HABITAT FOR HUMANITY CENTRAL ARIZONA

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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HABITAT FOR HUMANITY CENTRAL ARIZONA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity Central Arizona
Phoenix, Arizona

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity Central Arizona (a nonprofit organization), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, 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 Central Arizona 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity Central Arizona 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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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 Central Arizona's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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.

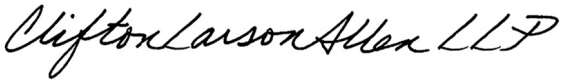
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity Central Arizona's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Central Arizona's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Habitat for Humanity Central Arizona

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.



CliftonLarsonAllen LLP

Phoenix, Arizona
March 18, 2025

HABITAT FOR HUMANITY CENTRAL ARIZONA
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	$ 4,768,848	$ 841,878
Grants Receivable	572,555	734,709
Pledges Receivable	988,043	1,376,134
Other Receivables	351,805	925,784
Prepaid Expenses and Other Assets	561,452	392,799
Inventory - Habitat ReStore	1,400,450	1,717,041
Deferred Gifts Receivable	123,328	126,828
Investments	6,950,785	9,961,910
Homes Under Construction	4,932,935	3,268,152
Land Held for Development	6,332,188	5,131,421
Property and Equipment, Net	4,325,075	4,485,639
Nonforgivable Mortgage Notes Receivable	18,712,529	18,179,527
Transferred Mortgages Receivable	915,696	1,058,520
Right-of-Use Assets - Operating	4,851,217	4,275,502
Total Assets	$ 55,786,906	$ 52,475,844
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 1,335,165	$ 1,369,671
Due to Habitat International, Inc.	4,886	21,272
Transferred Mortgages Liability	910,678	1,065,677
Deferred Revenue	1,612,339	50,475
Notes Payable, Net	5,827,112	4,941,356
Lease Liability - Operating	5,147,706	4,560,306
Total Liabilities	14,837,886	12,008,757
NET ASSETS		
Without Donor Restriction	37,908,742	37,019,067
With Donor Restriction	3,040,278	3,448,020
Total Net Assets	40,949,020	40,467,087
Total Liabilities and Net Assets	$ 55,786,906	$ 52,475,844

HABITAT FOR HUMANITY CENTRAL ARIZONA
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024		
	Without Donor Restrictions	With Donor Restriction	Total
OPERATING REVENUES AND SUPPORT			
Contributions	$ 1,780,531	$ 3,019,528	$ 4,800,059
In-Kind Contributions	77,687	112,067	189,754
Sales of Completed Homes	4,000,043	-	4,000,043
Discounts on New Home Mortgages	(2,301,112)	-	(2,301,112)
Amortization of Mortgage Discounts	1,492,821	-	1,492,821
Grants	-	2,472,680	2,472,680
Investment Return	546,187	-	546,187
Home Repair Program	980,459	-	980,459
ReStore Sales (Including $2,483,592 and $2,731,806 of Donated Clothing and Household Goods, Net of Operating Expenses of $7,533,062 and $7,374,669, Respectively)	(576,137)	-	(576,137)
Special Events (Including $66,733 and $86,985 of In-Kind Contributions, Net of Direct Expense of $238,982 and $188,677, Respectively)	581,168	-	581,168
Other Revenue	323,675	-	323,675
Total	6,905,322	5,604,275	12,509,597
Net Assets Released from Restrictions	6,008,517	(6,008,517)	-
Total Operating Revenues and Support	12,913,839	(404,242)	12,509,597
OPERATING EXPENSES			
Program Services	11,237,542	-	11,237,542
Management and General	1,682,414	-	1,682,414
Fundraising	1,286,047	-	1,286,047
Total Operating Expenses	14,206,003	-	14,206,003
OPERATING DECREASE IN NET ASSETS	(1,292,164)	(404,242)	(1,696,406)
NONOPERATING ACTIVITIES			
Issuance Discount on New Note Payable	2,175,339	-	2,175,339
Gain on Sale of Mortgages	-	-	-
Gain on Sale of Land	-	-	-
Other Gains	3,000	-	3,000
Change in Deferred Gifts	3,500	(3,500)	-
NONOPERATING INCREASE (DECREASE) IN NET ASSETS	2,181,839	(3,500)	2,178,339
CHANGE IN NET ASSETS	889,675	(407,742)	481,933
Net Assets - Beginning of Year	37,019,067	3,448,020	40,467,087
NET ASSETS - END OF YEAR	$ 37,908,742	$ 3,040,278	$ 40,949,020

HABITAT FOR HUMANITY CENTRAL ARIZONA
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

2023		
Without Donor Restrictions	With Donor Restriction	Total
$ 2,236,132	$ 3,001,676	$ 5,237,808
33,561	170,955	204,516
5,417,700	-	5,417,700
(3,079,748)	-	(3,079,748)
1,534,588	-	1,534,588
-	1,072,483	1,072,483
456,004	-	456,004
1,638,593	-	1,638,593
170,679	-	170,679
514,592	-	514,592
56,260	-	56,260
8,978,361	4,245,114	13,223,475
6,710,647	(6,710,647)	-
15,689,008	(2,465,533)	13,223,475
13,771,502	-	13,771,502
1,616,997	-	1,616,997
1,135,477	-	1,135,477
16,523,976	-	16,523,976
(834,968)	(2,465,533)	(3,300,501)
-	-	-
977,249	-	977,249
30,789	-	30,789
22,260	-	22,260
5,320	4,918	10,238
1,035,618	4,918	1,040,536
200,650	(2,460,615)	(2,259,965)
36,818,417	5,908,635	42,727,052
$ 37,019,067	$ 3,448,020	$ 40,467,087

