

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
For the Years Ended June 30, 2024 with 2023

CONTENTS

Independent Auditor’s Report	1-2
Consolidated Financial Statements:	
Statements of Financial Position	3-4
Statements of Activities	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-32

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Wheaton, Illinois

Opinion

We have audited the accompanying consolidated financial statements of DuPage Habitat for Humanity, Inc. and Subsidiaries DBA DuPage and Chicago South Suburbs Habitat for Humanity (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter

As described in Note 18, the Organization made an adjustment for certain assets and liabilities in the prior period financial statements. Our opinion is not modified for this adjustment.

Adoption of Accounting Standards Update 2016-13

As discussed in Note 2 to the consolidated financial statements, the Organization changed its method of accounting for an allowance for credit losses in 2023 due to the adoption of ASU 2016-13, *Measurement of Credit Losses*.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 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 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 the Organization'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 the Organization'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.

Bronswick Benjamin P.C.

Chicago, Illinois
March 12, 2025

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,010,892	\$ 1,167,093
Critical home repair receivable	96,496	78,096
IHDA tax credit receivable	1,961,170	-
Contributions and grants receivable	176,181	202,330
Mortgages receivable net, current	90,833	91,282
Inventory - ReStore	132,140	178,176
Inventories - land and construction in progress	6,829,003	5,391,823
Construction in progress - ReStore buildings	-	184,956
Prepaid expenses	35,866	14,256
Investments	667,981	4,957,772
Deposits and other assets	67,390	449,048
Total Current Assets	<u>11,067,952</u>	<u>12,714,832</u>
Property and equipment:		
Land and buildings	1,513,010	828,989
Buildings and improvements	64,955	67,005
Office equipment and furniture	34,799	24,554
ReStore equipment	142,565	126,729
Software	57,840	57,840
Vehicles	102,339	175,839
Subtotal	<u>1,915,508</u>	<u>1,280,956</u>
Less: accumulated depreciation	<u>(422,896)</u>	<u>(456,537)</u>
Total property and equipment, net	<u>1,492,612</u>	<u>824,419</u>
Right of use lease asset	804,927	824,070
Other assets:		
Investment in limited liability company	(19,179)	(26,300)
Mortgages receivable, noncurrent, net of present value discount	6,791,705	5,537,014
Other assets	267,832	9,541
Total Other Assets	<u>7,040,358</u>	<u>5,520,255</u>
TOTAL ASSETS	<u><u>\$ 20,405,849</u></u>	<u><u>\$ 19,883,576</u></u>

See the accompanying notes and independent auditor's report

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023 (Restated)
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 517,200	\$ 29,045
Accrued expenses	92,729	179,449
Escrow and closing funds held	18,353	26,722
Lease liability, current	284,061	214,233
Notes payable, current	68,231	65,008
Total Current Liabilities	<u>980,574</u>	<u>514,457</u>
Noncurrent Liabilities		
Deferred revenue	4,181,393	2,975,240
Notes payable, net of current portion	972,069	1,033,536
Lease liability, net of current portion	563,323	638,474
TOTAL LIABILITIES	<u>6,697,359</u>	<u>5,161,707</u>
Net assets:		
Without donor restrictions	11,928,515	12,941,894
With donor restrictions	1,779,975	1,779,975
TOTAL NET ASSETS	<u>13,708,490</u>	<u>14,721,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,405,849</u></u>	<u><u>\$ 19,883,576</u></u>

See the accompanying notes and independent auditor's report

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Statements of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Public support and revenue:			
Federal and local government grants	\$ 1,961,170	\$ -	\$ 1,961,170
Contributions	1,183,196	-	1,183,196
Contributions - donated merchandise	1,694,953	-	1,694,953
In-kind donated services	9,806	-	9,806
Special events revenue, net	478,466	-	478,466
Home sales, net of mortgage program expense	1,343,150	-	1,343,150
Net revenue from reclaimed homes	126,144	-	126,144
Mortgage loan discount amortization	327,996	-	327,996
ReStore operations	1,714,898	-	1,714,898
HRAP grant income	199,973	-	199,973
Critical home repair income, net	45,554	-	45,554
Rental income	17,493	-	17,493
Recovery of bad debt expense	36,175	-	36,175
Interest and dividend income	155,326	-	155,326
Miscellaneous income	25,480	-	25,480
Equity in loss of limited liability company	3,517	-	3,517
Unrealized gain (loss) on investments	87,625	-	87,625
Gain / (loss) on disposal of property and equipment, net	5,000	-	5,000
Total public support and revenue	9,415,922	-	9,415,922
Cost of Homes Transferred	2,994,497	-	2,994,497
Expenses:			
Cost of goods sold	1,742,624	-	1,742,624
Program services:			
Homebuilding	2,735,344	-	2,735,344
ReStore	1,843,363	-	1,843,363
Management and general	358,466	-	358,466
Fundraising	755,007	-	755,007
Total expenses	10,429,301	-	10,429,301
Change in net assets	\$ (1,013,379)	\$ -	\$ (1,013,379)
Net assets			
Beginning of year	12,941,894	1,779,975	14,721,869
Net assets, end of the year	\$ 11,928,515	\$ 1,779,975	\$ 13,708,490

See the accompanying notes and independent auditor's report

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Statements of Activities
For the Year Ended June 30, 2023 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Public support and revenue:			
Federal and local government grants	\$ 1,619,319	\$ -	\$ 1,619,319
Contributions	1,913,113	-	1,913,113
Contributions - donated merchandise	2,068,346	-	2,068,346
Other contributions	1,400,000	-	1,400,000
Special events revenue, net	528,397	-	528,397
Home sales, net of mortgage program expense	269,405	-	269,405
Net revenue from reclaimed homes	209,524	-	209,524
Mortgage loan discount amortization	336,242	-	336,242
ReStore operations	2,079,853	-	2,079,853
Critical home repair income, net	7,311	-	7,311
Rental income	20,328	-	20,328
Interest and dividend income	86,095	-	86,095
Miscellaneous income	46,283	-	46,283
Equity in loss of limited liability company	(7,851)	-	(7,851)
Unrealized gain (loss) on investments	32,168	-	32,168
Gain on disposal of property and equipment	2,098,122	-	2,098,122
Net assets released from restrictions	1,900,077	(1,900,077)	-
	<u>14,606,732</u>	<u>(1,900,077)</u>	<u>12,706,655</u>
Cost of Homes Transferred	1,208,945	-	1,208,945
Expenses:			
Cost of goods sold	2,122,714	-	2,122,714
Program services:			
Homebuilding	2,286,879	-	2,286,879
ReStore	1,740,828	-	1,740,828
Management and general	382,122	-	382,122
Fundraising	703,938	-	703,938
	<u>8,445,426</u>	<u>-</u>	<u>8,445,426</u>
Change in net assets	\$ 6,161,306	\$ (1,900,077)	\$ 4,261,229
Net assets:			
Beginning of year, as originally reported	\$ 6,893,811	\$ 3,680,052	\$ 10,573,863
Prior period adjustment	(113,223)	-	(113,223)
Beginning of year, as adjusted	6,780,588	3,680,052	10,460,640
Net assets, end of the year	<u>\$ 12,941,894</u>	<u>\$ 1,779,975</u>	<u>\$ 14,721,869</u>

