

HABITAT FOR HUMANITY OF COLORADO, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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THE ADAMS GROUP, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Habitat for Humanity of Colorado, Inc.
Lakewood, Colorado

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Colorado, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Colorado, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

The Adams Group, LLC

Greenwood Village, Colorado
October 16, 2024

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF FINANCIAL POSITION

June 30,	2024	2023
<u>Assets</u>		
Cash and cash equivalents	\$ 565,660	\$ 519,499
Board designated reserve cash and cash equivalents	189,674	264,655
Board designated reserve investments	309,079	30,000
Accounts receivable, net	88,925	63,142
Accrued interest receivable	7,445	-
Notes receivable, net	3,300,000	2,975,000
Right-of-use operating lease assets, net	20,516	40,168
Property and equipment, net	7,929	2,507
Total Assets	\$ 4,489,228	\$ 3,894,971
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 2,650	\$ 20,309
Due to affiliates	127,000	27,500
Accrued liabilities	38,366	29,483
Refundable advance	100,000	100,000
Operating lease liabilities	21,336	40,988
Loan payable	2,975,000	2,725,000
Total liabilities	3,264,352	2,943,280
<u>Net Assets</u>		
Without donor restriction:		
Undesignated	726,123	657,036
Board designated	498,753	294,655
Total net assets	1,224,876	951,691
Total Liabilities and Net Assets	\$ 4,489,228	\$ 3,894,971

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30,	2024
	<u>Without Donor Restriction</u>
<u>Support & Revenue:</u>	
Proceeds received from sales of affiliate loans	\$ 5,097,555
Less: Amounts remitted to affiliates	<u>(4,946,097)</u>
Net proceeds from sales of affiliate loans	<u>151,458</u>
Government grants	5,489,500
Contributions and grants	1,059,626
Processing fees and interest income	391,140
Other income	<u>31,424</u>
Total revenues	<u>7,123,148</u>
<u>Expenses</u>	
Program services	
Affiliate support	<u>6,647,226</u>
Supporting services	
General and administrative	110,919
Fundraising	<u>91,817</u>
Total supporting services	<u>202,737</u>
Total expenses	<u>6,849,963</u>
Changes in net assets	273,185
Net assets, beginning of year	<u>951,691</u>
Net assets, end of year	<u><u>\$ 1,224,876</u></u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30,	2023
	<u>Without Donor Restriction</u>
<u>Support & Revenue:</u>	
Proceeds received from sales of affiliate loans	\$ 3,223,522
Less: Amounts remitted to affiliates	<u>(3,102,551)</u>
Net proceeds from sales of affiliate loans	<u>120,971</u>
Government grants	2,513,897
Contributions and grants	781,108
Processing fees and interest income	317,947
Other income	<u>428</u>
Total revenues	<u>3,734,351</u>
<u>Expenses</u>	
Program services	
Affiliate support	<u>3,531,329</u>
Supporting services	
General and administrative	132,187
Fundraising	<u>32,942</u>
Total supporting services	<u>165,129</u>
Total expenses	<u>3,696,458</u>
Changes in net assets	37,893
Net assets, beginning of year	<u>913,798</u>
Net assets, end of year	<u>\$ 951,691</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30,

2024

	<u>Supporting Services</u>				<u>Total Expense</u>
	<u>Affiliate Support</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Direct Affiliate Services	\$ 99,813	\$ 206	\$ 3,227	\$ 3,433	\$ 103,246
Pass-Through Grants	5,866,057	-	-	-	5,866,057
Payroll Expenses	497,435	85,651	75,768	161,419	658,854
Amounts Remitted to Affiliates	4,946,097	-	-	-	4,946,097
Postage	1,086	187	165	353	1,439
Telephone and Utilities	5,222	899	795	1,694	6,916
Bank Charges and Interest	55,049	317	280	597	55,646
Insurance	3,362	579	512	1,091	4,453
Outside Services	50,880	5,226	4,623	9,849	60,729
Lease Expense	19,569	3,369	2,981	6,350	25,919
Office Expense	21,690	8,091	3,304	11,395	33,085
Dues and Subscriptions	-	3,322	-	3,322	3,322
Travel	26,004	2,889	-	2,889	28,893
Depreciation	1,060	183	161	344	1,404
	<u>11,593,323</u>	<u>110,919</u>	<u>91,817</u>	<u>202,737</u>	<u>11,796,060</u>
Less: amounts remitted to affiliates netted with revenue	<u>(4,946,097)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,946,097)</u>
Total expenses	<u>\$ 6,647,226</u>	<u>\$ 110,919</u>	<u>\$ 91,817</u>	<u>\$ 202,737</u>	<u>\$ 6,849,963</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30,

