the years ended December 31, 2023 and 2022.

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

Restricted cash consists of the following as of December 31, 2023 and 2022:

	2023	2022
Homeowner repair escrow	\$ 1,822	\$ 9,187
Restricted for NMTC expenses (Note 12)	3,567,978	39,367
	<u>\$ 3,569,800</u>	<u>\$ 48,554</u>

#### Note 5 - Project fund

In accordance with the Financing Agreement dated December 1, 2017 (the "Financing Agreement"), proceeds from the Series 2017 Revenue Bonds (see Note 16) are required to be deposited with Royal Bank of Missouri, the fiscal agent. The project fund is to be used to pay for the rehabilitation costs of the Organization's new administrative office building at 3830 South Grand Boulevard. During 2018, the funds were used towards the construction of the new office building.

#### Note 6 - Operating leases

During the year ended December 31, 2023, the Organization entered into a lease for a ReStore facility with an effective date of June 1, 2023 through May 1, 2028.

Supplemental cash flow information related to the Organization's operating leases for the year ended December 31, 2023:

	Operating leases
Cash paid for amounts included in the measurement of lease liabilities	\$ 381,535
Addition to right of use assets	1,874,077

On March 27, 2013, Habitat entered into a lease agreement to open a second ReStore location. The lease commenced on June 1, 2013 and terminated on May 31, 2018, with two five-year options to renew. During 2018, Habitat exercised the renewal option through May 31, 2023. During 2023, Habitat exercised the renewal option through May 1, 2028. The lease provides for annual base rent, a portion of which is donated back to Habitat each year on June 1, and monthly base rent payable by Habitat.

On November 14, 2016, Habitat entered into an amended lease agreement effective January 1, 2015. The new lease agreement states the Landlord shall compensate Habitat for the work performed, amount of any rent collected, and the amount of any invoice for service paid on behalf of the Landlord. During 2023 and 2022, Habitat earned \$24,825 and \$68,443, respectively, of reimbursement expenses. In addition, the Landlord shall compensate Habitat with a management fee in the amount equal to 15% of the reimbursement expenses. During 2023 and 2022, Habitat earned a management fee of \$0 and \$91,807, respectively. The reimbursement and the management fee are included in other income on the accompanying consolidated statements of activities.

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

The future minimum rental commitments under all such operating leases for the next five years are as follows:

Year	Total annual base rent
2024	\$ 393,615
2025	405,695
2026	417,775
2027	429,856
2028	181,204
Total	<u>\$ 1,828,145</u>

On September 16, 2020, Habitat entered into a ground lease agreement with HFHSL QALICB Real Estate Holding LLC. The lease term is for 25 years terminating on September 16, 2045, with an option to renew for 5 more years. Commencing on October 1, 2020, Habitat shall pay the lessor annual base rent of \$225,095 in monthly installments. The base rent shall increase 2% each year during the term of the lease. The activity is eliminated in consolidation.

The future minimum rental commitments under the ground lease are as follows:

	Base rent
2024	\$ 240,067
2025	244,868
2026	249,766
Total	<u>\$ 734,701</u>

#### Note 7 - Investments

Certain investments have been designated by the Board for specific purposes (see Note 17). Income on those investments includes the following for the years ended December 31, 2023 and 2022:

	2023	2022
Investment income from NMTC investments	\$ 57,301	\$ 23,192
Interest and dividend income	26,708	6,813
Realized (loss)/gain on investments	787	1,677
	<u>\$ 84,796</u>	<u>\$ 31,682</u>

#### Note 8 - Pledges receivable

Pledges, or promises to give, consist of contributions restricted for the purpose of building a home. At December 31, 2023 and 2022, pledges receivable for house sponsorships totaled \$0 and \$11,500, respectively. The promises to give are unconditional and are expected to be collected within one year.

