HABITAT FOR HUMANITY OF MINNESOTA, INC.

(A Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2024 with
Comparative Totals for 2023

CBIZ CPAs

INDEPENDENT AUDITORS' REPORT

Board of Directors

HABITAT FOR HUMANITY OF MINNESOTA

Opinion

We have audited the financial statements of Habitat for Humanity of Minnesota, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Habitat for Humanity of Minnesota, Inc. as of June 30, 2024, and the changes in 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Responsibilities of Management for the Financial Statements

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

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

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[1] In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 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 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.

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Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CBIZ CPAs P.C.[1]
Minneapolis, Minnesota
December 9, 2024

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HABITAT FOR HUMANITY OF MINNESOTA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
A S S E T S		
Cash and cash equivalents	$ 5,147,068	$ 2,571,112
Restricted cash and cash equivalents	999,675	871,228
Grants Receivable	83,897	-
Interest receivable	27,195	27,542
Prepaid expenses and other assets	59,040	48,902
Property and equipment, net	15,900	23,212
Operating lease right-of-use assets	35,435	92,849
Loans receivable, less allowance	32,279,249	33,117,269
TOTAL ASSETS	$ 38,647,459	$ 36,752,114
L I A B I L I T I E S		
Accounts payable	$ 106,931	$ 78,091
Accrued expenses	145,410	116,085
Deferred fee income	316,848	338,899
CRV recoverable grants	176,669	93,669
Revolving loans payable	21,157,927	21,157,927
Notes payable	12,088,531	10,353,130
Operating lease liabilities	35,435	92,849
TOTAL LIABILITIES	34,027,751	32,230,650
N E T A S S E T S		
NET ASSETS		
Without donor restrictions	4,607,980	4,347,206
With donor restrictions	11,728	174,258
TOTAL NET ASSETS	4,619,708	4,521,464
TOTAL LIABILITIES AND NET ASSETS	$ 38,647,459	$ 36,752,114

See Notes to Financial Statements

HABITAT FOR HUMANITY OF MINNESOTA, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024 with Comparative Totals for 2023

	Without Donor Restrictions	With Donor Restrictions	Totals 2024	Totals 2023
PUBLIC SUPPORT AND REVENUE				
Contributions	$ 1,095,168	$ 30,000	$ 1,125,168	$ 1,564,122
Government grants	55,881	14,960	70,841	579,920
Program fees	155,006	-	155,006	311,856
Interest income	499,778	-	499,778	403,472
Habitat 500 revenue	-	-	-	108,237
Other income (loss)	5,706	-	5,706	41,652
Conference revenue	10,650	-	10,650	38,444
Net assets released from restrictions	207,490	(207,490)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	2,029,679	(162,530)	1,867,149	3,047,703
EXPENSES				
PROGRAM SERVICES	1,354,055	-	1,354,055	950,954
SUPPORTING SERVICES				
Management and general	328,637	-	328,637	328,285
Fundraising	86,213	-	86,213	74,901
TOTAL SUPPORTING SERVICES	414,850	-	414,850	403,186
TOTAL EXPENSES	1,768,905	-	1,768,905	1,354,140
CHANGE IN NET ASSETS	260,774	(162,530)	98,244	1,693,563
NET ASSETS, BEGINNING OF YEAR	4,347,206	174,258	4,521,464	2,827,901
NET ASSETS, END OF YEAR	$ 4,607,980	$ 11,728	$ 4,619,708	$ 4,521,464

See Notes to Financial Statements

HABITAT FOR HUMANITY OF MINNESOTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024 with Comparative Totals for 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Supporting Services	Total 2024	Total 2023
Salaries, taxes and benefits	$ 871,579	$ 255,522	$ 65,481	$ 321,003	$ 1,192,582	$ 671,642
Office expenses	88,408	20,605	13,675	34,280	122,688	107,656
Professional fees	35,346	42,590	1,316	43,906	79,252	229,768
Meetings and training	41,183	2,574	1,621	4,195	45,378	36,888
Interest expense	187,888	-	-	-	187,888	201,476
Travel	28,761	918	1,990	2,908	31,669	14,736
Insurance	4,541	1,663	347	2,010	6,551	8,436
Administrative	4,017	26	-	26	4,043	4,296
Loan trustee fees	11,100	-	-	-	11,100	11,100
Advertising	2,799	-	615	615	3,414	1,049
Other expense	11,521	3,000	506	3,506	15,027	15,335
Grants to others	97,090	-	-	-	97,090	9,386
Provision loan losses (recoveries)	(37,433)	-	-	-	(37,433)	39,866
Depreciation	7,255	1,739	662	2,401	9,656	2,506
Total expenses	$ 1,354,055	$ 328,637	$ 86,213	$ 414,850	$ 1,768,905	$ 1,354,140