HABITAT FOR HUMANITY CENTRAL ARIZONA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services	Support Services: Management and General	Support Services: Fundraising	Subtotal	ReStore Operating Costs	Total
Cost of Home Sales	$ 4,660,006	$ -	$ -	$ 4,660,006	$ -	$ 4,660,006
Cost of Home Repairs	2,076,968	-	-	2,076,968	-	2,076,968
Transfers to Construction in Progress	(1,029,978)	-	-	(1,029,978)	-	(1,029,978)
Other	182,978	478,457	617,401	1,278,836	144,153	1,422,989
Salaries	2,398,544	1,356,579	891,282	4,646,405	1,842,490	6,488,895
Payroll Taxes and Employee Benefits	635,434	307,602	223,756	1,166,792	443,147	1,609,939
Cost of Goods Sold	-	-	-	-	3,414,958	3,414,958
Occupancy	-	49,762	-	49,762	1,065,717	1,115,479
Other Taxes and Insurance	148,394	64,504	1,098	213,996	88,803	302,799
Interest and Amortization	-	246,883	-	246,883	-	246,883
Depreciation and Amortization	49,265	88,018	-	137,283	181,986	319,269
Equipment and Maintenance	122,911	67,746	-	190,657	154,951	345,608
Mortgage Servicing	96,941	-	-	96,941	-	96,941
Special Mailings	-	-	79,255	79,255	-	79,255
Audit and Accounting	-	61,597	-	61,597	-	61,597
Telephone	9,811	29,082	2,486	41,379	15,130	56,509
Travel and Conference	119,405	76,981	23,941	220,327	22,426	242,753
Office Supplies	36,552	32,717	10,192	79,461	34,717	114,178
Legal	40,131	83,954	-	124,085	-	124,085
Postage and Shipping	462	6,279	2,195	8,936	64,910	73,846
Contributions to Habitat for Humanity International, Inc.	157,848	-	-	157,848	-	157,848
Overhead Applied	1,531,870	(1,267,747)	(323,797)	(59,674)	59,674	-
Total	11,237,542	1,682,414	1,527,809	14,447,765	7,533,062	21,980,827
Special Event Expense	-	-	(241,762)	(241,762)	-	(241,762)
Total Expenses by Function	$ 11,237,542	$ 1,682,414	$ 1,286,047	$ 14,206,003	$ 7,533,062	$ 21,739,065

HABITAT FOR HUMANITY CENTRAL ARIZONA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Support Services: Management and General	Support Services: Fundraising	Subtotal	ReStore Operating Costs	Total
Cost of Home Sales	$ 6,193,112	$ -	$ -	$ 6,193,112	$ -	$ 6,193,112
Cost of Home Repairs	3,688,848	-	-	3,688,848	-	3,688,848
Transfers to Construction in Progress	(1,361,374)	-	-	(1,361,374)	-	(1,361,374)
Other	163,523	483,443	551,799	1,198,765	149,586	1,348,351
Salaries	2,290,474	1,224,553	762,015	4,277,042	1,578,365	5,855,407
Payroll Taxes and Employee Benefits	563,490	277,915	191,472	1,032,877	351,580	1,384,457
Cost of Goods Sold	-	-	-	-	3,708,768	3,708,768
Occupancy	-	58,816	-	58,816	1,011,771	1,070,587
Other Taxes and Insurance	161,775	68,094	991.00	230,860	80,656	311,516
Interest and Amortization	-	300,082	-	300,082	-	300,082
Depreciation and Amortization	41,819	82,246	157	124,222	239,256	363,478
Equipment and Maintenance	155,726	67,524	-	223,250	122,993	346,243
Mortgage Servicing	130,054	-	-	130,054	-	130,054
Special Mailings	-	-	49,023	49,023	-	49,023
Audit and Accounting	-	68,803	-	68,803	-	68,803
Telephone	10,323	31,279	2,523	44,125	14,312	58,437
Travel and Conference	100,854	73,164	15,367	189,385	14,104	203,489
Office Supplies	15,036	35,670	7,726	58,432	21,755	80,187
Legal	29,096	14,843	-	43,939	-	43,939
Postage and Shipping	86	6,327	58	6,471	40,469	46,940
Contributions to Habitat for Humanity International, Inc.	196,975	-	-	196,975	-	196,975
Overhead Applied	1,391,685	(1,175,762)	(256,977)	(41,054)	41,054	-
Total	13,771,502	1,616,997	1,324,154	16,712,653	7,374,669	24,087,322
Special Event Expense	-	-	(188,677)	(188,677)	-	(188,677)
Total Expenses by Function	$ 13,771,502	$ 1,616,997	$ 1,135,477	$ 16,523,976	$ 7,374,669	$ 23,898,645