See the accompanying notes and independent auditor's report

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2024

	Program Services			Management and General	Fundraising	Total
	Homebuilding	ReStore	Total			
Advertising	\$ 52,00	\$ 5,471	\$ 5,523	\$ -	\$ 9,437	\$ 14,960
Alarm system/security	-	7,293	7,293	-	-	7,293
Bank charges	12,210	12,941	25,151	-	48	25,199
Board training and meeting	993	-	993	-	100	1,093
Credit card processing	81	43,654	43,735	-	7,806	51,541
Depreciation	56,163	1,214	57,377	-	-	57,377
Donor development	5,300	-	5,300	-	-	5,300
Dues and subscriptions	290	71	361	150	2,483	2,994
Education and conferences	872	-	872	-	-	872
Employee relations	39,515	5,901	45,416	13,531	10,016	68,963
Equipment rental	2,951	71,560	74,511	-	-	74,511
Fundraising expenses	130	-	130	-	-	130
Home building related costs	23,391	-	23,391	-	-	23,391
Home repair costs	283,933	-	283,933	-	-	283,933
IDHA tax credit expense	-	-	-	-	126,068	126,068
Insurance	149,685	13,020	162,705	2,392	696	165,793
Interest	48,966	748	49,714	-	-	49,714
Licenses and permits	-	3,385	3,385	-	-	3,385
Miscellaneous	33,240	26,773	60,013	-	-	60,013
Office supplies	7,799	19,202	27,001	985	1,711	29,697
Occupancy	55,430	280,202	335,632	3,000	15,209	353,841
Payroll	1,066,810	900,751	1,967,561	262,217	442,332	2,672,110
Payroll processing	-	40,091	40,091	-	-	40,091
Payroll taxes and benefits	226,343	168,495	394,838	53,406	98,512	546,756
Postage and delivery	1,676	-	1,676	259	960	2,895
Printing and reproduction	7,166	-	7,166	675	2,921	10,762
Professional fees	261,994	62,107	324,101	13,414	23,641	361,156
Real estate tax	154,614	-	154,614	-	-	154,614
Repairs and maintenance	89,588	33,476	123,064	-	-	123,064
Retirement contribution	11,160	-	11,160	3,420	4,793	19,373
Tithing to Habitat International	160,584	-	160,584	-	-	160,584
Telephone and internet	16,896	11,293	28,189	1,016	3,660	32,865
Tools and equipment	846	3,138	3,984	-	-	3,984
Trash disposal	-	50,221	50,221	-	-	50,221
Travel, meals and entertainment	14,544	2,026	16,570	4,001	4,614	25,185
Utilities	-	59,237	59,237	-	-	59,237
Vehicle expense other	-	21,093	21,093	-	-	21,093
Volunteer appreciation	2,122	-	2,122	-	-	2,122
Total	2,735,344	1,843,363	4,578,707	358,466	755,007	5,692,180
Expenses presented separate on the statement of activities - cost of goods sold	2,994,497	1,742,624	4,737,121	-	-	4,737,121
Total expenses	\$ 5,729,841	\$ 3,585,987	\$ 9,315,828	\$ 358,466	\$ 755,007	\$ 10,429,301

See the accompanying notes and independent auditor's report

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2023 (Restated)

	Program Services			Management and General	Fundraising	Total
	Homebuilding	ReStore	Total			
Advertising	\$ -	\$ 7,268	\$ 7,268	\$ -	\$ 9,199	\$ 16,467
Alarm system/security	-	8,535	8,535	-	-	8,535
Association fees	1,529	-	1,529	-	-	1,529
Bad debt expense	-	-	-	5,908	22,500	28,408
Bank charges	3,700	9,151	12,851	1,560	217	14,628
Credit card processing	-	50,241	50,241	-	3,162	53,403
Depreciation	36,215	16,994	53,209	-	-	53,209
Donor development	12,015	-	12,015	-	-	12,015
Dues and subscriptions	28,911	225	29,136	6,225	520	35,881
Education and conferences	848	-	848	150	-	998
Employee relations	21,855	1,631	23,486	413	1,226	25,125
Equipment rental	2,190	54,250	56,440	-	-	56,440
Home building related costs	39,358	-	39,358	-	-	39,358
Home repair costs	12,744	-	12,744	495	-	13,239
IDHA tax credit expense	-	-	-	-	104,000	104,000
Insurance	134,630	8,649	143,279	2,362	(8,227)	137,414
Interest	48,223	-	48,223	-	-	48,223
Licenses and permits	-	7,751	7,751	-	-	7,751
Miscellaneous	40,507	17,250	57,757	11,975	601	70,333
Office supplies	19,304	10,689	29,993	3,183	1,461	34,637
Occupancy	46,534	267,727	314,261	12,045	20,310	346,616
Payroll	966,177	864,214	1,830,391	245,370	421,551	2,497,312
Payroll processing	-	35,197	35,197	-	-	35,197
Payroll taxes and benefits	205,910	156,799	362,709	54,646	89,553	506,908
Postage and delivery	884	3,136	4,020	182	443	4,645
Printing and reproduction	3,503	166	3,669	1,350	3,480	8,499
Professional fees	160,221	66,418	226,639	31,831	25,496	283,966
Real estate tax	133,502	434	133,936	(9,425)	-	124,511
Repairs and maintenance	113,621	21,268	134,889	2,942	20	137,851
Retirement contribution	12,184	-	12,184	6,638	3,015	21,837
Tithing to Habitat International	209,682	-	209,682	-	-	209,682
Telephone and internet	12,680	10,299	22,979	2,385	4,035	29,399
Tools and equipment	(255)	4,367	4,112	-	-	4,112
Trash disposal	3,545	32,056	35,601	-	-	35,601
Travel, meals and entertainment	14,653	2,341	16,994	1,887	1,376	20,257
Utilities	-	68,312	68,312	-	-	68,312
Vehicle expense other	-	15,360	15,360	-	-	15,360
Volunteer appreciation	2,009	100	2,109	-	-	2,109
Total	2,286,879	1,740,828	4,027,707	382,122	703,938	5,113,767
Expenses presented separate on the statement of activities - cost of goods sold	1,208,945	2,122,714	3,331,659	-	-	3,331,659
Total expenses	\$ 3,495,824	\$ 3,863,542	\$ 7,359,366	\$ 382,122	\$ 703,938	\$ 8,445,426

See the accompanying notes and independent auditor's report

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,013,379)	\$ 4,261,229
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	57,377	53,209
Lease asset amortization	274,050	28,637
Mortgage loan discount amortization	(327,996)	(336,242)
Equity in loss of limited liability company	(7,121)	7,851
Unrealized gain on investments	(56,819)	(86,095)
Gain on disposal of property and equipment	(5,000)	(2,098,122)
Reinvested dividends	(85,258)	(32,168)
Changes in operating assets and liabilities:		
Receivables	7,750	(115,391)
IHDA Tax credit receivable	(1,961,170)	1,766,833
Inventory - ReStore	46,036	(2,041)
Land and construction inventory	(1,437,180)	(2,315,533)
Construction in progress	184,956	-
Prepaid expenses, deposits and other assets	(21,610)	(396,989)
Accounts payable and accrued expenses	401,433	(14,189)
Deferred revenue	1,206,153	595,639
Escrow and closing funds held	(8,369)	(3,380)
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(2,746,147)	1,313,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of leasehold improvements	(260,231)	(364,829)
Acquisition of building and equipment	(343,912)	-
Deposit on future building acquisition	(258,291)	-
Proceeds from sale of real estate owned	-	4,000,000
Proceeds from sale of equipment	5,000	-
Issuance of mortgage receivable	(1,065,973)	-
Principal proceed of mortgage receivables	139,727	-
Purchases of marketable securities	-	(4,839,509)
Proceeds from marketable securities	4,431,871	-
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2,648,191	(1,204,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	940,000
Payments on notes payable	(58,244)	(1,824,800)
CASH USED FOR FINANCING ACTIVITIES	(58,244)	(884,800)
Net increase (decrease) in cash and cash equivalents	(156,201)	(775,890)
Cash and cash equivalents at the beginning of the year	1,167,093	1,942,983
Cash and cash equivalents at the end of the year	\$ 1,010,892	\$ 1,167,093
Supplemental Disclosures:		
Cash paid for interest	\$ 49,714	\$ 48,223
Noncash Financing Transactions:		

See the accompanying notes and independent auditor's report

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 1 ORGANIZATION AND PURPOSE

The accompanying financial statements reflect the consolidated operations of DuPage Habitat for Humanity, Inc., DuPage Habitat for Humanity Neighborhood Revitalization Council and ReStore of Fox Valley Habitat for Humanity (collectively referred to as the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

DuPage Habitat for Humanity, Inc. ("DHFH"), a not-for-profit corporation, was incorporated in February 1995. The Organization is an affiliate of Habitat for Humanity International, Inc. ("HFHI"), a global Christian-based, non-profit organization whose vision is a world where everyone has a decent place to live. DHFH's mission is to provide home ownership opportunities to limited income families or individuals in DuPage County and Cook County. Although HFHI assists with informational resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operation.