See Notes to Financial Statements

HABITAT FOR HUMANITY OF MINNESOTA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 98,244	$ 1,693,563
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	9,656	2,506
Provision for loan losses (recoveries)	(37,433)	39,866
Operating lease expense	63,092	59,862
Gain on sale of property and equipment	(1,178)	-
Changes in operating assets and liabilities:		
Grants receivable	(83,897)	-
Interest receivable	347	(305)
Loans receivable	875,453	(1,817,002)
Prepaid expenses and other assets	(10,138)	35,162
Accounts payable	28,840	(16,677)
Assistance to affiliates payable	-	(47,846)
Accrued expenses	29,325	(39,173)
Deferred fee income	(22,051)	(112,926)
Deposits on loans receivable from affiliates	-	(16,366)
CRV Recoverable grants	83,000	23,758
Operating lease liabilities	(63,092)	(59,862)
NET CASH FROM OPERATING ACTIVITIES	970,168	(255,440)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,666)	(22,958)
Proceeds from sale of Property and equipment	3,500	-
NET CASH FROM INVESTING ACTIVITIES	(1,166)	(22,958)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	2,500,000	-
Principal payments on notes payable	(764,599)	(751,119)
NET CASH FROM FINANCING ACTIVITIES	1,735,401	(751,119)
NET INCREASE (DECREASE)	2,704,403	(1,029,517)
CASH AND CASH EQUIVALENTS - UNRESTRICTED AND RESTRICTED		
BEGINNING OF YEAR	3,442,340	4,471,857
END OF YEAR	$ 6,146,743	$ 3,442,340
Supplemental disclosure of cash flow information		
CASH PAID FOR INTEREST	$ 184,000	$ 201,000

See Notes to Financial Statements

(1) Summary of significant accounting policies

Organization - Habitat for Humanity of Minnesota, Inc. (the Organization) is a nonprofit corporation incorporated under the Minnesota Nonprofit Corporation Act. The Organization was created by the Habitat for Humanity affiliates in the State of Minnesota to help them be successful in achieving their goal of eliminating poverty housing from their service areas. At June 30, 2024, there were 24 affiliates providing housing solutions.

The Organization manages programs which provide a broad range of support to the affiliates, primarily in the areas of resource development, training and building awareness. The main program provided by the Organization is a lending program designed to provide Habitat affiliates with a form of secondary market for their 0% interest long-term mortgage loans made to Habitat homeowners. Through the Organization's lending programs, Habitat affiliates can generate more resources to build homes by converting their mortgages into cash, which provides them the opportunity to build more homes. Through the Organization's programs, Minnesota Habitat affiliates have quadrupled the number of families served annually since 1997. The Organization was certified by the U.S. Department of Treasury on December 7, 2000 as a Community Development Financial Institution (CDFI).

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions.

The Organization files forms 990 in the U.S. federal jurisdiction and the State of Minnesota. The Organization is generally no longer subject to examination by federal and state authorities for three years after the date of filing, including extensions.

(1) Summary of significant accounting policies (continued)

Financial statement presentation - The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly net assets of the organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. These may be used at the discretion of the Organization's management and board of directors. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Going concern – Management assesses the Organization's ability to continue as a going concern and provides related disclosures in certain circumstances. Substantial doubt about an Organization's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Management has determined there is not substantial doubt about the Organization's ability to continue as a going concern.

Contributions - Contributions are recognized as revenue when they are received or unconditionally pledged. Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. The Organization records conditional contributions received in advance of conditions being met as refundable advances.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed conditions and restrictions are reported as an increase in net assets without donor restrictions if the conditions and restrictions are met in the reporting period in which the contribution is recognized. When a 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 statement of activities as net assets released from restrictions.