HABITAT FOR HUMANITY CENTRAL ARIZONA
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 481,933	$ (2,259,965)
Adjustment to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Used by Operating Activities:		
Depreciation and Amortization	319,269	363,478
Interest and Amortization	234,056	291,916
Forgiveness of Long-Term Debt	-	(291,499)
Gain on Disposal of Property and Equipment	(3,000)	(12,455)
(Gain) Loss on Sale of Land Available for Sale	-	(30,789)
Gain on Investments	(359,217)	(207,065)
Amortization of Mortgages Receivable Discount	(1,492,821)	(1,534,588)
Discount on New Notes Payable	(2,175,339)	-
Change in Operating Right-of-Use Assets and Lease Liability	11,685	22,732
Change in Deferred Gift	-	(10,238)
Increase (Decrease) in Assets:		
Grant Receivables	162,154	(347,578)
Pledges Receivable	388,091	251,686
Other Receivables	573,979	(506,504)
Prepaids	(168,653)	(9,916)
Inventory - Habitat ReStore	316,591	(334,533)
Deferred Gifts Receivable	3,500	5,320
Homes Under Construction	(1,664,783)	730,686
Homes Available for Sale	(1,575,232)	(2,098,672)
Land Held for Development	(1,355,766)	(1,487,949)
(Increase) Decrease in Liabilities:		
Accounts Payable	(34,506)	(270,560)
Due to Habitat International, Inc.	(16,386)	(118,107)
Deferred Revenue	1,561,864	(205,585)
Net Cash and Cash Equivalents Used by Financing Activities	(4,792,581)	(8,060,185)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgages Sold, Net of Discounts	-	817,328
Purchases of Property and Equipment	(158,705)	(335,720)
Proceeds from Sale of Property and Equipment	3,000	15,308
Purchase of Investments in Securities	(186,968)	(396,940)
Proceeds from Sale of Investments in Securities	3,557,310	4,491,273
Payments Received on Mortgages Receivable	2,677,875	2,863,282
Net Cash Provided by Investing Activities	5,892,512	7,454,531
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	3,408,620	-
Payments on Long-Term Debt	(581,581)	(579,872)
Net Cash Provided (Used) by Financing Activities	2,827,039	(579,872)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,926,970	(1,185,526)
Cash and Cash Equivalents - Beginning of Year	841,878	2,027,404
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,768,848	$ 841,878
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 10,311	$ 11,088

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity Central Arizona (the Organization) is an affiliate of Habitat for Humanity International, Inc. (Habitat International), an ecumenical nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for the legal, organizational, fundraising, family partnering and selection, financial, and construction aspects of the work.

Creating affordable homeownership is the primary program. The Organization builds or renovates homes in the Phoenix metropolitan area utilizing volunteer labor, donated materials and contributed funds. The homes are then sold to pre-qualified, low-income families. Homebuyers are selected based on need, ability to repay the Habitat mortgage, and willingness to partner. The Organization also tithes a portion of its general donations to Habitat for Humanity International for use in building homes outside the United States. The tithe is sufficient to build an equal number of homes overseas as are built locally.

Long-term mortgage financing is a key component which makes Habitat homes affordable. Homes sold to local low-income buyers are 100% financed by the Organization. Homebuyers are provided an affordable 0% interest, 20- to 40-year mortgage. Monthly mortgage payments collected by the Organization are added to the donation resources used for building additional homes for families in need.

On April 16, 2019, Habitat filed articles of organization with the state of Arizona to form its wholly owned subsidiary HFHCA Funding Company, LLC (the Company). The Company's purpose is to acquire and hold mortgage loans and related documents to comply with the terms of any note purchase agreement between the Organization and any financial institution. As a single member LLC, the Organization is disregarded for purposes of the Internal Revenue Code (IRC).

On January 8, 2020, Habitat filed articles of organization with the state of Arizona to form its wholly owned subsidiary 2830 West Glendale Avenue, LLC (West Glendale). West Glendale's purpose was to hold and maintain a new building for the Organization. An agreement and purchase were completed on January 15, 2020. As a single member LLC, the Organization is disregarded for purposes of the IRC.

On December 6, 2023, Habitat approved the creation of Central Arizona Community Housing Organization. This organization will be a subsidiary of Habitat and was created in accordance with the guidelines set forth by the Department of Housing and Urban Development to facilitate the development of affordable housing projects for low-income individuals or families.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net Assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Nonoperating activities include all noncash activities relating to deferred gifts, other income, and debt. Also included in the nonoperating activities were the gains on the sale of land and the sale of mortgages.

Management's 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. At times, amounts may exceed Federal Deposit Insurance Corporation insured limits.

Grants Receivable

Grants receivable primarily consist of construction cost reimbursements from the Federal Home Loan Bank (FHLB). Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At June 30, 2024 and 2023, no allowance for doubtful accounts was deemed necessary by management.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

The Organization's pledges consist of unconditional promises to give from individual donors. Pledges receivable within one year are recorded at expected net realizable value when the promise is received. Pledges receivable over multiple years are recorded at the present value of estimated future cash flows. Pledges receivable are discounted using fair value rates and they are written off when deemed uncollectible.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the consolidated statements of financial position.

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 arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease terms. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Inventory – Habitat ReStore

Inventory – Habitat ReStore consists of donated building supplies, purchased flooring, and other home improvement items. Purchased inventory is valued at the lower of cost or net realized value. Donated inventory is valued at its estimated fair value based on its expected selling price.

Investments in Securities

The Organization reports investments in accordance with accounting standards. Under these standards, the Organization reports investments in equity securities that have readily determinable fair value, and all investments in debt securities, at fair value. The fair values of investments are based on quoted market prices.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Held for Development and Homes Under Construction

Land held for development and homes under construction are stated at cost and include land under development, developed lots, direct and indirect costs of housing construction and capitalized interest, property taxes and overhead incurred during the development period. Cost is determined by the specific identification and per unit methods. Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. At June 30, 2024 and 2023, no impairment loss was deemed necessary by management. Land and offsite development costs associated with homes under construction are included in construction in progress in the accompanying consolidated statements of financial position.