2023

	<u>Supporting Services</u>				<u>Total Expense</u>
	<u>Affiliate Support</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Direct Affiliate Services	\$ 318,099	\$ -	\$ 1,123	\$ 1,123	\$ 319,222
Pass-Through Grants	2,589,593	-	-	-	2,589,593
Amounts Remitted to Affiliates	3,102,551	-	-	-	3,102,551
Payroll Expenses	432,304	74,719	26,687	101,406	533,710
Credit Losses	25,000	-	-	-	25,000
Postage	1,401	242	87	329	1,730
Telephone and Utilities	6,163	1,065	381	1,446	7,609
Bank Charges and Interest	43,165	4,028	-	4,028	47,193
Grants Management	4,500	-	-	-	4,500
Insurance	15,801	2,731	975	3,706	19,507
Outside Services	34,628	43,900	-	43,900	78,528
Lease Expense	21,684	3,748	1,339	5,087	26,771
Office Expense	19,556	1,557	2,280	3,837	23,393
Dues and Subscriptions	3,175	-	-	-	3,175
Travel	15,123	-	-	-	15,123
Depreciation	1,137	197	70	267	1,404
	<u>6,633,880</u>	<u>132,187</u>	<u>32,942</u>	<u>165,129</u>	<u>6,799,009</u>
Less: amounts remitted to affiliates netted with revenue	<u>(3,102,551)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,102,551)</u>
Total expenses	<u>\$ 3,531,329</u>	<u>\$ 132,187</u>	<u>\$ 32,942</u>	<u>\$ 165,129</u>	<u>\$ 3,696,458</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
STATEMENT OF CASH FLOWS

For the Years Ended June 30,	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ 273,185	\$ 37,893
Reconciliation of changes in net assets to net cash from operating activities:		
Credit loss expense	-	25,000
Depreciation expense	1,404	1,404
Amortization expense	19,652	19,114
Change in operating assets and liabilities:		
Accounts receivable	(25,783)	(28,720)
Accrued interest receivable	(7,445)	-
Accounts payable	(17,659)	15,746
Due to affiliates	99,500	-
Accrued liabilities	8,883	(2,465)
Lease liability	(19,652)	(18,294)
Refundable advance	-	85,000
Net cash provided by operating activities	<u>332,085</u>	<u>134,678</u>
Cash flows from investing activities:		
Purchase of investments	(309,079)	(30,000)
Proceeds from maturity of investments	30,000	-
Purchase of property and equipment	(6,826)	-
Issuance of notes receivable	(1,650,000)	(2,650,000)
Proceeds from maturity of notes receivable	1,325,000	896,826
Net cash used by investing activities	<u>(610,905)</u>	<u>(1,783,174)</u>
Cash flows from financing activities:		
Net proceeds from revolving loan agreement	<u>250,000</u>	<u>1,628,114</u>
Net change in cash and cash equivalents	(28,820)	(20,382)
Cash and cash equivalents at beginning of year	<u>784,154</u>	<u>804,536</u>
Cash and cash equivalents at end of year	<u>\$ 755,334</u>	<u>\$ 784,154</u>
Supplementary disclosure:		
Right-of-use assets obtained with lease liabilities	<u>\$ -</u>	<u>\$ 59,282</u>
Interest paid	<u>53,209</u>	<u>43,165</u>
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 565,660	\$ 519,499
Board designated reserve cash and cash equivalents	189,674	264,655
Total cash and cash equivalents	<u>\$ 755,334</u>	<u>\$ 784,154</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Habitat for Humanity of Colorado, Inc.'s (the "Organization") mission statement reads, "Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope."

The Organization was founded by local Habitat for Humanity affiliates in November 1992 to provide statewide support through collaborative fundraising, advocacy, strategic partnerships, training, technical assistance, and the development of resources.

Method of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Classification of Net Assets

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. The governing Board has designated, from net assets without donor restrictions, board- designated cash reserves.

Net assets with donor restrictions: Net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization had no funds held in perpetuity as of June 30, 2024 and 2023.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consists of demand deposit accounts (i.e. cash), money market funds designated as cash equivalents, certificates of deposit classified as investments, and notes receivable.