Government grants and contracts - Government contracts are typically designated for use by specific programs and/or are conditional upon future events. Advances and/or revenue from such grants are deferred until such conditions are met or services rendered. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the determination is made.

(1) Summary of significant accounting policies (continued)

Revenue recognition - Program fees are primarily loan closing fees paid by the affiliates. The majority of the revenue is recognized upon closing of the loan, however, fees collected above a standard fixed fee, due to additional components, are deferred and amortized over the life of the loan.

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Restricted cash – Restricted cash is primarily related to loan proceeds and repayments, and reserve accounts.

Loans receivable and allowance for credit losses - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are generally reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for credit losses. Interest on loans is accrued and credited to income based on the unpaid principal balance.

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. When loans are placed on nonaccrual status or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on a cash basis until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. This represents the portion of the loan balances that has been deemed uncollectible based on the Organization’s expectation of future cash flows for each individual loan. Credit losses are charged against the allowance when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for credit losses using the Organization's past loan loss experience, specific impaired loans, known and inherent risks in the portfolio, composition of the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, current economic conditions, use of reasonable and supportable forecasts regarding future events, and other relevant factors. This evaluation is inherently subjective, since it requires estimates that may be susceptible to change.

(1) Summary of significant accounting policies (continued)

Loans receivable and allowance for credit losses (continued) - The allowance for credit losses may include specific allowances when a loan has been judged to be impaired under current accounting standards. A loan is impaired when, based on current information, it is probable that the Organization will not collect all amounts due in accordance with the contractual terms of the loan agreement. Management determines whether a loan is impaired on a case-by-case basis, taking into consideration the payment status, collateral value, length and reason of any payment delays, the borrower's prior payment record, and any other relevant factors. Specific allowances for impaired loans are based on discounted cash flows of expected future payments using the loan's initial effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Property and equipment - Property and equipment are stated at cost if purchased, or fair market value on the date received if donated, less accumulated depreciation. Additions with a cost more than $2,500 and an estimated useful life of more than one year are capitalized. Property and equipment are depreciated over their estimated useful lives which range from three to five years, using the straight-line method.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs is expensed as incurred.

Long-lived assets - Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization has determined that no indications of impairment existed at June 30, 2024 and 2023.

Deferred fee income – The Organization charges an origination fee on new loans receivable. Fee income collected above a standard fixed fee is recorded as deferred fee income and amortized over the term of the related loan.

CRV recoverable grants – The Organization records Community Revitalization Fund Program grant funds received that have not yet been disbursed for their intended purpose as CRV recoverable grants.

Donated services and materials – Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

(1) Summary of significant accounting policies (continued)

Functional allocation of expenses – The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on management's consideration of actual expenses charged to each category, as well as by estimates developed by personnel regarding time spent in each category.

Leases – The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the Organization's statement 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.

Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, it uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments was incurred. The Organization has elected to apply the short-term lease exemption to all classes of underlying assets.

Accounting pronouncement recently adopted - In June 2016, the Financial Accounting Standards Board (FASB) issued guidance FASB ASC 326 *Financial Instruments – Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were loans receivable.

The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements.

Risks and uncertainties – The Organization is exposed to various known and unknown risks and uncertainties. Risks include internal and external events and conditions (e.g., pandemics, international conflicts, labor market and supply chain disruption, government mandates and policies, volatile financial markets, etc.) which could impact the value of investment securities, the availability of grants and contributions, and the ability to provide program services.

(1) Summary of significant accounting policies (continued)

Risks and uncertainties (continued) - It is at least reasonably possible that changes could occur in the near term and that such changes could materially affect the results of changes in net assets and financial position.

Summarized information - The financial statements include certain prior year summarized comparative information in total but neither by net assets nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Subsequent events policy - Subsequent events have been evaluated through December 9, 2024 which is the date the financial statements were available to be issued.

(2) Liquidity and availability

The following table reflects the Organization's financial assets as of June 30, 2024 and 2023, available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets excluded from this measure of liquidity include reserves that can only be used for loans to affiliates.