Land Available for Sale

Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs only if the estimated future undiscounted net cash flows from the real estate inventories are less than the carrying amount. No impairment losses were recorded during 2024 or 2023.

Property and Equipment

Purchased property and equipment is valued at cost. Donated property and equipment is recorded at the fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and Improvements	5 to 40
Furniture and Equipment	3 to 10
Vehicles	5 to 7

Revenue Recognition

Contributions

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions (Continued)

Unconditional promises to give (pledges receivable) are recognized when the pledges are received in writing or when cash is received. Pledges receivable due within the next fiscal year are reflected as current receivables, while pledges due after one year are reflected as long-term receivables. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end. Management's evaluation may change based on future economic conditions and collection results. Long-term pledges receivable are carried at net present value.

Conditional promises to give are not recognized as contribution revenue and receivables until the conditions have been substantially met. Conditional promises outstanding for the years ended June 30, 2024 and 2023 were $1,993,345 and $4,459,005, respectively.

Grant revenues include grants that may be either contribution or exchange type transactions. Revenue is recognized for contribution grants as the conditions are met. Grant that are exchange based transactions are recognized as revenue as the services are provided over the grant period.

Donated Goods, Materials, and Services

Donated materials and services are recognized as contributions in accordance with accounting standards at their estimated fair value if the services (a) create or enhance the Organization's nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Donated materials consist primarily of construction materials. No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they do not qualify for recording under the guidelines of accounting standards; however, a substantial number of volunteers have donated a significant amount of time in the Organization's program services and fundraising campaigns. The Organization estimates the fair value of volunteer service hours during the years ended June 30, 2024 and 2023 to be $1,711,373 and $1,625,013, respectively, representing 51,101 and 51,101 volunteer service hours, respectively.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with restriction to net assets without restriction at that time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Home Sales

Homes are sold at market value to buyers that meet the Organization's qualification guidelines. Noninterest bearing mortgages, which are priced at the higher of the amount the family can afford to pay or the cost to build the home, but not more than the appraised value, are accepted as payment for the homes sold. The Organization may also obtain subordinate forgivable mortgages. Since the subordinate mortgages are expected to be forgiven, it is assumed they have no economic value and, accordingly, are not recognized in the Organization's consolidated financial statements.

The Organization enters into contracts with customers to build homes, which are short-term contracts allowing for the satisfaction of all performance obligations in less than a year. Management has determined that the performance obligations under these contracts are highly interdependent and interrelated and are treated as a single performance obligation satisfied point in time when the homeowner takes possession of the property and executes note agreement.

Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Noninterest bearing mortgages based upon prevailing market rates for low-income housing at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. During the years ended June 30, 2024 and 2023, 13 and 15 homes, respectively, were sold by the Organization.

Federal Grants

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. The Organization recognizes the award as revenue as the expenses stipulated in the grant agreement have been incurred. Grants received in a period prior to the period covered by the grant are included in deferred revenue in the consolidated statements of financial position. Funding sources may, at their discretion, request reimbursement for expenses or return of funds or both, as a result of noncompliance by the Organization with the terms of the grants or contracts.

Grants receivable are stated at the amount the Organization expects to collect under the terms of the individual accounts. On a periodic basis, management evaluates its receivable and determines the requirement for an allowance for doubtful accounts, based on its assessment of the current status of individual accounts. A receivable is written off when it is determined that all collection efforts have been exhausted. Grants receivable are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Home Repair

The Organization enters into contracts with homeowners and cities to repair homes through emergency home repair program. Contracts with homeowners are generally short-term contracts allowing for the satisfaction of all performance obligations in less than a year. Contracts with cities are generally long-term contracts allowing for the satisfaction of all performance obligations within twelve to twenty-four months. Management has determined that the performance obligations under these contracts are highly interdependent and interrelated and are treated as a single performance obligation satisfied over time. Homeowner contracts are recognized once scope of work has been completed. City contracts are recognized as allowable expenses are incurred.

ReStore Sales

ReStore sales are recognized at the time the goods are transferred to the customer, which occurs at a point in time.

Nonforgivable Mortgage Notes Receivable

The Organization's noninterest bearing mortgages consist of amounts due from homeowners. The Organization performs extensive credit and work history evaluations before the sale of a home. The Organization also has a perfected security interest in all homes they sell. The value of each home is generally greater than the respective carrying value of the mortgage due. Mortgage loans receivable are stated at the amount management expects to collect from outstanding balances.

Transferred Mortgages Receivable

Periodically the Organization transfers mortgages receivable to financial institutions. These transactions are accounted for in accordance with accounting standards for *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Under this standard, the Organization has maintained effective control over the assets transferred; accordingly, the transfer is accounted for as a secured borrowing.

The Organization transferred $1,794,577 for home mortgages receivable to one financial institution during the year ended June 30, 2023. There were no new transfers during the year ended June 30, 2024.

Related liabilities for previous years' sales of $-0- and $1,065,677 as of June 30, 2024 and 2023, respectively. The proceeds from the secured borrowings were used to pay down long-term debt and to build up cash reserves for future operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses

The allowance for credit losses on mortgages is a valuation account that is deducted from the amortized cost basis of mortgages to present the net amount expected to be collected. The allowance for credit losses on mortgages is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Mortgage losses are charged off against the allowance for credit losses on mortgages when the Organization determines the mortgage balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on mortgages.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, current information and events, probable that the Organization will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreements, or delinquencies.

The Organization maintains two separate portfolio segments of loans receivable. These portfolio segments and their risk characteristics are described as follows:

Nonforgivable Mortgage Notes Receivable – The degree of risk on residential mortgage lending is minimal due to the fact that all nonforgivable mortgage notes receivable are secured by property with fair values that generally exceed the uncollected balances.