The Organization places its cash, cash equivalents, and investments with creditworthy, high-quality financial institutions. As of June 30, 2024, the Organization's cash, cash equivalents, and investments balance in excess of FDIC insurance coverage totaled approximately \$483,000. Management believes any risk of loss on uninsured deposits is remote.

As of June 30, 2024 and 2023, approximately 74% and 80% of the Organization's notes receivables were concentrated among four borrowers.

Investments

Investments consist of certificates of deposit and time deposits. Management intends to hold such instruments until maturity and therefore have recorded balances at amortized cost.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of affiliates and grantors to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2024 and 2023, management has recorded an allowance for doubtful accounts of \$2,750.

Notes Receivable

Notes receivable are carried at unpaid principal balances, less an allowance for credit losses. The allowance for credit losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past credit loss experience, specific impaired notes, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. The Organization's practice is to charge off any note or portion of a note when the note is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons. As of June 30, 2024 and 2023, management estimated an allowance for doubtful accounts of \$0 and \$25,000.

Interest income from notes is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is carried at cost or fair market value at date of contribution. Property and equipment acquired with an estimated useful life in excess of one year and a cost of \$5,000 or more is capitalized and depreciated using the straight-line method over the estimated 5-year useful life of the respective asset.

Recognition of Support and Revenue

Grant Revenues

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

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

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Contribution Revenues

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

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

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

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Proceeds from Sales of Affiliate Loans

The Organization receives a processing fee based on a fixed charge or a percentage of the proceeds remitted to the affiliate. The revenue from processing fees is recognized at the time the Organization completes its administrative for each agreement.

Donated Services

Donated services are recognized as contributions in accordance with GAAP for not-for-profit organizations if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided assistance with specific programs and fund-raising events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria under GAAP was not met. For the years ended June 30, 2024 and 2023, the Organization did not receive any donated services that met the criteria for recognition.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of the Internal Revenue Code Section 501(c)(3) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$2,702 and \$5,400 for the years ended June 30, 2024 and 2023.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The statement of functional expenses provides detail of the natural classifications of those functional expenses and are determined by management on an equitable and rational basis. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain costs have been allocated among the program, general and administrative, and fundraising categories based on estimates of time spent by personnel and other methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Reclassification

Certain 2023 amounts have been reclassified to conform to the 2024 presentation.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 16, 2024, which is the date the financial statements were available to be issued.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditure within one year of June 30, 2024 are as follows:

Cash and cash equivalents	\$ 755,334
Board designated reserve investments	309,079
Accounts receivable, net	88,925
Accrued interest receivable	7,445
Current portion of notes receivable, net (see Note 4)	<u>3,000,000</u>
Total liquid financial resources	4,160,783
Less: refundable advances	(100,000)
Less: board designated cash and investments	<u>(498,753)</u>
Total liquid and available financial resources	<u>\$ 3,562,030</u>

The Organization maintains board designated funds to support the Organization in the event of a short-term liquidity shortage. Although the Organization does not intend to spend from these board designated funds other than for the designated purpose, these amounts could be made available if necessary.

The Organization has financial planning and budgeting policies requiring the current operating reserve to be at least equal to three months of operating expenses, excluding passthrough program expenditures. The Board of Directors shall be notified and provided a plan of action, should the reserve fall below the established three-month level.

NOTE 3 – INVESTMENTS

The following is a summary of investments as of June 30:

	<u>2024</u>	<u>2023</u>
Certificates and time deposits	\$ 305,000	\$ 30,000
Accrued interest	<u>4,079</u>	<u>-</u>
Total investments	<u>\$ 309,079</u>	<u>\$ 30,000</u>

All investments and accrued interest are set to mature within one year.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 – NOTES RECEIVABLE

The following is a summary of notes receivable as of June 30, 2024:

	<u>2024</u>	<u>2023</u>
Note receivable with affiliate dated December 15, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on December 15, 2023. Note is secured by Deed of Trust.	\$ -	\$ 300,000
Note receivable with affiliate dated December 15, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on December 15, 2023. Note is secured by Deed of Trust.	-	325,000
Note receivable with affiliate dated December 15, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on December 15, 2023. Note is secured by Deed of Trust.	-	325,000
Note receivable with affiliate dated March 23, 2023. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on September 30, 2024. Note is secured by Deed of Trust.	200,000	200,000
Note receivable with affiliate dated February 17, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on March 5, 2025. Note is secured by Deed of Trust.	200,000	200,000
Note receivable with affiliate dated April 29, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on April 29, 2023. Note is secured by Deed of Trust.	-	250,000
Note receivable with affiliate dated May 30, 2023. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on May 30, 2025. Note is secured by Deed of Trust.	250,000	250,000
Note receivable with affiliate dated September 8, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on February 1, 2025. Note is secured by a Deed of Trust.	200,000	200,000