	2024	2023
Cash and cash equivalents	$ 5,147,068	$ 2,571,112
Interest receivable	27,195	27,542
Loans receivable due in the next fiscal year	2,517,652	3,298,488
Total financial assets available to meet general expenditures within one year	$ 7,691,915	$ 5,897,142

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's policy on cash operating reserves includes maintaining undesignated cash and short term investment balances at all times equal to a minimum of six months of adjusted estimated operating expenses.

(3) Conditional promises to give

Conditional promises to give are not recognized as revenue or as a receivable until such amounts become unconditional.

Conditional promises to give at June 30, 2024 and 2023, consist of promises to:

	2024	2023
Capacity building grant - MN Housing	$ 9,545	$ 54,035
Homeowner downpayment assistance	3,695,010	
Total	$ 3,704,555	$ 54,035

(4) Loans receivable

The Organization's primary activity is to make loans to affiliates building homes in the State of Minnesota. These affiliates are also tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code. Affiliates' borrowings are collateralized by mortgage notes that affiliates issued to homeowners.

(4) Loans receivable (continued)

Loans receivable at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Various affiliates through the revolving loan fund, noninterest bearing, monthly payments due with various maturity dates through July 2057.	$ 17,141,845	$ 18,017,170
Various affiliates, interest rates ranging from 2.25% to 3.0%, monthly payments due with various maturity dates through December 2040.	10,094,796	10,866,429
Various affiliates and strategic partners, 0% and 2.5% interest rates, monthly payments due with various maturity dates through July 2033, inlcuding forgivable loans of $100,000 and $230,000 at 0%.	836,505	800,000
Forgivable second mortgages to homeowners through the revolving loan fund, with first mortgages issued by various affiliates, noninterest bearing with various maturity dates through September 2069.	380,000	380,000
Second mortgages to homeowners through the revolving loan fund, with mortgages issued by various affiliates, noninterest bearing, monthly payments due starting on the first day of second month following payment in full of first mortgage with various maturity dates through September 2069.	3,400,000	2,570,000
Strategic partner loan, 2.5% interest, monthly interest payments due through December 2023 maturity date.	-	900,000
Various affiliates and strategic partners, 3% to 5% interest rates, varying monthly payments due with various maturity dates with loans ranging from 18 months to 3 years.	675,000	-
Total loans receivable	32,528,146	33,533,599
Less: Allowance for credit losses	(248,897)	(416,330)
Total loans receivable, net	$ 32,279,249	$ 33,117,269

(4) Loans receivable (continued)

The allowance for credit losses at June 30, 2024 and 2023, consisted of the following:

	2024	2023
General loan reserves	$ 148,897	$ 186,330
CDFI RRP forgivable loans	100,000	230,000
Allowance for credit losses	$ 248,897	$ 416,330

The change in the allowance for credit losses consisted of the following:

	2024	2023
Balance, July 1	$ 416,330	$ 376,465
Provision for credit losses	(37,433)	39,865
CDFI RRP loans forgiven	(130,000)	-
Balance, June 30	$ 248,897	$ 416,330

The Organization conducts a quarterly evaluation of each affiliate and strategic partner borrower utilizing financial statements and mortgage portfolio quality reports. Ratios and percentages are calculated on a five point scale in seven categories as established in the Organization's Board-established Loan Policy. The resulting Credit Risk Rating (CRR) is utilized to establish the appropriate level of provision for credit losses at fiscal year-end. A pool reserve of 15 basis points has been established for all borrowers with a CRR of 4 or better. The provision for credit loss at a CRR of 5 is based on the projected impairment amount.

The Organization has established a pool reserve of 200 basis points for second mortgages lent directly to homeowners and a pool reserve of 1,000 basis points for forgivable second mortgages lent directly to homeowners.

As of June 30, 2024 and 2023, the Organization has $100,000 and $230,000, respectively, of forgivable loans to its affiliates funded by CDFI RRP funds that it expects will be forgiven because the conditions for meeting the terms for forgiveness are administrative in nature. As a result, the Organization has fully reserved these receivables.

A loan is considered delinquent when the borrower fails to make a contractually due payment within five days of the due date. Collection processes are established in the Organization's Loan Policy. As of June 30, 2024 and 2023, 100% of the Organization's loans were current.

The Organization has no impaired loans.