Transferred Mortgages Receivables – The degree of risk on transferred mortgages receivable is minimal due to the fact that all transferred mortgages receivable are secured by property with fair values that generally exceed the uncollected balances.

The Organization did not believe the allowance for credit losses on mortgages receivable is material to the consolidated financial statements. As such, no allowance for credit losses related to mortgages receivable has been recorded as of June 30, 2024 and 2023.

Warranty Reserve

The Organization provides all homebuyers with mechanical and structural warranties ranging from one to ten years. The Organization’s experience in warranty work claims has been very low.

An accrual for estimated future warranty expense is recorded in accounts payable and accrued expenses and evaluated on an annual basis. Actual warranty expenses are charged against the accrual as incurred. Warranty expense recorded for the years ended June 30, 2024 and 2023 was $3,030 and $1,226 respectively. The accrued warranty reserve for homes was $4,468 and $3,163, respectively. Because of the inherent uncertainties in estimating warranty costs, it is at least reasonably possible that the Organization’s estimates of these costs will change in the near term.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Escrow Reserves

Either independent third parties or the Organization services the mortgages on homes the Organization sells. Included in cash are amounts received from homeowners for insurance, property taxes, and home maintenance (escrow funds). These amounts will be used to pay amounts as they become due. A corresponding liability is included in accounts payable and escrow reserves in the accompanying consolidated statements of financial position. At June 30, 2024 and 2023, escrow reserves totaled $97,614 and $52,100, respectively.

Special Event Revenues

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct costs of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefit in the accompanying consolidated statements of activities.

Functional Expense Allocation

The Organization's primary mission is creating affordable homeownership. Costs related to this purpose are reported as program expenses on the consolidated statement of functional expenses. Activities performed by the Organization to generate funds and/or resources to support its programs and operations are reported as fundraising activities. All costs not identifiable with a specific program or fundraising activities, but indispensable to the conduct of such programs and activities and to the Organization's existence, are included as management and general expenses. This includes expenses for the overall direction of the Organization, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries and related expenses, occupancy, interest and amortization, audit and accounting, and other expenses.

Expenses that benefit more than one function of the Organization are allocated among the functions based generally on the amount of time spent by employees on each function.

ReStore Program

The Organization has established the ReStore program in order to generate net income to underwrite administrative and fundraising expenses as well as keep items that could be reused out of landfills. The table below summarizes the results of the ReStore program's impact on administrative and fundraising expenses for the years ended June 30:

	2024	2023
Total Administrative and Fundraising Costs	$ 2,968,461	$ 2,752,474
Less: ReStore Net (Income) Loss	576,137	(170,679)
Net Administrative and Fundraising Costs	$ 3,544,598	$ 2,581,795

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

The Organization's cash balances are maintained in bank deposit accounts. The balances of these accounts may be in excess of federally insured limits.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the IRC and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBI) would be taxable.

The Organization follows the accounting standard for uncertain tax positions. The Organization's policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. This policy has had no impact on the Organization's consolidated financial statements.

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised value.

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Fair values are measured using independent pricing models or other model-based valuation techniques such as appraised values, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions.

Adoption of Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifieds the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not impact the Organization's consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 18, 2025, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2024 and 2023, available to meet general expenditures within one year of the consolidated statement of financial position date.

	2024	2023
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 4,768,848	$ 841,878
Grants Receivable	572,555	734,709
Pledges Receivable	988,043	1,376,134
Other Receivables	351,805	925,784
Investments in Securities	6,950,785	9,961,910
Nonforgivable Mortgage Notes Receivable	18,712,529	18,179,527
Total Financial Assets	32,344,565	32,019,942
Less: Those Unavailable for General Expenditures Within One Year, Due to Maturities Greater than One Year:		
Pledges Receivable	-	(625,000)
Nonforgivable Mortgage Notes Receivable	(16,491,261)	(16,016,602)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 15,853,304	$ 15,378,340

At June 30, 2024 and 2023, $2,916,950 and $3,321,192, respectively, of net assets with donor restrictions were restricted for home construction, the primary program of the Organization; therefore, these net assets are available for the general operational needs of the Organization.

NOTE 3 PLEDGES RECEIVABLE

Contribution receivables include pledges that have been discounted at 0.0% and 5.4% during June 30, 2024 and 2023, respectively. The following is a summary of the Organization's pledges receivable at June 30:

	2024	2023
Total Amounts Due in:		
One Year	$ 988,043	$ 795,800
Two to Five Years	-	625,000
Gross Pledges Receivable	988,043	1,420,800
Less: Allowance for Doubtful Accounts	-	-
Less: Discount to Present Value	-	(44,666)
Pledges Receivable, Net	$ 988,043	$ 1,376,134

NOTE 3 PLEDGES RECEIVABLE (CONTINUED)

Two and one donors made up 90% and 97% of the pledge receivable balance at June 30, 2024 and 2023, respectively. The long-term portion of pledge receivables have been discounted at 5.4% at June 30, 2023.

NOTE 4 INVENTORY – HABITAT RESTORE

The Organization operates four discount home improvement centers (ReStores) in Phoenix, Peoria, and Tempe. The ReStores receive donations of building supplies, furniture, and appliances and sell these items to the general public. The donated items are recorded in the consolidated statements of activities at their fair market value. The fair market value is determined by the selling price for that item. Total inventory consisted of the following at June 30:

	2024	2023
Donated Goods	$ 318,001	$ 370,859
Purchased Goods	1,082,449	1,346,182
Total Inventory - Habitat ReStore	$ 1,400,450	$ 1,717,041

NOTE 5 DEFERRED GIFTS RECEIVABLE

At June 30, 2024 and 2023, the Organization had amounts due from estates and trusts totaling $123,328 and $126,828, respectively.

