

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

*(A Non-Profit Corporation)*

**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2025 with  
Comparative Totals for 2024

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

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## 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, 2025, 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, 2025, 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.

### ***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.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2024 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CBIZ CPAs P.C.*

Minneapolis, Minnesota  
December 15, 2025

HABITAT FOR HUMANITY OF MINNESOTA, INC.

STATEMENTS OF FINANCIAL POSITION  
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,140,974	\$ 5,147,068
Restricted cash and cash equivalents	1,493,481	999,675
Grants receivable	144,857	83,897
Interest receivable	28,444	27,195
Prepaid expenses and other assets	56,128	59,040
Property and equipment, net	8,026	15,900
Operating lease right-of-use assets	88,619	35,435
Loans receivable, less allowance	33,560,037	32,279,249
Total Assets	<u>\$ 40,520,566</u>	<u>\$ 38,647,459</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 164,005	106,931
Accrued expenses	157,123	145,410
Deferred fee income	313,321	316,848
CRV recoverable grants	219,969	176,669
Revolving loans payable	21,157,927	21,157,927
Notes payable	10,810,017	12,088,531
Operating lease liabilities	89,075	35,435
Total Liabilities	<u>\$ 32,911,437</u>	<u>\$ 34,027,751</u>
<b>NET ASSETS</b>		
Net Assets		
Without donor restrictions	7,251,123	4,607,980
With donor restrictions	358,006	11,728
Total Net Assets	<u>7,609,129</u>	<u>4,619,708</u>
Total Liabilities and Net Assets	<u>\$ 40,520,566</u>	<u>\$ 38,647,459</u>

HABITAT FOR HUMANITY OF MINNESOTA, INC.

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2025 with Comparative Totals for 2024**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	2024
<b>Public Support and Revenue</b>				
Contributions	\$ 1,628,759	\$ 580,000	\$ 2,208,759	\$ 1,125,168
Government grants	2,412,221	-	2,412,221	70,841
Program fees	187,953	-	187,953	155,006
Interest income	560,985	-	560,985	499,778
Other income (loss)	557	-	557	5,706
Event Revenue	132,228	-	132,228	10,650
Net assets released from restrictions	233,722	(233,722)	-	-
Total Public Support and Revenue	<u>5,156,425</u>	<u>346,278</u>	<u>5,502,703</u>	<u>1,867,149</u>
<b>Expenses</b>				
Program Services	<u>2,085,720</u>	<u>-</u>	<u>2,085,720</u>	<u>1,354,055</u>
Supporting Services				
Management and general	321,018	-	321,018	328,637
Fundraising	106,544	-	106,544	86,213
Total Supporting Services	<u>427,562</u>	<u>-</u>	<u>427,562</u>	<u>414,850</u>
Total Expenses	<u>2,513,282</u>	<u>-</u>	<u>2,513,282</u>	<u>1,768,905</u>
Change in Net Assets	2,643,143	346,278	2,989,421	98,244
Net Assets, Beginning of Year	<u>4,607,980</u>	<u>11,728</u>	<u>4,619,708</u>	<u>4,521,464</u>
Net Assets, End of Year	<u>\$ 7,251,123</u>	<u>\$ 358,006</u>	<u>\$ 7,609,129</u>	<u>\$ 4,619,708</u>

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2025 with Comparative Totals for 2024**