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(5) Property and equipment

A summary of property and equipment and accumulated depreciation at June 30 is as follows:

	2024	2023
Furniture and fixtures	$ 6,072	$ 6,072
Equipment	53,238	48,719
Vehicles	-	3,398
Total property and equipment	59,310	58,189
Less accumulated depreciation	(43,410)	(34,977)
Total property and equipment, net	$ 15,900	$ 23,212

(6) CRV recoverable grants

The Organization has received CRV recoverable grant awards provided by the Minnesota Housing Finance Agency (MHFA) under their Community Revitalization Fund Program. Funds are to be utilized in accordance with a "Fund Availability, Disbursement, and Loan/Grant Agreement" that specifies the terms under which grant funds are recoverable. Grant funds that have not yet been disbursed for their intended purpose constitute the primary liability to the Organization. Grant funds are to be disbursed to "Owner-Occupants" to acquire "Qualified Dwelling Units". Each disbursement is evidenced by a Second Note secured by a Second Mortgage on the Qualified Dwelling Unit. The Organization is to receive repayment of funds from Owner-Occupants if they no longer occupy the Qualified Dwelling Unit at any time during a thirty-year period. After the thirty-year period, repayment by the Owner-Occupant is not required.

Should the Organization receive such a repayment, it would need to repay MHFA unless the Organization, within 6 months, redeploys that amount to another Owner-Occupant to acquire another Qualified Dwelling Unit.

The remaining balance of these recoverable grant awards totaled $3,168,500 as of June 30, 2024 and 2023, of which $177,000 and $94,000 remained undisbursed, respectively. As of June 30, 2024 and 2023, the undisbursed balance of returned grant awards is included as both a liability and restricted cash and cash equivalents in the accompanying statement of financial position. During the year ended June 30, 2024, the Organization received $83,000 in returned grant awards and redeployed $0.

(7) Revolving loans payable

The Organization entered into a revolving loan agreement with the MHFA on December 22, 2000. The agreement was amended on September 9, 2004. The agreement stipulates $21,157,927 will be loaned to the Organization for the purpose of providing interest free mortgage financing to its network of affiliates. The loan is 0% interest and not payable as long as certain conditions are met. The conditions stipulate that the funds must be used to finance mortgages to low- and moderate-income families. Management believes the Organization is in compliance with these conditions. The loan payable is secured by the related loans receivable, the underlying homeowner notes and mortgages and funds held in the related proceeds and repayment accounts. The revolving loan balance at June 30, 2024 and 2023 was $21,157,927.

(8) Notes payable

Notes payable are used to finance loans receivable. Notes payable consisted of the following at June 30:

	June 30, 2024	June 30, 2023
Notes payable to MHFA with interest at 5%, unsecured, due in quarterly installments of $17,574 with maturity dates ranging from January 2036 through January 2041.	$ 1,977,562	$ 2,086,160
Notes payable to MHFA with interest at 0%, unsecured, due in quarterly installments totaling $60,000 with maturity dates ranging from January 2036 through January 2041.	3,420,000	3,660,000
Notes payable to MHFA with interest at 2%, unsecured, due in quarterly installments totaling $129,000 with maturity dates ranging from January 2031 through January 2036.	4,190,969	4,606,970
Notes payable (recoverable grant) to McKnight Foundation, with no interest. Payments due upon the occurrence of a recovery event. A recovery event occurs once the organization secures an award from MHFA Home Ownership Investments grants program or from the Workforce and Affordable Home Ownership program. Once a recovery event occurs, variable payments are due in three installments through June 2027.	2,500,000	-
Total notes payable	$ 12,088,531	$ 10,353,130

(8) Notes payable (continued)

Maturity requirements on notes payable are as follows:

Years Ending June 30,

2025	$	1,278,514
2026		1,792,891
2027		1,807,715
2028		823,036
2029		838,671
Thereafter		5,547,704
Total	$	12,088,531

The Organization is required to maintain two segregated, interest-bearing cash accounts for loan repayments under security agreements. Under this arrangement, the borrower is required to deposit all funds into the repayment account and this must be equal to or greater than the quarterly payment that is next due. Surplus, if any, after allowable expenses may be transferred to a proceeds account for loans to affiliates.