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

#### Note 9 - Grants receivable and grant revenue

Grants receivable as of December 31, 2023 and 2022 consists primarily of reimbursement type grants for home construction costs:

	2023	2022
Gate Phase 1	\$ -	\$ 29,660
State of MO Allocation	58,722	43,117
LaSaison Phase 1	3,200	26,400
Itaska KMOV	-	7,455
MHRP	27,594	41,825
	<u>\$ 89,516</u>	<u>\$ 148,457</u>

Grant revenue earned during 2023 and 2022 consists of the following:

	2023	2022
Affordable Housing Trust Fund	\$ 65,573	\$ 180,820
MHRP	144,702	41,825
State of MO Allocation	253,350	329,913
Other	30,000	57,200
	<u>\$ 493,625</u>	<u>\$ 609,758</u>

#### Note 10 - Mortgages receivable

Mortgages receivable consist of noninterest-bearing mortgages secured by real estate, receivable in monthly installments through years ranging to 2049. Mortgage receivables include those mortgages repurchased from CitiMortgage upon homeowner default and second promissory notes on homes under the zero-equivalent mortgage method. Each mortgage is discounted to the value it could be sold to a third-party lender.

The Organization utilizes an affordable mortgage analysis method for financing homes. Under this method, the lending bank charges the homebuyer a below-market rate of interest. The monthly payments the homebuyer makes to the lending bank are the same as if the Organization was providing a zero-percent loan directly to the homebuyer. The Organization sells homes at a reduced price in order for the mortgage with interest to be equivalent to the mortgage with no interest at a normal sale price. The Organization holds the second mortgage on each home which will be forgiven over the life of the mortgage.

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

Mortgages receivable as of December 31, 2023 and 2022 are presented net of unamortized discount resulting from the imputation of interest as follows:

	2023	2022
Mortgages receivable at face value	\$ 3,497,859	\$ 3,556,800
Less: Reserve	(1,738,256)	(1,787,508)
Less: Allowance for doubtful accounts	(505,260)	(482,464)
	<u>\$ 1,254,343</u>	<u>\$ 1,286,828</u>
Long-term portion of mortgages receivable	<u>\$ 1,254,343</u>	<u>\$ 1,286,828</u>

#### Note 11 - Home construction and inventory

Home construction and inventory for the years ended December 31, 2023 and 2022 consists of the following:

	2023	2022
Land	\$ 224,360	\$ 183,791
Construction in progress	3,380,027	591,710
Leased and available-for-sale homes	-	-
	<u>\$ 3,604,387</u>	<u>\$ 775,501</u>

Leases for homes contain purchase options, which allow the lessee to purchase the home with an affordable mortgage payable over 30 years. Leased and available-for-sale homes are valued in inventory at the lower of cost or net realizable proceeds after all expected selling costs. During 2023 and 2022, all leased homes have been sold to Habitat homebuyers.

#### Note 12 - Investments in New Markets Tax Credit programs

Habitat entered into three transactions involving New Markets Tax Credit ("NMTC") financing. Under the NMTC structure, Habitat makes investments in a leverage lender, whose sole purpose is to lend to an investment fund. The investment fund entity also receives capital contribution equity from private investors. The private investor receives tax credits in return for its contribution into the investment fund. The investment fund uses the loan from the leverage lender and the equity from the investors to make an investment in a community development entity ("CDE"). All of the proceeds received by the CDE are then loaned to Habitat.

##### Investment in Harbor Habitat Leverage II, LLC

In 2017, Habitat made an investment in Harbor Habitat Leverage II, LLC in the amount of \$1,207,410, plus transaction costs of \$53,142. Habitat is the 16.67% member of Harbor Habitat Leverage II, LLC. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from Harbor Community Fund XIII, LLC in the amount of \$1,715,000.

As of December 31, 2023 and 2022, Habitat's investment in Harbor Habitat Leverage II, LLC was \$1,260,552.