	Supporting Services			Total Supporting Services	Total 2025	Total 2024
	Program Services	Management and General	Fundraising			
Salaries, taxes and benefits	\$ 1,112,174	\$ 237,408	\$ 85,743	\$ 323,151	\$ 1,435,325	\$ 1,192,582
Office expenses	114,849	22,744	16,744	39,488	154,337	122,688
Professional fees	33,239	46,377	1,085	47,462	80,701	79,252
Meetings and training	97,565	8,557	310	8,867	106,432	45,378
Interest expense	173,861	-	-	-	173,861	187,888
Travel	37,005	1,288	174	1,462	38,467	31,669
Insurance	5,154	1,561	442	2,003	7,157	6,551
Administrative	15	26	-	26	41	4,043
Loan trustee fees	11,100	-	-	-	11,100	11,100
Advertising	1,273	-	524	524	1,797	3,414
Other expense	8,523	1,886	294	2,180	10,703	15,027
Grants to others	450,812	-	698	698	451,510	97,090
Provision loan losses (recoveries)	33,978	-	-	-	33,978	(37,433)
Depreciation	6,172	1,171	530	1,701	7,873	9,656
<b>Total expenses</b>	<b><u>\$ 2,085,720</u></b>	<b><u>\$ 321,018</u></b>	<b><u>\$ 106,544</u></b>	<b><u>\$ 427,562</u></b>	<b><u>\$ 2,513,282</u></b>	<b><u>\$ 1,768,905</u></b>

See Notes to Financial Statements

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,989,421	\$ 98,244
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	7,873	9,656
Provision for loan losses (recoveries)	33,979	(37,433)
Operating lease expense	46,208	63,092
Gain on sale of property and equipment	-	(1,178)
Changes in operating assets and liabilities:		
Grants receivable	(60,960)	(83,897)
Interest receivable	(1,249)	347
Loans receivable	(1,314,767)	875,453
Prepaid expenses and other assets	2,913	(10,138)
Accounts payable	57,074	28,840
Accrued expenses	11,713	29,325
Deferred fee income	(3,527)	(22,051)
CRV Recoverable grants	43,300	83,000
Operating lease liabilities	(45,752)	(63,092)
Net Cash from Operating Activities	1,766,226	970,168
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(4,666)
Proceeds from sale of property and equipment	-	3,500
Net Cash Flows from Investing Activities	-	(1,166)
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	-	2,500,000
Principal payments on notes payable	(1,278,514)	(764,599)
Net Cash from Financing Activities	(1,278,514)	1,735,401
Net Increase (Decrease)	487,712	2,704,403
<b>Cash and Cash Equivalents - Unrestricted and Restricted</b>		
Beginning of Year	6,146,743	3,442,340
End of Year	\$ 6,634,455	\$ 6,146,743

See Notes to Financial Statements

HABITAT FOR HUMANITY OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2025 and 2024

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( 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, 2025, 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.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2025 and 2024

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( 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.

**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.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2025 and 2024

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( 1 ) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 in reserve accounts where the Organization is required to maintain separate and distinct accounts, and where its use is restricted.

**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.

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.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2025 and 2024

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( 1 ) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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, 2025 and 2024.

**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.

**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.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2025 and 2024

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( 1 ) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases (continued)** - 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.

**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. 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.

Due to the federal government review and potential restructuring of federal funding priorities, there is uncertainty regarding the continuation and amount of future funding from federal sources. The Organization is monitoring policy developments and the potential impacts.

**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, 2024 from which the summarized information was derived.

**Subsequent events policy** - Subsequent events have been evaluated through December 15, 2025, which is the date the financial statements were available to be issued.

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**( 2 ) LIQUIDITY AND AVAILABILITY**

The following table reflects the Organization's financial assets as of June 30, 2025 and 2024, 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.

	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 5,140,974	\$ 5,147,068
Grants receivable	144,857	83,897
Interest receivable	28,444	27,195
Loans receivable due in the next fiscal year	2,826,705	2,517,652
 Total financial assets available to meet general expenditures within one year	 \$ 8,140,980	 \$ 7,775,812

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, 2025 and 2024, consist of promises for:

	<b>2025</b>	<b>2024</b>
Capacity building grant - MHFA	\$ -	\$ 9,545
Homeowner downpayment assistance	2,053,483	3,695,010
Affiliate loans and administrative costs - CDFI	750,000	-
Affordable housing - HUD	989,853	-
Sustainable build - MPCA	332,638	-
Financial and technical assistance to build capacity of organizations to undertake projects in the areas of housing - USDA	149,993	-
Total	\$ 4,275,967	\$ 3,704,555

HABITAT FOR HUMANITY OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2025 and 2024

(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.