In effective October 1, 2023, Habitat for Humanity Chicago South Suburbs ("CSS" or "Habitat-CSS"), a not-for-profit corporation, was merged into DHFH. CSS was incorporated in June 1988 and was also an affiliate of HFHI and a subsidiary of DHFH. CSS's mission was to provide home ownership opportunities to limited income families or individuals in and around Southern Cook County. With the merger of CSS, in May 2024, the Organization filed a name change to transact business under the assumed corporate name of DuPage and Chicago South Suburbs Habitat for Humanity.

Habitat for Humanity ReStore are home improvement stores and donation centers selling new and gently used furniture, appliances, home goods, building materials and more. In July 2019, ReStore of Fox Valley Habitat for Humanity ("ReStore") became a subsidiary of DHFH. Profits from the sales of donated items go towards DHFH's mission. DHFH currently operates two ReStore facilities, one in Addison, Illinois and the other in Oak Forest, Illinois.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accounts and consolidated financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant accounts receivable, payable, and other liabilities.

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions (when applicable), as required by Generally Accepted Accounting Principles ("GAAP").

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of the Organization's mission, and which may be expended at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets which are subject to donor or grantor imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of the Organization or the passage of time, while some restrictions could be perpetual in nature, in that the donor or grantor has stipulated the funds must be maintained in perpetuity.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from these estimates.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

DHFH and ReStore have been granted exemptions from federal income tax by the Internal Revenue Service under appropriate provisions of the Internal Revenue Code ("IRC") as charitable organizations that are not private foundations. The tax-exempt purpose of these entities and the nature in which they operate is described in Note 1, and management believes the Organizations continue to operate in compliance with their tax-exempt purposes.

ReStore operates a resale store, which it considers to be a related business activity. The IRC provides for taxation of unrelated business income under certain circumstances. ReStore reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

The Neighborhood Revitalization Council ("NRC") is a wholly-owned corporation with DHFH being the sole shareholder. For tax purposes, this entity is treated as a disregarded entity. Its activities are included in DHFH's tax reporting.

Each entity's tax returns for the years ended June 30, 2021 through 2024 are open for purposes of Internal Revenue Service or Illinois Department of Revenue examinations.

Cash and Cash Equivalents

The Organization considers all highly liquid debt investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash balances at large financial institutions. The Organization has an arrangement with its bank such that, should cash balances exceed Federal Deposit Insurance Corporation limits, excess balances are transferred to sister banks of the Organization's primary bank. Thus, management does not believe it is exposed to any significant credit risk related to cash.

Inventory - ReStore

ReStore receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail stores. Accounting standards require that contributions be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Contributions are measured at fair value.

Inventory balances recorded at year-end are comprised mostly of goods donated to ReStore for resale through its retail store. In accordance with the HFHI *Financial Policies and Procedures* issued in June 2021, the value of donated inventory at the end of the year is estimated using average sales. Management has estimated ending inventory as one month of average sales. This is a critical assumption which significantly affects inventory accounting. The Organization may carry purchased inventory at a given time, which consists primarily of paint and related supplies. Any purchased inventory on hand is stated at the lower of cost (on the FIFO method) or net realizable value.

Inventories – Land and Construction-in-Progress

Inventory primarily consists of purchased and donated houses, and reclaimed homes. The purchased and donated houses are under construction issued in the Organization's programs. Inventory is initially capitalized at cost or fair value if donated. This includes all direct and indirect costs incurred to prepare it for sale or use. If it is determined that the capitalized costs of the land and construction-in-progress inventory exceed its fair value, the inventory is written down to its fair value. Construction materials are valued at cost if purchased or at fair value at the time of donation if they are donated to the Organization. Reclaimed homes are recorded as real estate owned at fair value at the date of reclamation. Added to these amounts are closing costs and additional costs necessary to ready the homes for resale. Any write-down based on the home's fair value at the date of foreclosure is charged to the allowance for uncollectible mortgage receivables.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Depreciable and Amortizable Property and Assets

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost or fair value if donated. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of these assets over estimated useful lives of 5 to 39 years. The Organization generally follows the practice of capitalizing expenditures for assets in excess of \$5,000. Leasehold improvements are amortized over the estimated lives of the improvements. Maintenance and repairs, which do not extend the life of the property, are charged to expense as incurred. Gains and losses from disposal of assets are included in operations in the year of sale.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or net realizable value.

Investment in Limited Liability Company

The Organization is one of two equal members in Home Together, LLC, a non-profit organization formed in 2010, to purchase and share the building used for operations (see Note 17). Due to the Organization's lack of a controlling interest in the subsidiary, its investment is accounted for under the equity method and consolidated financial statements are not presented. The investment account is increased for cash contributions made to the LLC and for the Organization's proportionate share of the LLC's other increases in net assets and decreased for the cash distributions received from the LLC and the Organization's proportionate share of the LLC's other decreases in net assets. The Organization remains committed to providing future funding to the LLC, and is liable for debt incurred by the LLC, and, therefore, is required to recognize a negative investment in Home Together, LLC on its statement of financial position of \$19,179 and \$26,300 at June 30, 2024 and 2023, respectively.

Allowance for Credit Losses

Effective July 1, 2023, the Organization adopted a new accounting standard under U.S. GAAP that replaced the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected losses ("CECL") that are expected to occur over the lifetime of the underlying accounts receivable. The CECL methodology is applicable to financial assets that are measured at amortized cost, which includes trade accounts receivable and mortgages receivable. The Organization adopted the changes in accounting for credit losses using a modified retrospective method by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of Net Assets as of July 1, 2023. There was no adjustment to opening balances for an allowance for credit loss.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale to Homeowners and Mortgages Receivable

DHFH recognizes revenue from the sale of their homes at the fair value of the first mortgages received plus the required down payments when a closing occurs and title, possession, and other attributes of home ownership have been transferred to the buyer. The first mortgages are non-interest bearing and require monthly payments, typically over a 30 or 40-year period. The amount of a first mortgage is determined by DHFH and the lender based on a formula primarily related to the partner family's ability to pay the mortgage and associated other costs. The present value of the first mortgage is determined by discounting the mortgage payments using an interest rate that approximates a current market rate of interest for such a mortgage instrument at its inception. The difference between the face amount of each mortgage and its present value is accounted for as a discount. The original discount on the mortgage issued is recorded as a program expense in the year the mortgage closes, based on the prevailing interest rates for low-income housing. The discount is then amortized and recorded as income over the estimated life of the mortgage on a straight-line basis. Beginning in the year ended June 2018, first mortgages have been assumed by a financial institution and DHFH received the proceeds from the first mortgages.

The delinquency of mortgages receivable is based upon past due status in accordance with contractual terms. When a partner begins to miss payments, management will work with the partner and encourage the partner to refinance their mortgage.

DHFH has recorded an allowance for credit losses for its mortgages receivable as there are probable and reasonably estimable losses related to the mortgages receivable. Historically, DHFH has not experienced significant losses on mortgages to individual clients, based in part on the fact that the estimated value of the properties securing the mortgages receivable significantly exceeds the amount recognized as mortgages receivable. Management's evaluation to determine if an allowance for credit losses for mortgages receivable at origination is necessary is based upon its history, industry, and economic conditions, and known risks or adverse situations that may affect the borrower's ability to repay. DHFH has recognized an allowance for credit losses for its mortgage receivables of \$23,825 and \$60,000 at June 30, 2024 and 2023, respectively.

The Organization provides a limited one-year warranty in the deed of trust on the sale of a home which is generally for defects in materials and workmanship. The warranty is considered an assurance-type warranty whereby costs are accrued when obligations under the warranty period become probable and can be reasonably estimated. Warranty costs have not been significant, and no warranty liability has been accrued at June 30, 2024 or 2023.