In December 2024, Twain Investment Fund 296, LLC (the "2017 Fund") and the upstream effective owner of Harbor Community Fund XIII, LLC (holder of the promissory note due from the Habitat) is

## **Habitat for Humanity Saint Louis and Affiliates**

### **Notes to Consolidated Financial Statements December 31, 2023 and 2022**

expected to exercise its put option. Under the terms of the put option agreement, Harbor Habitat Leverage II, LLC is expected to purchase the ownership interest of the 2017 Fund. If the put option is not exercised, Harbor Habitat Leverage II, LLC has the option to purchase (call), at any time during the 12-month period following the expiration of the put option. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2017 Fund.

#### **Investment in Harbor Habitat Leverage III, LLC**

In 2020, Habitat made an investment in Harbor Habitat Leverage III, LLC in the amount of \$1,111,838, plus transaction costs of \$82,986. Habitat is the 25% member of Harbor Habitat Leverage III, LLC. Habitat recorded its investment at cost plus transactions costs. In return for its investment, Habitat received a loan from Harbor Community Fund XXII, LLC in the amount of \$1,521,250.

As of December 31, 2023 and 2022, Habitat's investment in Harbor Habitat Leverage III, LLC was \$1,194,824.

In June 2027, USBCDC Investment Fund 346, LLC (the "2020 Fund") and the upstream effective owner of Harbor Community Fund XXII, LLC (holder of the promissory note due from Habitat) is expected to exercise its put option. Under the terms of the put option agreement, Harbor Habitat Leverage III, LLC is expected to sell the ownership interest of the 2020 Fund. If the put option is not exercised, Harbor Habitat Leverage III, LLC has the option to purchase (call), at any time during the 12-month period following the expiration of the put option. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2020 Fund.

#### **Investment in SLDC Leverage I, LLC**

In 2023, Habitat made an investment in SLDC Leverage I, LLC in the amounts of \$490, plus transaction costs of \$204,718. Habitat is the 49% member of SLDC Leverage I, LLC. Habitat recorded its investment at cost plus transactions costs. In return for its investment, Habitat received loans from St. Louis New Market Tax Credit Fund 71, LLC and USBCDE Sub-CDE 235, LLC in the amounts of \$4,800,000 and \$1,980,000, respectively.

As of December 31, 2023, Habitat's investment in SLDC Leverage I, LLC was \$205,211.

In February 2030, Twain Investment Fund 708, LLC (the "2023 Fund") and the upstream effective owner of St. Louis New Market Tax Credit Fund 71, LLC and USBCDE Sub-CDE 235, LLC (holder of the promissory notes due from Habitat) is expected to exercise its put option. Under the terms of the put option agreement, SLDC Leverage I, LLC is expected to sell the ownership interest of the 2023 Fund. If the put option is not exercised, SLDC Leverage I, LLC has the option to purchase (call), at any time during the 12-month period following the expiration of the put option. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2023 Fund.



## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

Management expects the put option for each of its NMTC transactions to be exercised at the end of each respective compliance period. If that does occur, management anticipates revenue from the forgiveness of debt as follows for the years ending December 31:

	Revenue
2024	\$ 454,448
2025	-
2026	-
2027	326,426
2028	-
Thereafter	<u>6,574,789</u>
Total	<u>\$ 7,355,663</u>

Interest income earned from the investments and interest expense incurred from the loans during the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Interest income	\$ 57,291	\$ 23,192
Interest expense	<u>(85,334)</u>	<u>(30,001)</u>
Net interest	<u>\$ (28,043)</u>	<u>\$ (6,809)</u>

#### Note 13 - Fixed assets

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment as of December 31, 2023 and 2022 is comprised of the following:

	Useful life	2023	2022
Land	N/A	\$ 1,141,364	\$ 1,141,364
Building and improvements	10 - 40 years	2,825,435	2,800,610
Equipment	3 - 39 years	584,952	554,161
Vehicles	5 years	185,562	244,562
Computer software	3 years	<u>43,752</u>	<u>42,687</u>
Total property and equipment		4,781,065	4,783,384
Less: Accumulated depreciation		<u>(1,283,308)</u>	<u>(1,243,132)</u>
Property and equipment, net		<u>\$ 3,497,757</u>	<u>\$ 3,540,252</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$113,400 and \$118,744, respectively.