(9) Net assets

Net assets are summarized as follows as of June 30, 2024:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 1,587,980	$ -	$ 1,587,980
Board designated			
Loan fund	2,500,000	-	2,500,000
Operating reserve	450,000	-	450,000
Fixed asset reserve	10,000	-	10,000
Short-term disability reserve	10,000	-	10,000
Opportunity reserve	50,000	-	50,000
Restricted for specific purposes:			
Programming	-	11,728	11,728
	$ 4,607,980	$ 11,728	$ 4,619,708

(9) Net assets (continued)

Net assets are summarized as follows as of June 30, 2023:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 4,347,206	$ -	$ 4,347,206
Restricted for specific purposes:			
Programming	-	24,258	24,258
Subject to passage of time	-	150,000	150,000
	$ 4,347,206	$ 174,258	$ 4,521,464

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of the passage of time, or by the occurrence of other events specified by donors for programs. Net assets released from restrictions for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Purpose restriction accomplished:		
Programming	$ 57,490	$ 22,390
Expiration of time restriction	150,000	-
Total restrictions accomplished	$ 207,490	$ 22,390

(10) Leases

The Organization has an operating lease agreement for office space running through December 2024. There are two renewal options for the office space lease for six month periods; base rent will increase 3% from the end of the previous lease term during each renewal period at the time the option is exercised. The Organization also leases certain office equipment. Base monthly lease payments for the two leases total $5,200.

The Organization also subleased a portion of its office space to another organization. The sublease ran through August 2023. Base monthly lease payments received were $2,000.

The components of operating lease expense are as follows:

	Years Ended June 30,	
	2024	2023
Operating lease costs	$ 64,960	$ 63,023
Variable lease costs	-	-
Short term lease costs	-	2,241
Sublease income	(4,000)	(24,000)
Total lease cost	$ 60,960	$ 41,264
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 64,960	$ 63,023
Right of use assets obtained in exchange for new operating lease liabilities	$ 5,678	$ -
Weighted average remaining lease term (in years):		
Operating leases	0.9	1.5
Weighted average discount rate:		
Operating leases	3.1%	2.8%

(10) Leases (continued)

The following is a summary of the future minimum annual lease payments required under operating leases at June 30, 2024:

Years Ending June 30,		
2025	$	32,000
2026		2,000
2027		2,000
Total future minimum operating lease payments		36,000
Less imputed interest		(1,000)
Total operating lease liabilities	$	35,000

(11) Concentrations

During the years ended June 30, 2024 and 2023, the Organization received substantially all its debt financing through one institution, Minnesota Housing Finance Agency. The Organization is current on all notes payable.

As of June 30, 2024 and 2023, approximately 46% and 48%, respectively, of the loans outstanding were to the Twin Cities Habitat for Humanity affiliate.

(12) Related party transactions

Twin Cities Habitat for Humanity (TC-HFH) administers the Organization's payroll and employee benefit plans. At June 30, 2024 and 2023, the Organization owed TC-HFH $100,000 and $69,000, respectively for payroll paid for the Organization's employees. The administrative services are provided at no cost and the value of these services is not material to the financial statements.

Several of the Habitat for Humanity affiliates that receive loans and other services from the Organization have employees and volunteers that serve on the Habitat for Humanity of Minnesota, Inc. Board of Directors. The Organization follows a conflict-of-interest policy.

Pro bono legal services were provided by a firm employing a member of the board of directors. The pro bono legal services are valued at $14,000 and $27,000 have been reported as contribution revenue and as expense in the statement of activities for the years ended June 30, 2024 and 2023.

(13) Retirement plan

The Organization's employees participate in a 401(k) defined contribution plan through Twin Cities Habitat for Humanity. Eligible employees may elect to defer up to 20% of their compensation. The Organization contributed an amount on behalf of each eligible participant equal to 100% of their contributions up to 3%. Contributions to the plan by the Organization were $21,000 and $12,000 for the years ended June 30, 2024 and 2023, respectively.

(14) Supplemental disclosure of cash flow information

A reconciliation of cash and cash equivalents – unrestricted and restricted within the statement of financial position that reconciles to the total of the same amounts shown in the statement of cash flows as of June 30, 2024 and 2023, is as follows:

	2024	2023
Components of cash and cash equivalents		
Cash and cash equivalents	$ 5,147,068	$ 2,571,112
Restricted cash and cash equivalents	999,675	871,228
	$ 6,146,743	$ 3,442,340