Compensated Absences

The Organization provides its employees with unlimited personal time and, accordingly, does not accrue a liability for compensated absences.

Leases, Right of Use Asset and Lease Liability

Management determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. Management elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization has a lease agreement for office facilities in Wheaton, Illinois and a lease agreement for its retail space located in Addison, Illinois. The Organization does not separate lease components from nonlease components for real estate leases. For operating leases that have a lease term of greater than one year, the Organization initially recognizes operating lease liabilities and right-of-use ("ROU") assets at the lease commencement date, which is the date that the lessor makes an underlying asset available for use by the Organization. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the present value of the Organization's obligation to make lease payments, including escalating fixed payments and net of rent holiday months, over the lease term. The discount rate used to determine the present value of the lease payments is the risk-free interest rate for a similar term because the rate implicit in the lease is not readily determinable. The Organization's lease term for its leases represents the noncancelable period for which the Organization has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease if the Organization is reasonably certain to exercise that option; (ii) periods covered by an option to terminate the lease if the Organization is reasonably certain not to exercise that option; and (iii) periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor. The Organization's office lease and Addison store lease contained no such option periods. The Organization recognizes lease payments as lease expense on a straight-line basis over the lease term. The Organization's operating ROU asset and lease liability are presented as separate assets and liabilities, respectively, on its balance sheet. The Organization also leases vehicles and copiers.

Support and Revenue

The Organization reports gifts of cash and other assets as with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

The Organization reports gifts of land, buildings, and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Government Contributions

Support funded by government contracts, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services is met. Revenue is therefore recognized as earned as the condition of eligible expenses is incurred. These expenditures are subject to audit and acceptance by the respective granting agency, and, because of such audit, adjustments could be required. Management does not anticipate any material adjustments for revenue shown at June 30, 2024 and 2023.

In-Kind Contributions

The Organization receives in-kind contributions and donated services from various donors. In accordance with GAAP, contribution of services are required to be recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions are recorded at fair value. The Organization recognizes the estimated fair value of these in-kind donations and donated services as an expense or asset if appropriate in its

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

consolidated financial statements, and similarly records a corresponding donation by a like amount. The Special Events amount includes in-kind contributions of \$109,651 and \$86,269 for the years ended June 30, 2024 and 2023, respectively. There were no donor restrictions related to the in-kind contributions and donated services for the years ending June 30, 2024 and 2023.

The Organization received donations in the form of building materials and supplies, household furnishings, and appliances for its ReStore. The items are processed and displayed at the store to be sold and the proceeds used to benefit the mission of the Organization. Items which cannot be retailed or reconditioned are sold as salvage. The donated items for the ReStore are valued based on comparable prices at local hardware stores if new, or thrift value if used. The Organization recognized contributions of \$1,694,953 and \$2,068,346 for the years ending June 30, 2024 and 2023, respectively.

DHFH mortgages issued prior to July 1, 2017, are serviced by BMO Harris Bank at no charge recorded at fair value determined based on a percentage of the mortgage loan portfolio in accordance with industry standards. The amount was not material to the financial statements.

There were also a substantial number of volunteers who donated a significant amount of their time towards the activities of the Organization for the years ended June 30, 2024 and 2023, the value of which has not been recognized in the consolidated financial statements as they do not meet the criteria for recognition.

Revenue Recognition

Revenues from contracts with customers are recognized when control of the promised goods or services are transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. To do this, the Organization performs the following five steps as outlined in Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"): (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Organization satisfies a performance obligation.

Significant sources of contract revenue include the following:

ReStore – The Organization's ReStores recognize revenues from merchandise sales when the products are sold, which is when the title and risk of loss pass to the customer. Sales returns are generally not permitted and have not been significant.

Home Sales – The Organization recognizes revenue from home sales when the home is sold and title passes to the buyer, at the time of closing.

Net Revenue from Reclaimed Homes – The Organization recognizes revenue from reclaimed homes when the home is repurchased, and title reverts to the Organization at the time of closing.

Special Events, net – The Organization recognizes revenue at the time the event is held. Special Events include the annual summer golf invitational, women build days and corporate and individual build days. Participants in these events purchase sponsorship packages of various amounts. For the golf invitational, participants can play golf at the Arrowhead Golf Club in Wheaton, Illinois. Build Days are days which participants actively assist with building a home. Special event expenses were approximately \$69,000 and \$60,000 for the years ended June 30, 2024 and 2023, respectively.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determining whether variable consideration (if applicable) should be reflected in the contract's transaction price may require judgment as to the probability that a significant reversal of such consideration will not occur when the variable consideration is resolved.

The Organization has applied certain practical expedients in its application of ASC 606 as follows:

- The Organization does not evaluate a contract for a significant financing component if payment is expected to be received within one year or less from the transfer of the promised services to the client.
- The Organization generally expenses costs incurred to obtain a contract when the amortization period is less than one year.

Advertising and Promotion

The Organization maintains fundraising events, a small supply of promotional books, pamphlets, and other merchandise available for public distribution and ministry purposes. Costs related to these materials, including advertising and promotion, are expensed as incurred. Such costs were \$9,437 and \$9,199 for the years ended June 30, 2024 and 2023, respectively. The Organization incurs advertising costs to promote its ReStore activities which are expensed as incurred. Such costs were \$5,471 and \$7,268 for the years ended June 30, 2024 and 2023, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Salaries and wages and payroll taxes and benefits are allocated on the basis of estimates of time and effort. Depreciation expense is allocated based on the program or supporting service benefitting from the underlying asset. All direct costs are charged to the programs or fund-raising as applicable, and the remaining costs are considered management and general.

Reclassifications

Certain comparative figures have been reclassified to conform to the current year presentation.

Note 3 CONTRIBUTIONS AND GRANT RECEIVABLE

Unconditional promises to give cash, in-kind contributions, and certain qualified donated services are recognized in the consolidated financial statements at the time of commitment based on written documentation from the donor.

When a contribution receivable is deemed uncollectible, it is written off as a reduction of grants and pledges included with expenses in the statement of activities. There were no contributions receivable written off for the year ended June 30, 2024 and \$28,408 in the year ended June 30, 2023.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 4 CONTRACT REVENUE AND BALANCES

Revenue for the year ended June 30, 2024 (none of which is earned over time), consisted of the following:

	Contract Revenue Earned at a Point in Time	Other Revenue Sources	Total
ReStore sales	\$ 1,714,898	\$ -	\$ 1,714,898
Special events revenue, net	478,466	-	478,466
Home sales, net of program expenses	1,343,150	-	1,343,150
Net revenue from reclaimed homes	126,144	-	126,144
Critical home repair income, net	45,554	-	45,554
Grants and contributions	-	4,849,125	4,849,125
HRAP grant income	-	199,973	199,973
Mortgage loan discount amortization	-	327,996	327,996
Rental income	-	17,493	17,493
Recovery of bad debt expenses	-	36,175	36,175
Unrealized gain (loss) on investments	-	87,625	87,625
Interest and dividends	-	155,326	155,326
Gain on disposal of property and equipment, net	-	5,000	5,000
Miscellaneous income and interest	-	28,997	28,997
	<u>\$ 3,708,212</u>	<u>\$ 5,707,710</u>	<u>\$ 9,415,922</u>

Revenue for the year ended June 30, 2023 (none of which is earned over time), consisted of the following (as restated):

	Contract Revenue Earned at a Point in Time	Other Revenue Sources	Total
ReStore sales	\$ 2,079,853	\$ -	\$ 2,079,853
Special events revenue, net	528,397	-	528,397
Home sales, net of program expenses	269,405	-	269,405
Net revenue from reclaimed homes	209,524	-	209,524
Critical home repair income, net	7,311	-	7,311
Grants and contributions	-	7,000,778	7,000,778
Mortgage loan discount amortization	-	336,242	336,242
Rental income	-	20,328	20,328
Unrealized gain (loss) on investments	-	32,166	32,166
Interest and dividends	-	86,095	86,095
Gain on disposal of property and equipment, net	-	2,098,122	2,098,122
Miscellaneous income	-	38,434	38,434
	<u>\$ 3,094,490</u>	<u>\$ 9,612,165</u>	<u>\$ 12,706,655</u>