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

	<u>2024</u>	<u>2023</u>
Note receivable with affiliate dated September 8, 2022. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on February 1, 2025. Note is secured by a Deed of Trust.	300,000	300,000
Note receivable with affiliate dated May 22, 2023. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on May 22, 2024. Note is secured by Deed of Trust.	-	125,000
Note receivable with affiliate dated April 28, 2023. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on October 31, 2024. Note is secured by Deed of Trust.	500,000	500,000
Note receivable with affiliate dated November 17, 2023. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on February 15, 2024. Note is secured by Deed of Trust.	75,000	-
Note receivable with affiliate dated July 31, 2023. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on January 10, 2025. Note is secured by Deed of Trust.	300,000	-
Note receivable with affiliate dated December 29, 2023. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on September 1, 2025. Note is secured by Deed of Trust.	50,000	-
Note receivable with affiliate dated March 1, 2024. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on March 1, 2025. Note is secured by Deed of Trust.	325,000	-
Note receivable with affiliate dated March 1, 2024. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on March 1, 2025. Note is secured by Deed of Trust.	300,000	-

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 – NOTES RECEIVABLE (CONTINUED)

	2024	2023
Note receivable with affiliate dated March 1, 2024. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on March 1, 2025. Note is secured by Deed of Trust.	325,000	-
Note receivable with affiliate dated March 12, 2024. Interest accrues at 2.75% per annum and is payable monthly. Principal is payable upon maturity on September 5, 2025. Note is secured by Deed of Trust.	250,000	-
Note receivable with affiliate dated April 15, 2024. Note is interest-free. Principal is payable upon maturity on April 15, 2025. Note is secured by the Security Agreement.	25,000	-
Note receivable with affiliate dated January 18, 2022. Note is interest-free. Principal is payable upon maturity on July 1, 2022. Note is unsecured.	-	25,000
Total notes receivable	<u>\$ 3,300,000</u>	<u>\$ 3,000,000</u>
Due within one year	\$ 3,000,000	\$ 1,800,000
Due in more than one year	300,000	1,200,000
Less: allowance for credit losses	-	(25,000)
Total notes receivable	<u>\$ 3,300,000</u>	<u>\$ 2,975,000</u>

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

	2024	2023
Office furniture and equipment	\$ 26,688	\$ 19,862
Leasehold improvements	12,669	12,669
	39,357	32,531
Less: Accumulated depreciation	(31,428)	(30,024)
Total property and equipment, net	<u>\$ 7,929</u>	<u>\$ 2,507</u>

HABITAT FOR HUMANITY OF COLORADO, INC.
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NOTE 6 – REVOLVING LOAN AGREEMENT

The Organization obtained a revolving working capital loan up to \$3,000,000 from the Colorado Housing and Finance Authority (CHFA). Interest accrues on outstanding principal at 2% per annum and is payable quarterly. Any outstanding principal and accrued interest are due upon maturity on March 1, 2025. The loan is unsecured but requires the Organization to maintain: 1) a ratio of current assets to current liabilities of not less than 1:1, and 2) a ratio of total liabilities to tangible net worth of not greater than 3:1. As of June 30, 2024, the Organization was in compliance with these covenants. For the years ended June 30, 2024 and 2023 outstanding principal on the loan was \$2,975,000 and \$2,725,000.

NOTE 7 – BOARD DESIGNATED NET ASSETS

Board designated net assets consist of cash, cash equivalents, and investments and are reserved based on upon resolution from the Board of Directors. The Organization's Executive Director shall not allow financial planning that reduces the current operating reserve at any time to less than a minimum of 3 months of operating expenses, at which time the Board shall be notified and provided a plan to recover to above 3 months.

NOTE 8 – LEASES

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of 12 months or less (short-term leases) are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Operating leases are included in right-of-use ("ROU") operating lease assets and operating lease liabilities in the accompanying statement of financial position. All of the Organization's leases are classified as operating. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date at the present value of lease payments over the lease term. The Organization has elected to use the risk-free discount rate to calculate the present value of lease payments.