NOTE 6 INVESTMENTS

The estimated market value of investments is as follows at June 30:

	2024	2023
Cash	$ 182,202	$ 2,155,747
Mutual Funds	-	475,017
Government Money Fund	920,078	1,179,688
Bond ETF Fund	1,036,379	1,809,519
Fixed Income	3,943,876	3,635,457
Equities	838,238	678,862
Pooled Investments	30,012	27,620
Total	$ 6,950,785	$ 9,961,910

NOTE 7 HOMES UNDER CONSTRUCTION

Homes currently under construction consist of:

	2024	2023
Homes Under Construction	$ 4,941,924	$ 3,307,972
Less: Loss on Impairment	(8,989)	(39,820)
Homes Under Construction, Net	$ 4,932,935	$ 3,268,152

NOTE 8 LAND HELD FOR DEVELOPMENT

Land held for development consists of:

	2024	2023
Land Held for Development	$ 6,332,188	$ 5,131,421

Land held for development includes 19 and 16 lots in Arizona City, Glendale, Peoria, Phoenix, Surprise and Tempe, at June 30, 2024 and 2023, respectively.

Land improvements represent the costs of preparing the land for development, which includes utilities and sewer connections, streets, sidewalks, and streetlights. A portion of land improvements are allocated to the homes when sold.

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2024	2023
Buildings and Improvements	$ 5,404,589	$ 5,404,589
Furniture and Equipment	842,032	808,034
Vehicles	659,520	587,687
Construction in Progress	60,433	11,120
Total	6,966,574	6,811,430
Less: Accumulated Depreciation	(2,641,499)	(2,325,791)
Property and Equipment, Net	$ 4,325,075	$ 4,485,639

Depreciation expense charged to operations was $319,269 and $363,478 as of June 30, 2024 and 2023, respectively.

NOTE 10 NONFORGIVABLE MORTGAGE NOTES RECEIVABLE

A home is considered sold when a formal closing transaction has been finalized. Homes are sold for market value with a nonforgivable (first) mortgage that approximates the cost to construct. Contract periods span 20 to 40 years, and monthly payments are no greater than 30% of the family's income at the time of sale.

The mortgage loans receivable are noninterest-bearing mortgages. Mortgage loans receivable initiated during the years ended June 30, 2024 and 2023 are discounted at 7.85% and 7.49%, respectively. If the first mortgage on a home is less than market value, the Organization may obtain a subordinate forgivable mortgage(s) for the difference between the first mortgage and market value. Since the subordinate mortgage is expected to be forgiven, it is assumed to have no economic value and, accordingly, is not recognized in the Organization's consolidated financial statements. At June 30, 2024 and 2023, the nonforgivable mortgage notes receivable balances are as follows:

	2024	2023
Face Value	$ 36,343,342	$ 34,992,387
Less: Unamortized Discount	(17,630,813)	(16,812,860)
Less: Allowance for Credit Losses	-	-
Net Present Value	$ 18,712,529	$ 18,179,527

Annual collection of the nonforgivable mortgage notes receivable net of the unamortized discount at June 30, 2024 are due as follows:

Year Ending June 30,	Amount
2025	$ 2,221,268
2026	2,146,560
2027	2,095,952
2028	2,028,218
2029	1,930,464
Thereafter	25,920,880
Total	$ 36,343,342

The allowance for credit losses and recorded investment in loans at June 30 are as follows:

	2024	2023
Allowance for Credit Losses:		
Balance - Beginning of the Year	$ -	$ -
Provision for Loan Losses	-	-
Loans Charged Off	-	-
Recoveries on Sales of Loans	-	-
Balance - End of the Year	-	$ -

NOTE 10 NONFORGIVABLE MORTGAGE NOTES RECEIVABLE (CONTINUED)

The following table shows the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent:

	Consumer Credit Risk Profile by Payment Activity
Payment Activity:	
Performing	$ 35,734,666
Nonperforming	608,676
Total	$ 36,343,342

The following table shows an aging analysis of nonforgivable mortgage notes receivable by time past due at June 30:

	2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Nonforgivable Mortgage Notes Receivable	$ 34,984,635	$ 750,031	$ 608,676	$ 36,343,342

	2023			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Nonforgivable Mortgage Notes Receivable	$ 34,091,254	$ 664,285	$ 236,848	$ 34,992,387

NOTE 11 TRANSFERRED MORTGAGES RECEIVABLE

For mortgages receivable that were transferred to a bank as of the years ended June 30, 2023 (Note 1), the mortgage balances are as follows:

	2024	2023
Face Value	$ 1,126,950	$ 1,317,575
Less: Unamortized Discount	(211,254)	(259,055)
Net Present Value	$ 915,696	$ 1,058,520

NOTE 11 TRANSFERRED MORTGAGES RECEIVABLE (CONTINUED)

Annual collection of the transferred mortgage notes receivable net of the unamortized discount at June 30, 2024 are due as follows:

Year Ending June 30,	Amount
2025	$ 179,004
2026	142,698
2027	119,417
2028	116,692
2029	104,069
Thereafter	465,070
Total	$ 1,126,950

The following table shows an aging analysis of first mortgages receivable by time past due at June 30:

	2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Transferred Mortgages Receivable	$ 1,100,639	$ 26,311	$ -	$ 1,126,950

	2023			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Transferred Mortgages Receivable	$ 1,317,575	$ -	$ -	$ 1,317,575

NOTE 12 MORTGAGE RECEIVABLE HELD AS COLLATERALIZATION

On May 9, 2019, HFHCA Funding Company, LLC acquired, under purchase agreement from the Organization, 39 mortgages receivable with principal balances totaling $5,000,075. To fund the purchase of these subject mortgages, HFHCA Funding authorized the issuance of a promissory note secured by the mortgages and entered into a note purchase agreement with Northern Trust Bank for the securitized note. See Note 13 for the terms and outstanding balance of the note payable. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, HFHCA Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

NOTE 12 MORTGAGE RECEIVABLE HELD AS COLLATERALIZATION (CONTINUED)

On October 29, 2020, HFHCA Funding Company, LLC acquired, under purchase agreement from the Organization, 31 mortgages receivable with principal balances totaling $3,019,052. To fund the purchase of these subject mortgages, HFHCA Funding authorized the issuance of a promissory note secured by the mortgages and entered into a note purchase agreement with Northern Trust Bank for the securitized note. See Note 13 for the terms and outstanding balance of the note payable. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, HFHCA Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

On May 13, 2021, HFHCA Funding Company, LLC acquired, under purchase agreement from the Organization, 14 mortgages receivable with principal balances totaling $1,176,169. To fund the purchase of these subject mortgages, HFHCA Funding authorized the issuance of a promissory note secured by the mortgages and entered into a note purchase agreement with Foothills Bank for the securitized note. See Note 13 for the terms and outstanding balance of the note payable. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, HFHCA Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

On June 26, 2024, HFHCA Funding Company, LLC acquired, under purchase agreement from the Organization, 10 mortgages receivable with principal balances totaling $3,519,207. To fund the purchase of these subject mortgages, HFHCA Funding authorized the issuance of a promissory note secured by the mortgages and entered into a note purchase agreement with Northern Trust Bank for the securitized note. See Note 13 for the terms and outstanding balance of the note payable. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, HFHCA Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

As discussed in Note 1, HFHCA Funding Company, LLC is a wholly owned subsidiary of the Organization and, as such, the entities are consolidated. All intercompany amounts, including the effects of gains and losses, unamortized discounts, and any imputed interest related to transactions between the entities are eliminated in the accompanying consolidated financial statements.

NOTE 13 NOTES PAYABLE

Notes payable consist of:

Description	2024	2023
Notes Payable to Banks and Financial Institutions		
On May 9, 2019, HFHCA Funding Company, LLC established a secured promissory note due to Northern Trust in the principal amount of $5,000,075. The note is noninterest bearing until maturity at April 1, 2047. Monthly principal payments began June 2019 in the amount of $20,848. The note is collateralized by mortgages as described in Note 12.	$ 3,527,959	$ 3,752,139
On October 29, 2020, HFHCA Funding Company, LLC established a secured promissory note due to Northern Trust in the principal amount of $3,019,052. The note is noninterest bearing until maturity at February 1, 2049. Monthly principal payments began November 2020 in the amount of $14,547. The note is collateralized by mortgages as described in Note 12.	2,263,790	2,553,551
On May 13, 2021, HFHCA Funding Company, LLC established a secured promissory note due to Foothills Bank in the principal amount of $1,176,169. The note is noninterest bearing until maturity at January 20, 2044. Monthly principal payments begin July 2021 in the amount of $6,369. The note is collateralized by mortgages as described in Note 12.	906,701	980,750
On June 26, 2024, HFHCA Funding Company, LLC established a secured promissory note due to Northern Trust in the principal amount of $3,519,207. The note is noninterest bearing until maturity at January 20, 2053. Monthly principal payments begin July 2024 in the amount of $11,291. The note is collateralized by mortgages as described in Note 12.	3,519,207	-
Total	10,217,657	7,286,440
Less: Discount on Noninterest Bearing Notes	(4,141,225)	(2,199,952)
Less: Unamortized Debt Issuance Costs	(249,320)	(145,132)
Total Notes Payable	$ 5,827,112	$ 4,941,356

NOTE 13 NOTES PAYABLE (CONTINUED)

Annual maturities of the notes payable outstanding at June 30, 2024 are as follows:

Year Ending June 30,	Amount
2025	$ 604,752
2026	595,807
2027	595,272
2028	588,856
2029	562,610
Thereafter	7,270,360
Total	$ 10,217,657

NOTE 14 CONTRIBUTION TO HABITAT FOR HUMANITY INTERNATIONAL, INC.

The Organization contributes 10% of the Organization's unrestricted annual cash contributions to Habitat for Humanity International for their international housing programs. In addition, the Organization pays a stewardship fee to Habitat for Humanity International. For the years ended June 30, 2024 and 2023, contributions and stewardship fees to Habitat for Humanity International were $157,848 and $196,975, respectively.

As of June 30, 2024 and 2023, the amount due to Habitat for Humanity International was $4,886 and $21,272, respectively.

NOTE 15 OPERATING LEASES

Lease Agreements – ASC 842

The Organization leases store facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027.

The following tables provides quantitative information concerning the Organization's leases.