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 5 LIQUIDITY AND AVAILABILITY

Financial assets, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date at June 30, have been determined as follows:

	<u>2024</u>	<u>2023 (Restated)</u>
Cash and cash equivalents	\$ 1,010,892	\$ 1,167,093
Current receivables:		
Critical home repair receivable	96,496	78,096
IDHA tax credit receivable	1,961,170	-
Contributions and grant receivable	176,181	202,330
Mortgages, net, current	<u>90,833</u>	<u>91,282</u>
Total current receivables	2,324,680	371,708
Investments	<u>667,981</u>	<u>4,957,772</u>
Total current financial assets	4,003,553	6,496,573
Net assets with donor restrictions	<u>(1,779,975)</u>	<u>(1,779,975)</u>
Financial assets available for general expenditure over the next twelve months	<u>\$ 2,223,578</u>	<u>\$ 4,716,598</u>

The Organization relies on grants and donor contributions, which may or may not have donor restrictions, to help fund major capital outlays. It manages its day-to-day operations based on available funds from such contributions or grants, as well as ReStore sales.

Note 6 MORTGAGES RECEIVABLE

The Organization recognized income from the mortgage loan discount amortization in the amount of \$327,996 and \$336,242 for the fiscal year ended June 30, 2024 and 2023, respectively.

DHFH originated 10 new mortgages during the year ended June 30, 2024, net of related discounts, in the amount of \$1,065,973; it originated three new mortgages during the year ended June 30, 2023, net of related discounts, in the amount of \$248,528. The Organization does not charge homeowners any fees in connection with originating the mortgages and does not defer any costs related to originating the mortgages.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 6 MORTGAGES RECEIVABLE (continued)

First and second mortgage receivables are presented net of unamortized discounts as follows:

	<u>2024</u>	<u>2023</u> (Restated)
Gross first and second mortgage receivable at face value	\$ 5,329,911	\$ 5,693,840
Discounts on second mortgages	4,042,328	2,828,479
Less unamortized first mortgage discount at imputed interest rates of 4.0% to 8.78%	(2,465,876)	(2,834,023)
Less allowance for doubtful mortgages receivable	<u>(23,825)</u>	<u>(60,000)</u>
Net mortgages receivables	<u>\$ 6,882,538</u>	<u>\$ 5,628,296</u>
Current portion	\$ 90,833	\$ 91,282
Long-term	<u>6,791,705</u>	<u>5,537,014</u>
	<u>\$ 6,882,538</u>	<u>\$ 5,628,296</u>

Future first mortgage principal collections, net of discount amortization, are estimated as:

Year Ending June 30,	Total
First Mortgages	
2025	\$ 90,833
2026	89,342
2027	88,293
2028	88,293
2029	87,624
Thereafter	<u>\$ 974,072</u>
	<u>\$ 1,418,457</u>
Second Mortgages	<u>\$ 5,464,081</u>
Total	<u>\$ 6,882,538</u>

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 6 MORTGAGES RECEIVABLE (continued)

Mortgage receivable activity for DHFH for the years ended June 30, 2024 and 2023, are as follows:

	Mortgages Receivable	Payments	Second Mortgage Discount	Unamortized Discount	Allowance For Doubtful Mortgages	Net Mortgages Receivable
Balance, June 30, 2022	\$ 8,283,085	\$ (2,461,671)	\$ 2,379,601	\$ (2,709,860)	\$ (54,092)	\$ 5,437,063
New mortgages	51,393	-	450,085	-	-	501,478
Initial discount on new mortgages	-	-	-	-	-	-
Mortgages sold	(120,648)	-	-	-	-	(120,648)
Payments received	-	(317,139)	-	-	-	(317,139)
Discounts earned	-	-	-	135,864	-	135,864
Allowance adjustment	-	-	-	-	(5,908)	(5,908)
Accretion	-	-	56,405	-	-	56,405
Forgiveness	-	-	(58,819)	-	-	(58,819)
Balance, June 30, 2023	8,213,830	(2,778,810)	2,827,272	(2,573,996)	(60,000)	5,628,296
New mortgages	362,965	-	1,209,539	-	-	1,572,504
Initial discount on new mortgages	-	-	-	(158,464)	-	(158,464)
Mortgages sold	-	(80,758)	-	55,209	-	(25,549)
Transfer of loan	(85,298)	(1,963)	-	59,531	-	(27,730)
Payments received	-	(302,626)	-	-	-	(302,626)
Discounts earned	-	-	-	151,312	-	151,312
Allowance adjustment	-	-	-	-	36,175	36,175
Accretion	-	-	61,944	-	-	61,944
Forgiveness	-	-	(53,324)	-	-	(53,324)
Balance, June 30, 2024	\$ 8,491,497	\$ (3,164,157)	\$ 4,045,431	\$ (2,466,408)	\$ (23,825)	\$ 6,882,538

Second mortgages generally exist on homes sold by the Organization. In general, the “silent” second mortgages are established for the difference between (a) the estimated fair value of the home at date of sale and (b) the sales price of the home (the sum of the undiscounted amount of the first mortgage and the down payment made by the homeowner). Silent second mortgages are non-interest-bearing. Some are due and payable upon either the resale of the property or the payoff of the first mortgage. Another tranche of second mortgages is fully forgivable upon pay-off of the first mortgage. The third type of second mortgage is forgivable ratably over the remaining term after timely payment of 60 or 84 monthly mortgage payments. The mortgage receivable asset includes the second mortgages as they are legal obligations of the partner family to the Organization. They are recorded at the discounted amount based on the mortgage rate at the time of the mortgage, with consideration of accretion to the date of the financial statements and forgiveness, if any. Pursuant to some grant arrangements, the grantor may hold a portion of the silent second mortgage or may hold a “silent” third mortgage. The face amount of the second mortgages on homes totaled \$5,374,081 and \$3,045,412 at June 30, 2024 and 2023, respectively. The net recorded balance of second mortgages on homes totaled \$1,421,753 and \$1,227,771 at June 30, 2024 and 2023, respectively.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 6 MORTGAGES RECEIVABLE (continued)

Finally, an equity-sharing agreement exists on all homes sold by DHFH. The amount is based on a percentage of the appreciation in value (shared appreciation) and the length of time the homeowner has owned the house so that the longer the homeowner has owned the home, the lower the percentage of equity shared with the Organization.

Events which trigger payments to be made on the silent second mortgages are as follows:

1. Sale of property to a third-party.
2. Transfer of property to someone other than the buyer's spouse.
3. Rental of property to a third-party.
4. Creation of certain trusts which affects the title to the property.
5. Failure to occupy property as main residence.
6. Refinance property without paying off the amount due under the first mortgage note plus the amount for which the buyer has not received credit under the second mortgage noted as of the date of the payoff.
7. Failure to make three payments in a row.
8. Third-party forecloses on the property or files mechanic's lien on the property.
9. Use of property to carry on a business, trade, or profession except as permitted by applicable law or ordinance.
10. Attempt to prepay one of the mortgage notes before maturity of the first mortgage note and the second mortgage note without prepaying both the first mortgage note and the second mortgage note.
11. Failure to perform the terms of either of the first mortgage note or the second mortgage note or either of the first mortgage or the second mortgage and do not cure such failure within any applicable notice or cure period.

In the event that a homeowner disposes of a home or otherwise prepays the first mortgage prior to the end of the term of the first mortgage, the balance of the silent mortgages and any sharing of appreciation in the value of the home between the homeowner and the Organization becomes due. Finally, the first mortgage provides the Organization with the right of first refusal, at the then current fair value, to purchase any home that a homeowner has decided to sell. DHFH recognized shared appreciation income from partner families selling homes in fiscal 2024 totaling \$52,000 and \$49,500 in fiscal 2023.