Loans receivable at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Various affiliates through the revolving loan fund, noninterest bearing, monthly payments due with various maturity dates through July 2057.	\$ 16,516,038	\$ 17,141,845
Various affiliates, interest rates ranging from 2.25% to 3.0%, monthly payments due with various maturity dates through December 2040.	9,301,644	10,094,796
Various affiliates and strategic partners, 3% and 2.5% interest rates, monthly payments due with various maturity dates through July 2033.	1,011,776	836,505
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.	360,000	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 August 2065.	3,690,000	3,400,000
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.	1,316,928	675,000
Subordinate mortgage loans with Habitat homeowners. These loans are non-interest bearing and do not require payments until the maturity date, except in cases where the borrower no longer owns or occupies the property as a principal residence, or when the property is sold. The loans mature 100 years from the loan closing date.	1,546,527	-
Total loans receivable	<u>33,742,913</u>	<u>32,528,146</u>
Less: Allowance for credit losses	<u>(182,876)</u>	<u>(248,897)</u>
Total loans receivable, net	<u>\$ 33,560,037</u>	<u>\$ 32,279,249</u>

HABITAT FOR HUMANITY OF MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2025 and 2024

( 4 ) LOANS RECEIVABLE (CONTINUED)

The allowance for credit losses at June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
General loan reserves	\$ 182,876	\$ 148,897
CDFI RRP forgivable loans	-	100,000
Allowance for credit losses	<u>\$ 182,876</u>	<u>\$ 248,897</u>

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

	<u>2025</u>	<u>2024</u>
Balance, July 1	\$ 248,897	\$ 416,330
Provision for credit losses	33,979	(37,433)
CDFI RRP loans forgiven	<u>(100,000)</u>	<u>(130,000)</u>
Balance, June 30	<u>\$ 182,876</u>	<u>\$ 248,897</u>

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 and subordinate 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, 2025 and 2024, the Organization had \$0 and \$100,000, respectively, of forgivable loans to its affiliates funded by CDFI RRP funds that were expected to be forgiven because the conditions for meeting the terms for forgiveness are administrative in nature. As a result, the Organization 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, 2025 and 2024, 100% of the Organization's loans were current.

The Organization has no impaired loans.

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

**STATEMENT OF ACTIVITIES BY FUND  
For the Year Ended June 30, 2025**

**( 5 ) PROPERTY AND EQUIPMENT**

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

	<u>2025</u>	<u>2024</u>
Furniture and fixtures	\$ 6,072	\$ 6,072
Equipment	<u>53,238</u>	<u>53,238</u>
Total property and equipment	59,310	59,310
Less accumulated depreciation	<u>(51,284)</u>	<u>(43,410)</u>
Total property and equipment, net	<u>\$ 8,026</u>	<u>\$ 15,900</u>

**(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, 2025 and 2024, of which \$220,000 and \$177,000 remained undisbursed, respectively. As of June 30, 2025 and 2024, 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, 2025, the Organization received \$73,000 in returned grant awards and redeployed \$30,000.

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

**STATEMENT OF ACTIVITIES BY FUND  
For the Year Ended June 30, 2025**

**( 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-income 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, 2025 and 2024 was \$21,157,927.

**( 8 ) NOTES PAYABLE**

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

	<b>June 30,</b>	
	<b>2025</b>	<b>2024</b>
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.	\$ 1,863,431	\$ 1,977,562
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.	3,180,000	3,420,000
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.	3,766,586	4,190,969
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. Variable payments are due in three variable installments through June 2027.	2,000,000	2,500,000
Total notes payable	\$ 10,810,017	\$ 12,088,531

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

**STATEMENT OF ACTIVITIES BY FUND  
For the Year Ended June 30, 2025**

**( 8 ) NOTES PAYABLE (CONTINUED)**

Maturity requirements on notes payable are as follows:

**Years Ending June 30,**

2026	\$	1,792,880
2027		1,807,715
2028		823,036
2029		838,864
2030		855,219
Thereafter		4,692,303
Total		\$ 10,810,017

The Organization is required by MHFA to maintain two segregated, interest-bearing cash accounts for MHFA loan repayments under security agreements. Under this arrangement, the borrower is required to deposit all funds into the repayment accounts and this must be equal to or greater than the quarterly payment that is next due to MHFA. The Organization is allowed to charge a higher interest rate on related loans receivable. Surplus interest received, where the Organization charges a higher rate on the related loans receivable, may be transferred to a proceeds account for loans to affiliates.