HABITAT FOR HUMANITY OF COLORADO, INC.
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NOTE 8 – LEASES (CONTINUED)

The Organization is obligated under operating leases for office space and a copier expiring in July 2025. ROU operating lease assets and liabilities, are comprised of the following as of June 30:

	<u>2024</u>	<u>2023</u>
ROU assets	\$ 59,282	\$ 59,282
ROU assets - accumulated amortization	<u>(38,766)</u>	<u>(19,114)</u>
ROU assets, net	<u>\$ 20,516</u>	<u>\$ 40,168</u>
ROU lease liabilities - current portion	\$ 21,050	\$ 19,653
ROU lease liabilities - noncurrent portion	<u>286</u>	<u>21,335</u>
Total ROU lease liabilities	<u>\$ 21,336</u>	<u>\$ 40,988</u>

Lease component expense is recognized on a straight-line basis over the lease term. Variable lease expenses and short-term leases are recognized in the period incurred. Lease expense is comprised of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Lease component expense	\$ 20,565	\$ 20,565
Variable and short-term lease expense	<u>9,317</u>	<u>6,206</u>
Total lease expense	<u>\$ 29,882</u>	<u>\$ 26,771</u>

Future maturities of operating lease liabilities for the years ended June 30 are as follows:

2025	\$ 21,671
Less: amount representing interest	<u>(335)</u>
Present value of lease liabilities	<u>\$ 21,336</u>

The weighted average remaining lease term and weighted average discount rate on the leases is 1.02 years and 2.85% as of June 30, 2024.

NOTE 9 – MORTGAGE LOAN PURCHASE AGREEMENTS

The Organization entered into a three-year Letter of Loan Commitment with FirstBank in which the Organization acts as an intermediary to facilitate the sale of the mortgage loans originated and owned by local affiliates to FirstBank. Under the terms of the commitment, FirstBank agreed to purchase up to \$33,500,000 of loans over the term of the commitment. The Organization generally receives a processing fee equal to \$1,500 for each loan processed. The FirstBank Loan Commitment expires in December 2025.

HABITAT FOR HUMANITY OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 9 – MORTGAGE LOAN PURCHASE AGREEMENTS (CONTINUED)

On June 1, 2019, the Organization entered into a Mortgage Loan Purchase Agreement with the Colorado Housing and Finance Authority (CHFA) to facilitate the sale of the mortgage loans and related servicing rights of loans originated and owned by local affiliates to CHFA.

The Organization receives a processing fee equal to 5% for each loan sold. The agreement was modified, effective April 30, 2024, whereby CHFA committed to purchase up to \$3,000,000 of loans during the period May 1, 2024 through April 30, 2026.

For the year ended June 30, 2024, the Organization received proceeds from the sale of affiliate mortgage loans in the amount of \$5,097,555 and remitted \$4,946,097 to local affiliates and collected processing fees of \$151,458 pursuant to these agreements. For the year ended June 30, 2023 the Organization received proceeds from the sale of affiliate mortgage loans in the amount of \$3,223,522 and remitted \$3,102,551 to local affiliates and collected processing fees of \$120,971 pursuant to these arrangements.

NOTE 10 – AFFILIATE TRANSACTIONS

Local Affiliate Support

The Organization has been awarded various federal, state, and/or private grants in which most of the funding received under these grants is remitted to local Habitat for Humanity affiliates within Colorado ("local affiliates").

Additionally, as discussed in Note 9, the Organization entered into agreements with FirstBank and CHFA to facilitate the sale of mortgage loans held by the local affiliates to FirstBank or CHFA. The Organization collects a processing fee for administering the grants and loan sale programs. The Organization provided funding to local affiliates under these grants/programs as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Grant funding:		
Other local affiliate funding	\$ 5,869,057	\$ 2,589,593
Mortgage loan purchase program:		
Sales of local affiliate mortgage loans	<u>4,946,097</u>	<u>3,102,551</u>
Total amount remitted to local affiliates	<u>\$ 10,815,154</u>	<u>\$ 5,692,144</u>

Habitat for Humanity International

For the years ended June 30, 2024 and 2023, the Organization tithed \$26,950 and \$25,000 to Habitat for Humanity International.

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NOTE 11 – EMPLOYEE BENEFIT PLAN

The Organization provides a Simple IRA plan covering all employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code, and the Organization will match 100% of employee contributions up to 3% of eligible compensation. Matching contributions was \$12,162 and \$9,344 for the years ended June 30, 2024 and 2023.

NOTE 12 – CONCENTRATION OF REVENUE

For the year ended June 30, 2024, and 2023 77% and 65% of the Organization's revenue was derived from grants with the Colorado Department of Housing.