Note 7 INVENTORIES – LAND AND CONSTRUCTION IN PROGRESS

Land and construction in progress inventory consists of property and improvements in progress for homes to be sold to partner families when completed. It includes approximately 30 units as of June 30, 2024 and approximately 36 units as of June 30, 2023. Also included is land in West Chicago for future development which was donated to DHFH in 2023. At June 30, 2024, the total costs incurred to date is \$337,323. Construction of homes is to begin in 2026.

Activity for the years ended June 30, 2024 and 2023 is as follows:

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Balance, June 30, 2022	\$ 3,261,246
Fiscal year ended June 30, 2023, activity:	
One home reclaimed	270,000
One home donated	300,000
Three homes purchased	325,921
Additional costs necessary to ready homes for resale	1,855,932
Three homes sold - costs transferred	<u>(621,276)</u>
Balance, June 30, 2023	\$ 5,391,823
Fiscal year ended June 30, 2024, activity:	
One home reclaimed	305,000
Three homes purchased	26,000
Additional costs necessary to ready homes for resale	4,040,200
Ten homes sold - costs transferred	<u>(2,934,020)</u>
 Balance, June 30, 2024	 <u><u>\$ 6,829,003</u></u>

Note 8 INVENTORIES – RESTORE

Inventory at June 30, consists of the following:

	<u>2024</u>	<u>2023</u>
Purchased inventory	\$ -	\$ 6,801
Donated goods and materials	132,140	171,375
Total	<u><u>\$ 132,140</u></u>	<u><u>\$ 178,176</u></u>

Note 9 FAIR VALUE

Fair value is defined in FASB ASC 820, *Fair Value Measurements and Disclosures*, as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. FASB ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3: Inputs are based on prices or valuation techniques that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 9 FAIR VALUE (continued)

The following table sets forth, by level within the fair value hierarchy, the Organization's assets required to be reported at fair value on a recurring basis at June 30, 2024 and 2023:

2024				
	Level 1	Level 2	Level 3	Total
Marketable equitable securities	\$ 24,464	\$ -	\$ -	\$ 24,464
Exchange traded funds	168,696	-	-	168,696
Fixed income funds	81,624	-	-	81,624
Money market and cash	43,176	-	-	43,176
Mutual funds	350,021	-	-	350,021
Total Investments	<u>\$ 667,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 667,981</u>
2023				
	Level 1	Level 2	Level 3	Total
Marketable equitable securities	\$ 19,807	\$ -	\$ -	\$ 19,807
Exchange traded funds	835,847	-	-	835,847
Fixed income funds	1,082,876	-	-	1,082,876
Money market and cash	1,486,905	-	-	1,486,905
Mutual funds	1,532,337	-	-	1,532,337
Total Investments	<u>\$ 4,957,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,957,772</u>

Marketable equitable securities, exchange traded funds, fixed income funds, money market funds and mutual funds owned by the Organization are registered with the Securities and Exchange Commission and are deemed to be in active markets. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 10 LONG-TERM DEBT

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
The Organization obtained a promissory note with HFHI in 2016 in the amount of \$400,300 with an original maturity date of June 30, 2026. The Organization was allowed to defer payment of the principal portion due June 30 and September 30, 2020, due to the pandemic, and extend the maturity date of the note by two quarters to December 31, 2026. Original principal of \$400,300 payable in quarterly installments of \$12,630 which includes interest at 4.75%.	\$ 118,428	\$ 162,020
On October 19, 2022, the Organization obtained a commercial mortgage loan with First Eagle Bank in the amount of \$940,000 with an interest rate of 4.50% and a maturity date of October 19, 2027. The Organization will make 6 monthly interest-only payments and 53 monthly payments of \$5,318 which includes principal and interest, commencing November 19, 2022, with a lump sum payment of \$841,194 due at maturity. The proceeds were used to purchase a building in Oak Forest, Illinois, for use as a ReStore location.	921,872	936,524
	1,040,300	1,098,544
Less current portion	(68,231)	(65,008)
Net long-term debt	<u>\$ 972,069</u>	<u>\$ 1,033,536</u>

Minimum future principal payments are as follows at June 30:

2025	\$ 68,231
2026	71,490
2027	49,495
2028	851,084
Total	<u>\$ 1,040,300</u>

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from restriction for DHFH totaled \$0 and \$1,900,077 for the years ended June 30, 2024 and 2023, respectively.

Net assets with donor restriction for Habitat – CSS consists of the following at June 30:

	<u>2024</u>	<u>2023</u> <u>(Restated)</u>
Discounted first mortgages and payments received on those mortgages:		
NSP grant	\$ 1,102,573	\$ 1,102,573
HOME grant	587,402	587,402
Home build for veteran	35,000	35,000
Home build for single mother	35,000	35,000
	<u>\$ 1,759,975</u>	<u>\$ 1,759,975</u>

Note 12 GOVERNMENT GRANTS

Neighborhood Stabilization Program

The Organization had been selected by the County of DuPage (“County”) to act as a developer to acquire and rehabilitate eligible abandoned and foreclosed single family homes under a Neighborhood Stabilization Program (“NSP”) funded by the Department of Housing and Urban Development (“HUD”). Homes acquired and rehabilitated under the NSP are then sold by the Organization to qualifying low-income individuals under the Organization’s normal terms and conditions. The Organization received NSP funds from the County as it incurred eligible costs. The Organization executes notes to the County as the NSP funds are received from the County. The County releases the Organization from these notes when the related homes are sold by the Organization to eligible individuals. The homeowners execute non-interest-bearing first mortgages to the Organization at the time they purchase the homes. The amount of the first mortgage is determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment is affordable to the homeowners in accordance with the Organization’s mission. The homeowners also execute a second mortgage to the Organization that equals the difference between the actual costs of the home and the sum of the first mortgage. The homeowners may have a third mortgage if assistance from the County is received. The second and third mortgages, if any, are also non-interest-bearing and are payable only if certain events occur in the future.

Community Development Block Grants

The Organization had been awarded grants in prior years by the County from its Housing Development Fund that were used to fund, in part, the Organization’s development of 11 homes in its Pioneer Prairie subdivision. These grants were funded through Community Development Block Grants (“CDBG”) from HUD. The Organization received CDBG funds from the County as it incurred eligible costs. For the portion of the funds used to build homes, the Organization executed notes to the County as the CDBG funds were received from the County. The homeowners executed non-interest-bearing first mortgages to the Organization at the time they purchased the homes. The amount of the first mortgage was determined

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 12 GOVERNMENT GRANTS (continued)

by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment was affordable to the homeowner in accordance with the Organization's policies. In addition, the homeowners assumed a pro rata portion of the Organization's note to the County in the form of a third mortgage. The homeowners also executed a second mortgage to the Organization that equaled the difference between (a) the fair value of the home and (b) the sum of the sales price (which is the sum of the first mortgage and the down payment) and the third mortgage. The second and third mortgages were also non-interest-bearing and are payable only if certain events occur in the future.

The Organization recognized the portion of the CDBG grant designated to fund a portion of the infrastructure costs as revenue without donor restrictions in the period it incurred the eligible infrastructure costs. The Organization recognized the portion of the CDBG grant designated to fund a portion of the cost of building the homes as revenue with donor restrictions in the period it incurred the eligible costs and released the restriction at the time of the sale of the home. The Organization does not receive a developer's fee under the CDBG grant agreement. No revenue was recognized as it relates to the prior years' CDBG grants from the County during the years ended June 30, 2024 and 2023.

HOME

In prior years, the Organization was awarded grants by the County from its Housing Development Fund to be used to fund, in part, the Organization's development of 12 townhomes in its Prairie Green subdivision. These grants are funded through HOME Investment Partnerships Act Funds ("HOME") from HUD. The Organization received HOME funds from the County as it incurred eligible costs. The Organization executed notes to the County when the HOME grant was executed with the County. The future homeowners then executed non-interest-bearing first mortgages to the Organization at the time they purchased the townhomes. The amount of the first mortgage was determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment is affordable to the homeowner in accordance with the Organization's policies. The homeowners also executed a second mortgage to the Organization that equals the difference between (a) the fair value of the townhome and (b) the sum of the sale price (which is the sum of the first mortgage and the down payment) not to exceed \$275,200. The second mortgage is also non-interest-bearing and payable only if certain events occur in the future.