**( 9 ) NET ASSETS**

Net assets are summarized as follows as of June 30, 2025:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 4,461,123	\$ -	\$ 4,461,123
Board designated			
Loan fund	2,270,000	-	2,270,000
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	-	333,006	333,006
Time restricted	-	25,000	25,000
	\$ 7,251,123	\$ 358,006	\$ 7,609,129

**HABITAT FOR HUMANITY OF MINNESOTA, INC.**

**STATEMENT OF ACTIVITIES BY FUND  
For the Year Ended June 30, 2025**

**( 9 ) NET ASSETS (CONTINUED)**

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

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, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
Purpose restriction accomplished:		
Programming	\$ 233,722	\$ 57,490
Expiration of time restriction	-	150,000
Total restrictions accomplished	\$ 233,722	\$ 207,490

**( 10 ) LEASES**

The Organization has an operating lease agreement for office space running through February 2028 with one renewal option for three years. The Organization also leases certain office equipment. Base monthly lease payments for the two leases total \$3,000.

HABITAT FOR HUMANITY OF MINNESOTA, INC.

STATEMENT OF ACTIVITIES BY FUND  
For the Year Ended June 30, 2025

( 10 ) LEASES (CONTINUED)

The components of operating lease expense are as follows:

	Years Ended June 30,	
	2025	2024
Operating lease costs	\$ 47,528	\$ 64,960
Variable lease costs	-	-
Short term lease costs	35,350	-
Sublease income	-	(4,000)
Total lease cost	<u>\$ 82,878</u>	<u>\$ 60,960</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 47,072	\$ 64,960
Right of use assets obtained in exchange for new operating lease liabilities	\$ 99,392	\$ 5,678
Weighted average remaining lease term (in years):		
Operating leases	2.7	0.9
Weighted average discount rate:		
Operating leases	3.9%	3.1%

# HABITAT FOR HUMANITY OF MINNESOTA, INC.

## STATEMENT OF ACTIVITIES BY FUND For the Year Ended June 30, 2025

### ( 10 ) LEASES (CONTINUED)

The following is a summary of the future minimum annual lease payments required under operating leases at June 30, 2025:

<u>Years Ending June 30,</u>	
2026	\$ 34,000
2027	36,000
2028	<u>24,000</u>
Total future minimum operating lease payments	94,000
Less imputed interest	<u>(5,000)</u>
Total operating lease liabilities	<u>\$ 89,000</u>

### ( 11 ) CONCENTRATIONS

During the years ended June 30, 2025 and 2024, 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, 2025 and 2024, approximately 39% and 46%, 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, 2025 and 2024, the Organization owed TC-HFH \$112,000 and \$100,000, 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 \$0 and \$14,000 have been reported as contribution revenue and as expense in the statement of activities for the years ended June 30, 2025 and 2024.

The Organization has cash accounts held at a bank in which a board member is a managing director.

### ( 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 \$31,000 and \$21,000 for the years ended June 30, 2025 and 2024, respectively.

HABITAT FOR HUMANITY OF MINNESOTA, INC.

STATEMENT OF ACTIVITIES BY FUND  
For the Year Ended June 30, 2025

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( 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, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Components of cash and cash equivalents		
Cash and cash equivalents	\$ 5,140,974	\$ 5,147,068
Restricted cash and cash equivalents	1,493,481	999,675
	<u>\$ 6,634,455</u>	<u>\$ 6,146,743</u>
 Additional cash flow information is as follows:		
Cash paid for interest	<u>\$ 174,000</u>	<u>\$ 184,000</u>