	2024	2023
Lease Cost:		
Operating Lease Cost	$ 557,848	$ 557,848
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liability:		
Operating Cash Flows from Operating Leases	$ 546,163	$ 535,117
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 1,008,353	$ 4,691,560
Weighted- Average Remaining Lease Term - Operating Leases	10.4 Years	11.8 Years
Weighted-Average Discount Rate - Operating Leases	3.33%	3.01%

NOTE 15 OPERATING LEASES (CONTINUED)

Lease Agreements – ASC 842 (Continued)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024 is as follows:

Year Ending December 31,	Amount
2025	$ 552,031
2026	552,677
2027	565,101
2028	578,838
2029	592,483
Thereafter	3,266,594
Undiscounted Cash Flows	6,107,724
Less: Imputed Interest	(960,018)
Total Present Value	$ 5,147,706

NOTE 16 NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restriction are available for the following purposes or periods at June 30:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Home Construction and Repairs	$ 2,916,950	$ 3,321,192
Endowments:		
Assets Held Under Split Interest Agreements Restricted to Endowment	123,328	126,828
Total Donor-Restricted Net Assets	$ 3,040,278	$ 3,448,020

NOTE 17 CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, contributed nonfinancial assets recognized within the consolidated statements of activities included:

Type	2024	2023
Clothing and Household Goods (ReStore)	$ 2,483,592	$ 2,731,806
Other: Special Events	66,733	86,985
Other: Building Materials	114,251	170,955
Other: Gift Cards	275	210
Other: Legal Services	75,228	29,096
Other: Professional Services	-	4,255
Total Contributed Nonfinancial Assets	$ 2,740,079	$ 3,023,307

NOTE 17 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Donated clothing and household goods (ReStore) received by the Organization are sold in the ReStore stores in Greater Phoenix. The Organization estimates the value of donated clothing and household goods using the sale price of the goods.

Donated special event revenue recognized is comprised of donated items or services donated to the Organization to be sold during the live auction of the special event. Donated goods and services were valued and reported at the estimated fair value based on the current rates for similar goods and services.

Donated building materials received by the Organization are used to repair or build homes. The Organization estimates the value of donated building materials using purchase price of similar materials.

Donated services recognized comprise professional consulting services provided to the Organization. Donated services were valued and reported at the estimated fair value based on current rates for similar consulting services.

NOTE 18 RETIREMENT PLANS

The Organization established a 401(k) retirement savings plan (tax-deferred annuity) for its employees. The Organization makes its employees aware of the plan, withholds voluntary contributions from paychecks, and remits the contributions to an independent trustee. Each participant may contribute his or her eligible compensation on a pretax basis to the plan up to a maximum allowed by the IRC. Total employer contributions to the plan were $198,336 and $167,255 for the years ended June 30, 2024 and 2023, respectively.

NOTE 19 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1.

NOTE 19 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30:

June 30, 2024	Level 1	Level 2	Level 3	Investments not Held at Fair Value	Total
Assets:					
Investments:					
Government Treasuries	$ 920,078	$ -	$ -	$ -	$ 920,078
Bond ETF Fund	1,036,379	-	-	-	1,036,379
Fixed Income	3,748,314	195,562	-	-	3,943,876
Equities	838,238	-	-	-	838,238
Pooled Investments	-	-	30,012	-	30,012
Cash	-	-	-	182,202	182,202
Total Investments	6,543,009	195,562	30,012	182,202	6,950,785
Deferred Gifts Receivable	-	-	123,328	-	123,328
Total Assets	$ 6,543,009	$ 195,562	$ 153,340	$ 182,202	$ 7,074,113

June 30, 2023					
Assets:					
Investments:					
Mutual Funds	$ 475,017	$ -	$ -	$ -	$ 475,017
Government Money Fund	-	1,179,688	-	-	1,179,688
Bond ETF Fund	1,809,519	-	-	-	1,809,519
Fixed Income	-	3,635,457	-	-	3,635,457
Equities	678,862	-	-	-	678,862
Pooled Investments	-	-	27,620	-	27,620
Cash	-	-	-	2,155,747	2,155,747
Total Investments	2,963,398	4,815,145	27,620	2,155,747	9,961,910
Deferred Gifts Receivable	-	-	126,828	-	126,828
Total Assets	$ 2,963,398	$ 4,815,145	$ 154,448	$ 2,155,747	$ 10,088,738

NOTE 19 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following table provides a summary of changes in value of the Organization's Level 3 financial assets measured on a recurring basis for the years ended June 30:

	Deferred Gifts Receivable		Pooled Investments	
	2024	2023	2024	2023
Proceeds from Deferred Gifts	$ (3,500)	$ (5,320)	$ -	$ -
Purchases of Pooled Investments	-	-	-	-
Transfer Out	-	-	-	-
Change in Value	-	10,238	2,392	776
	$ (3,500)	$ 4,918	$ 2,392	$ 776

The following table describes the valuation techniques used to calculate fair value for assets in Level 3. There were no changes in valuation techniques and related inputs from the prior year.

	Fair Value at June 30, 2024	Fair Value at June 30, 2023	Principal Valuation Technique	Unobservable Inputs
Deferred Gifts Receivable	$ 123,328	$ 126,828	Percentage Ownership	Value of Underlying Assets
Pooled Investments	30,012	-	Percentage Ownership	Value of Underlying Assets

NOTE 20 COMMITMENTS AND CONTINGENCIES

The Organization has a $1.5 million-dollar revolving line of credit available to be drawn upon. The line is secured by certain real property of the Organization and bears interest at prime plus 0.6% with a 5% floor (9.10% at June 30, 2024). The line will expire on March 1, 2025. As of March 18, 2025, the Organization is in the process of renewing the line of credit. There were no outstanding draws on the line as of June 30, 2024 and 2023.

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