The County released the Organization from 1/12th of the County's mortgage at the time each townhouse was sold to an eligible homeowner. Each townhouse is subject to a Regulatory Land Use Restriction Agreement ("RLURA") that will impose resale restrictions on the townhomes for a period of 15 years. The RLURA is intended to ensure that any townhouses resold during that 15-year period will be sold to individuals whose income does not exceed specified levels at a price affordable to such individuals.

The Organization recognized the HOME grant as revenue with donor restrictions in the period it incurred the eligible costs. A portion of the HOME grant, equal to costs incurred for the construction of the home plus a pro rata share of land and general infrastructure costs, was transferred to net assets without donor restrictions at the time of the sale of the home. All revenue related to the HOME grant award for the Prairie Green subdivision has been recognized in prior years. The Organization received a developer fee of fifteen percent of eligible costs for its services under the HOME agreement. The developer fee was recognized as revenue with donor restrictions as the eligible costs were incurred with a pro rata portion being transferred to net assets without donor restrictions at the time of the sale of the home.

During fiscal year 2018, the Organization received an additional HOME grant of \$500,000 to fund eligible costs related to the acquisition, rehabilitation, and resale of at least five residential properties in the Greenbrook Tanglewood area of Hanover Park, Illinois. No revenue was recognized under this grant for the years ended June 30, 2024 and 2023.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 12 GOVERNMENT GRANTS (continued)

Illinois Housing Development Authority

The Organization from time to time will apply for Illinois Housing Development Authority ("IHDA") Low Income Tax credits as the sponsor of such projects, as the terms are defined in the underlying statutes. If a development project qualifies under the statutes, the Organization can receive up to 50% of qualified project costs as credits. The amount is based in part on the contributions to the Organization for the project by third parties. As the Organization is not a tax-paying entity in Illinois, it is permitted under the statutes to sell the credits, which it does. As long as the Organization continues to perform as described in the credit application, the credits are not refundable. For the year ended June 30, 2024 and 2023, approximately \$1,961,000 and \$1,619,000 was recognized as net local government grant revenue, respectively. For 2024, the project was approved in January 2025 and funds were received. The \$1,961,000 was an outstanding receivable at June 30, 2024. As part of the application for these credits, the Organization incurred approximately \$126,000 and \$104,000 of processing fees for the year ended June 30, 2024 and 2023, respectively.

Funding from Cook County, Illinois

The Organization has been selected by Cook County, Illinois ("County") to act as a developer to acquire and rehabilitate eligible abandoned and foreclosed single family homes under a NSP and HOME funded by the HUD. Homes acquired and rehabilitated under these awards are then generally sold by the Organization to qualifying low-income individuals under its normal terms and conditions. The Organization receives NSP and HOME funds from the County as it incurs eligible costs. The Organization then executes notes to the County as the NSP and HOME funds are received. These funds are recorded as refundable advances in the statement of financial position. The County releases the Organization from these notes when the related homes are sold by the Organization and the associated refundable advances is generally recognized as revenue with donor restriction. If the homes are sold to qualified low-income individuals, the homeowners execute non-interest-bearing first mortgages to the Organization at the time they purchase the homes. The amount of the first mortgage is determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment is affordable to the homeowner in accordance with the Organization's mission.

The Homeowners also execute two second mortgages, equal in amount, to the Organization and the County, which in the aggregate, equal the difference between the actual cost of the home and the sum of the first mortgage and the down payment. The second mortgages are also non-interest-bearing and are payable only if certain events occur in the future.

For homes sold to qualified low-income individuals, all amounts paid by the homeowners to DHFH for their mortgages are considered NSP and HOME income and are retained by DHFH with the restriction that such amounts be used by DHFH for other eligible NSP and HOME activity in the County. Upon sale of the home, a portion of the NSP and HOME awards (the carrying amount of the first mortgage on NSP and HOME projects and any payments received under mortgages related to NSP and HOME projects) continues to be reflected as net assets with donor restrictions until such time those amounts are depleted for other eligible NSP and HOME activities in the County. The NSP and HOME funding is not designed to be a recurring government program and DHFH may not receive any future grants under this program beyond those described above.

If there are insufficient qualified buyers for homes available, DHFH may sell the rehabilitated homes to non-qualified buyers. If the house is sold at a price below the eligible costs incurred and capitalized, any proceeds received at closing are remitted to the County. Any refundable advance associated with the respective home is forgiven by the County and offset with the eligible capital costs. If the house is sold at a price above the eligible costs incurred, DHFH is obligated to remit proceeds up to the associated refundable advance for that house to the County. The gain would be recognized as revenue with donor restrictions for further reinvestment into the NSP. Additionally, the refundable advance would be offset with capitalized costs associated with the house. No homes were sold to qualified buyers for the years ended June 30, 2024 and 2023.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 12 GOVERNMENT GRANTS (continued)

Illinois Department of Commerce and Economic Opportunity Funding

In May of 2013, Habitat – CSS received an Illinois Department of Commerce and Economic Opportunity (“DCEO”) grant from the Illinois Facilities Fund (“IFF”) to acquire, develop, and sell homes in Park Forest and Lansing, Illinois, under the Illinois Disaster Recovery Program (“IDRP”). Properties acquired must be vacant structures and are subject to prior approval by the sub-grantee. Homes acquired and rehabilitated under this award are then generally sold by Habitat – CSS to qualifying low-income individuals under Habitat – CSS’s normal terms and conditions. Habitat – CSS receives IDRP funds from the IFF as it incurs eligible costs. All funds received from IFF are in the form of a construction loan that is forgiven upon sale of the eligible property to qualifying low-income individuals. As such, all amounts received are recorded as refundable advances in the statement of financial position until such time the homes are sold. Habitat – CSS had no such refundable advances at June 30, 2024 or 2023. If a house is sold at a price above the eligible costs incurred, Habitat – CSS is obligated to remit sales proceeds up to the associated refundable advance for that house to the IFF.

Note 13 HOME SALES

The home sale price is based upon appraised value at the time of sale provided by an independent appraiser. The selling price is satisfied by first mortgage and seller financing mortgage. The first mortgage amount is based on a front-end ratio of 30%. The front-end ratio is calculated by dividing mortgage-related costs (principal, interest, property taxes and insurance) by gross monthly household income. A financial institution assumes the first mortgage on homes sold and the Organization issues a second and sometimes a third mortgage to the homeowner on these home sales. The amount of the second mortgage is the difference between the appraised value and the sum of the first mortgage, held by the financial institution, and the third mortgage held by the Organization. The second mortgage is interest free and is payable upon satisfaction of the first mortgage, unless a portion has been forgiven, which is based on the original mortgage date. The fair value of the second mortgage was determined by discounting the mortgage payments using the interest rate on the first mortgage issued by the financial institution. The third mortgage is equal to the interest owed to the financial institution over the life of the first mortgage, with the amount owed on the third mortgage reduced proportionately over the life of the first mortgage as payments are made.

Previously, the Organization recognized revenue from the sale of its homes at the fair value of the first mortgages it received plus the required down payments. The first mortgages issued by the Organization to the homeowners were non-interest-bearing and required monthly payments, typically over a 30-year period. The amount of a first mortgage was determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment was affordable to the homeowner in accordance with the Organization’s policies. The fair value of the first mortgage was determined by discounting the mortgage payments using an interest rate that approximates a current market rate of interest for such a mortgage instrument.