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

#### Note 14 - Capitalized costs

The guarantee fees associated with the NMTC transactions have been capitalized and amortized over the seven-year guarantee period. As of December 31, 2023 and 2022, guarantee fees amounted to \$473,992 and \$241,917, respectively, and accumulated amortization amounted to \$224,885 and \$158,547, respectively. During the years ending December 31, 2023 and 2022, amortization expense totaled \$51,782 and \$41,365, respectively.

Estimated amortization expense for the ensuing years is as follows:

Year	Amount
2024	\$ 54,288
2025	54,289
2026	35,559
2027	19,729
2028	19,729
Thereafter	65,513
	<u>\$ 249,107</u>

#### Note 15 - Lines of credit

Lines of credit at December 31, 2023 and 2022 consist of the following:

Lender	Face amount	Outstanding	Interest rate + prime rate	Maturity date	Function	Status, report date
People's National Bank, N.A.	\$ 144,000	\$ 86,637	8.50%	10/2/2024	Construction	To be renewed
People's National Bank, N.A.	144,000	2,152	8.50%	10/2/2024	Construction	To be renewed
People's National Bank, N.A.	625,200	435,819	8.50%	12/30/2024	Construction	To be renewed
Royal Banks of Missouri	800,000	400,116	8.50%	11/4/2024	Permanent	To be renewed
Total lines of credit, 12/31/23		<u>\$ 924,724</u>				
Lender	Face amount	Outstanding	Interest rate + prime rate	Maturity date	Function	
People's National Bank, N.A.	\$ 592,500	\$ 166,028	8.50%	6/13/2023	Construction	
People's National Bank, N.A.	12,500	6,250	8.50%	2/19/2023	Construction	
People's National Bank, N.A.	535,000	96,899	8.50%	12/30/2023	Construction	
Royal Banks of Missouri	800,000	492,833	8.50%	11/4/2023	Permanent	
Total lines of credit, 12/31/22		<u>\$ 762,010</u>				

# Habitat for Humanity Saint Louis and Affiliates

## Notes to Consolidated Financial Statements December 31, 2023 and 2022

### Note 16 - Long-term debt

Long-term debt at December 31, 2023 and 2022 consists of the following:

	2023	2022
<u>St. Louis New Markets Tax Credit Fund 71, LLC</u>		
The loan in the amount of \$4,800,000, dated February 28, 2023, is held by St. Louis New Markets Tax Credit Fund 71, LLC. The loan bears interest at fixed rate of 0.714615%. The loan matures on February 28, 2043. Commencing on June 5, 2023, semi-annual interest payments are due until December 5, 2029 when principal and interest payments commence. The loan is secured by the operating account, Joint expense account and all other bank accounts held by U.S. Bank. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in February 2030 (Note 12).	\$ 4,800,000	\$ -
<u>USBCDE Sub-CDE 235, LLC</u>		
The loan in the amount of \$1,980,000, dated February 28, 2023, is held by USBCDE Sub-CDE 235, LLC. The loan bears interest at fixed rate of 0.714615%. The loan matures on February 28, 2043. Commencing on June 5, 2023, semi-annual interest payments are due until December 5, 2029 when principal and interest payments commence. The loan is secured by the operating account, Joint expense account and all other bank accounts held by U.S. Bank. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in February 2030 (Note 12).	1,980,000	-
<u>IFF Note A</u>		
The loan in the amount of \$1,116,593, dated September 16, 2020, is held by St. Louis New Markets Tax Credit Fund 59, LLC. The loan bears interest at 5% per annum. Commencing on December 1, 2020, quarterly interest payments are due. The loan matures on June 27, 2026 when all principal and accrued interest is due. The loan is secured by real estate and an assignment of leases and rents.	1,116,593	1,116,593