For the fiscal year-ended June 30, 2024 and 2023, the Organization sold nine and five homes, with a fair value of \$2,537,000 and 1,225,000, respectively and the Organization issued second mortgage in the gross amount of \$1,193,850 and \$955,595, respectively. For the fiscal year-ended June 30, 2024 and 2023, the net home sales were recorded in the amount of \$1,343,150 and \$269,405, respectively.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 14 OPERATING LEASES

The Organization leases office space at 1616 East Roosevelt Road in Wheaton, Illinois. The lease expires in June 2026. Lease expense for DHFH under the lease for the years ended June 30, 2024 and 2023 was \$27,310 and \$29,719, respectively. The office space is located in a building which is owned and shared with a related party, Home Together, LLC (see Note 17 for information about the formation and mission of Home Together, LLC). As part of the shared space, DHFH also pays rent to Home Together, LLC for a portion of the shared expenses. The Organization's monthly rent is set annually by the Board of Managers of Home Together, LLC at an amount that approximates 50% of the projected operating costs of Home Together, LLC. Additional rent expense was \$30,000 and \$28,500 for each of the years ended June 30, 2024 and 2023.

The Organization leases retail space for its operations at 869 South Route 53 in Addison, Illinois, under an operating lease with an original expiration date of February 28, 2016, that was amended from time to time to extend the lease through February 28, 2027. Rent for the years ended June 30, 2024 and 2023 was \$186,317 and \$199,985, respectively. Minimum future lease payments are \$208,286 for the fiscal year ending June 30, 2025.

The Organization entered into a lease for a copy machine in January 2019 expiring in December 2023 that was subsequently extended through October 31, 2028. Monthly payments under the lease total \$605, increasing to \$649 beginning in November 2023. Rent expense for each of the years ended June 30, 2024 and 2023 was \$7,260.

DHFH leases transportation equipment under a lease that has been extended through November 30, 2025 at a rate of \$1,104 per month.

In addition to a right of use lease asset for \$804,927 and \$824,070 as of June 30, 2024 and 2023, respectively (all of which is for operating leases), the following summarizes the line items in the liabilities which include amounts for operating leases:

	2024	2023
Current portion of lease liability	\$ 284,061	\$ 214,233
Non-current portion of operating lease liability	563,323	638,474
Operating lease liability	<u>\$ 847,384</u>	<u>\$ 852,707</u>

The components of operating lease expenses that are included in "General and administrative" expenses in the consolidated statement of operations were as follows:

	2024	2023
Operating lease costs	\$ 266,652	\$ 229,704
Variable lease costs	88,630	69,914
Short-term lease costs	-	-
	<u>\$ 355,282</u>	<u>\$ 299,618</u>

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 14 OPERATING LEASES (continued)

The following summarizes the cash flow information related to operating leases:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 355,282	\$ 299,618

Weighted average lease term and discount rate for operating leases were as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	3.07 years	3.96 years
Weighted average discount rate	2.87%	2.53%

The maturities of operating lease liabilities as of June 30, 2024, were as follows:

2025	\$ 284,061
2026	292,607
2027	193,153
2028	47,684
2029	29,879
Total payments	<u>\$ 847,384</u>

Total depreciation expense for the rental property was \$3,610 and \$4,330 for the years ended June 30, 2024 and 2023, respectively.

Note 15 RENTAL PROPERTY

DHFH constructed a large home for a family of nineteen individuals which was not within the normal scope of the Habitat mission. Because of the unusual nature of this house and the personal financial plight of the family, DHFH retained ownership of the home and has rented it to the family. Gross rents received for the years ended June 30, 2024 and 2023 totaled \$17,493 and \$20,328, respectively. The building and related costs, reported as property and equipment on the statement of financial position, are being depreciated over 30 years and have a net book value of \$10,000 and \$13,610 at June 30, 2024 and 2023, respectively. DHFH also substantially maintains the property.

Note 16 RELATED PARTY TRANSACTIONS

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2024 and 2023, the Organization made contributions of \$60,584 and \$109,682, respectively, earmarked for the Orphans and Vulnerable

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 16 **RELATED PARTY TRANSACTIONS (continued)**

Groups Fund, the Global Mission Fund, and the Dominican Republic. This is in addition to the annual "Tithe" the Organization remits to HFHI of \$100,000.

During the years ended June 30, 2024 and 2023, the Organization received grant funds, contributions, and pass-through funds from HFHI and Chicagoland Habitat for Humanity for unrestricted support, build days support, Stewardship and Organizational Sustainability Initiative ("SOSI") fee support, and other support totaling \$367,493 and \$363,531, respectively, none of which was for Illinois Housing Development Authority ("IHDA") tax credits.

During 2011, the Organization borrowed \$249,900 from HFHI, securing the loan by pledging mortgages receivable. The loan was refinanced through proceeds from an additional note through HFHI totaling \$400,300 during the year ended June 30, 2016. Refer to Note 10 for further information.

Note 17 **HOME TOGETHER, LLC**

During the year ended June 30, 2011, DHFH and DuPage Home Ownership Center ("DHOC") formed Home Together, LLC to jointly acquire office space for themselves in DuPage County, Illinois. On February 13, 2012, Home Together, LLC received a notice from the Internal Revenue Service that it is a 501(c)(3) organization. Home Together, LLC will administer, operate and oversee the use and management of the property, including, without limitation, leasing office space to member organizations, repairing, and maintaining the property. Each member has equal membership interest and is entitled to appoint three managers of the Company.

Home Together, LLC has acquired the property located at 1600 East Roosevelt Road in Wheaton, Illinois for \$625,000. This purchase was funded through a CDBG grant received from HUD in the amount of \$566,888 and a loan from West Suburban Bank in the amount of \$70,000. The grant is in the form of a 20-year non-interest-bearing loan that will be forgiven after 20 years as long as the Organization, Home Together, LLC, and DHOC have complied with the terms of the grant. Specifically, the grant requires that any real property acquired using the grant funds be used to benefit low- and moderate-income persons for the 20-year term of the forgivable loan. The Organization, DHOC, and Home Together, LLC are jointly obligated for the forgivable loan. The promissory note with West Suburban Bank had a term of five years, a maturity date of March 2016, and a fixed interest rate at 4.25%. Principal was being paid monthly as if the loan was amortized over 20 years, with the balance of the loan due in March of 2016. Effective November 1, 2015, the note was amended increasing the interest rate to 5.25% and extending the maturity date to October 1, 2025. The outstanding balance on the loan was \$9,425 and \$16,288 at June 30, 2024 and 2023, respectively.

Note 18 **PRIOR YEAR RESTATEMENTS**

As a result of the 2024 audit procedures, it was determined that program expense for certain houses sold subject to second mortgages was recognized prior to being incurred. Management determined the discount amount should be deferred and recognized over the forgiveness term rather than being recognized upon sale of the property. Similarly, the sales price of the house is not fully recognized at the sale date, until that revenue is earned by DHFH.

The consolidated financial statements for the year ended June 30, 2023 have been restated to reflect the above information, and prior period adjustments were recorded as of June 30, 2022. The opening balances as of July 1, 2023 were adjusted for approximately \$2,379,000 of deferred revenue and second mortgage discounts, with a reduction of approximately \$113,000 of second mortgages and net assets.

DuPage Habitat for Humanity, Inc. and Subsidiaries
DBA DuPage and Chicago South Suburbs Habitat for Humanity
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

Note 18 PRIOR YEAR RESTATEMENTS - Continued

The effects on the accompanying financial statements are as follows:

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
June 30, 2023:			
Statement of Financial Position:			
Assets:			
Mortgages receivable, noncurrent, net of present value discount	\$ 2,708,535	\$ 2,828,479	\$ 5,537,014
Total assets	17,055,097	2,828,479	19,883,576
Liabilities:			
Deferred revenue	-	2,975,240	2,975,240
Total liabilities	2,186,467	2,975,240	5,161,707
Net assets:			
Without donor restrictions	13,088,655	(146,761)	12,941,894
Total net assets	14,868,630	(146,761)	14,721,869
Statement of Activities:			
Change in net assets:			
Without donor restrictions	6,194,842	(33,536)	6,161,306

* As previously reported balance is adjusted for items reclassified to conform with current presentation.

Note 19 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2025, the date which the financial statements were available to be issued.

In December 2024, the Organization purchased a new building to be used for the operations of a ReStore in Naperville, IL. The purchase price was \$3,000,000 and the Organization obtained a \$2,800,000 mortgage from a financial institution.