# Habitat for Humanity Saint Louis and Affiliates

## Notes to Consolidated Financial Statements December 31, 2023 and 2022

	2023	2022
<u>IFF Note B</u>		
The loan in the amount of \$133,407, dated September 16, 2020, is held by St. Louis New Markets Tax Credit Fund 59, LLC. The loan bears interest at 5% per annum. Commencing on December 1, 2020, quarterly interest payments are due. The loan matures on June 27, 2026 when all principal and accrued interest is due. The loan is secured by real estate and an assignment of leases and rents.	133,407	133,407
<u>Harbor Community Fund XIII LLC</u>		
The loan in the amount of \$1,715,000, dated December 20, 2017, is held by Harbor Community Fund XIII LLC. The loan bears interest at a fixed rate of 0.7041%. The loan matures on December 20, 2037. Commencing on June 5, 2018, semi-annual payments are due until December 5, 2024 when principal and interest payments commence. The loan is secured by the operating account, Joint expense Non-POB account and all other bank accounts held by U.S. Bank. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in December 2024 (Note 12).	1,715,000	1,715,000
<u>Harbor Community Fund XXII LLC</u>		
The loan in the amount of \$1,521,250, dated June 4, 2020, is held by Harbor Community Fund XIII LLC. The loan bears interest at fixed rate of 0.7309%. The loan matures on June 4, 2040. Commencing on December 5, 2020, semi-annual interest payments are due until December 5, 2027 when principal and interest payments commence. The loan is secured by the operating account, Joint expense Non-POB account and all other bank accounts held by U.S. Bank. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in June 2027 (Note 12).	1,521,250	1,521,250
<u>2016 Ford Transit</u>		
The loan in the amount of \$24,476, dated October 15, 2022, bears interest at 6.94% per annum. Commencing on October 15, 2022, monthly payments are due. The loan matures August 2027. The loan is secured by the asset.	17,948	22,843

# Habitat for Humanity Saint Louis and Affiliates

## Notes to Consolidated Financial Statements December 31, 2023 and 2022

### Series 2017 Revenue Bonds

On December 1, 2017, The Industrial Development Authority of the City of St. Louis, Missouri, issued Series 2017 revenue bonds in the amount of \$2,040,000 to finance the rehabilitation of 3830 South Grand Boulevard, St. Louis, MO. Royal Bank of Missouri is the fiscal agent. During 2020, the terms of the note were changed reducing the principal amount to \$2,030,232. The note initially carries interest at the rate of 3.3%. Commencing in February 2023, the note will bear interest at 2.52% plus the rate of the Federal Home Loan Bank of Des Moines 5 Year Long-Term Fixed Rate Advance, but is not to be adjusted more often than each five years. Principal and interest payments in the amount of \$8,920 were due monthly beginning on January 1, 2020 but were deferred to commence on April 1, 2020. The loan matures on December 1, 2049.

	<u>1,925,187</u>	<u>1,963,322</u>
Total	13,209,385	6,472,415
Less: current maturities	<u>(44,125)</u>	<u>(43,131)</u>
Net long-term debt	<u>\$ 13,165,260</u>	<u>\$ 6,429,284</u>

Aggregate annual maturities of the mortgages and notes payable for each of the five following years and thereafter is as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 44,125
2025	172,618
2026	1,425,419
2027	176,684
2028	176,191
Thereafter	<u>11,214,348</u>
	<u>\$ 13,209,385</u>

## Habitat for Humanity Saint Louis and Affiliates

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

#### Note 17 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Construction projects	\$ -	\$ -
Other	4,861	8,886
	<u>\$ 4,861</u>	<u>\$ 8,886</u>

Net assets of \$478,691 and \$496,306 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended December 31, 2023 and 2022, respectively.

#### Note 18 - Related party transactions

Habitat has a nonbinding covenant with Habitat for Humanity International, Inc. ("HFHI") to make an annual voluntary tithe payment to HFHI. In 2023 and 2022, Habitat paid \$1,000 in tithe per year.

In 2013, HFHI implemented its Stewardship and Organizational Sustainability Initiative ("SOSI"), which requires payment from affiliates of annual fees based upon the size of the individual affiliate, in addition to the annual tithe. The annual fee required of Habitat is \$25,000. In 2022, Habitat paid \$25,000 for the previous year's SOSI commitment. In 2023, HFHI has deferred the U.S. Stewardship and Organizational Sustainability Initiative ("US-SOSI") fee as follows: to be invoiced September 1, 2023. The first half of the invoiced amount will be due on November 1, and the balance will be due February 1 of the subsequent year. As of December 31, 2023 and 2022, the payable amounted to \$12,500 and \$12,500, and is included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

#### Note 19 - Lease agreements

The Organization leases some of its properties from time-to-time. Although the Organization is a for-sale housing program, certain situations may arise where a property may be temporarily leased before it is sold. Most situations involve a lease-to-own or option-to-purchase agreement, but others may be only a rental situation for a fixed or renewable term.

During 2023 and 2022, Habitat was receiving lease payments on one home.

#### Note 20 - Mortgages sold with recourse

Prior to 2002, Habitat sold mortgages receivable with recourse to the Missouri Housing Development Commission. Habitat has guaranteed payment of the mortgage loans and in the event of any loan default, Habitat will replace the nonperforming loan with a performing loan or will buy back the nonperforming loan at par. As of December 31, 2023 and 2022, there were no uncollected balances remaining on the mortgages.

## **Habitat for Humanity Saint Louis and Affiliates**

### **Notes to Consolidated Financial Statements December 31, 2023 and 2022**

#### **Note 21 - Commitments and contingencies**

The purchase option agreement when a home is sold contains a provision that if the home is sold within 10 years of the initial date of the lease agreement, the Organization has the right to receive a certain percentage of the gain on the sale of the home. The percentage ranges from 100% if sold during the first year to 10% if sold in the 10th year.

The Organization provides a limited warranty to homeowners for all work done and materials provided in the construction of the home. This warranty is for one year from the date the buyer took occupancy, including the buyer's lease term. During this time, upon written notice from the purchaser, the Organization will repair or replace substantial defects free of charge. However, the Organization has the right to use the funds in the major repair fund (a portion of each mortgage payment is allocated to this escrow account). Based on past experience, management has determined no reserve is needed for warranties.

The Organization is a party to lawsuits arising in the ordinary course of their business. The Organization provides for costs relating to these matters when a loss is probable, and the amount is reasonably estimable. The effect of the outcome of these matters on the Organization's consolidated financial statements cannot be predicted with certainty. While the results of litigation cannot be predicted with certainty, the Organization believes, based on the advice of counsel, that the final outcome of such litigation will not have a materially adverse effect on the Organization's financial position, results of operations and cash flows.

#### **Note 22 - Employee benefit plan**

Habitat implemented a SIMPLE-IRA plan in 1998. An employee was eligible for the plan if \$2,400 of wages have been earned in any prior year. On December 31, 2019, Habitat terminated the SIMPLE-IRA plan in favor of a new Defined Contribution 401(k) Profit Sharing retirement plan. An employee is eligible for the plan after 1 year of entry service, which amounts to 1,000 hours of service and 12 months after hire date. Participation in the plan is optional. 401(k) elective deferrals, up to a percentage of an employee's pay as decided by the Organization, are matched. Matching contributions are calculated based on the employee's pay and 401(k) elective deferrals for the payroll period. Matching contributions are made for all persons who were active participants at any time during that payroll period. Any percentage chosen will apply for the entire plan year. During the years ended December 31, 2023 and 2022, Habitat's contribution to the plan amounted to \$21,053 and \$19,627, respectively.

#### **Note 23 - Subsequent events**

Events that occur after the consolidated balance sheet date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which reflect significant matters but which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through July 15, 2024 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.



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