

**AUSTIN HABITAT FOR HUMANITY, INC.
(A NONPROFIT CORPORATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

As of and for the Years Ended December 31, 2024 and 2023

And Report of Independent Auditor

AUSTIN HABITAT FOR HUMANITY, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position..... 3
Consolidated Statements of Activities 4-5
Consolidated Statements of Functional Expenses..... 6-7
Consolidated Statements of Cash Flows 8
Notes to the Consolidated Financial Statements 9-23

SUPPLEMENTARY INFORMATION

Consolidating Schedule of Financial Position 24-25
Consolidating Schedule of Activities 26-27

Report of Independent Auditor

To the Board of Directors
Austin Habitat for Humanity, Inc.
Austin, Texas

Opinion

We have audited the accompanying consolidated financial statements of Austin Habitat for Humanity, Inc. and its subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

Responsibilities of Management for the Consolidated Financial Statements

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

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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audits, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information in the consolidating schedule of financial position and consolidating schedule of activities on pages 24 through 27, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Cherry Bekaert LLP

Austin, Texas
May 29, 2025

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,672,791	\$ 9,868,536
Accounts receivable, net	682,316	262,338
Pledges receivable, net	2,967,739	185,250
Mortgages receivable, current portion, net	355,219	384,300
ReStore inventory	1,264,039	2,269,678
Home construction in progress	18,789,721	2,579,793
Prepaid expenses and other current assets	1,012,541	541,123
Total Current Assets	40,744,366	16,091,018
Land held for development	-	9,358,758
Land held for investment, at fair value	1,900,000	1,900,000
Investment in HFHI NMTC Leverage Lender 2024, LLC	4,113,784	-
Pledges receivable, long-term portion, net	3,229,962	-
Mortgages receivable, long-term portion, net	7,547,619	8,022,549
Operating lease right-of-use assets	3,362,266	3,940,829
Property and equipment, net	14,391,610	14,801,113
Total Assets	\$ 75,289,607	\$ 54,114,267
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 368,418	\$ 1,094,410
Accrued expenses	1,352,875	782,375
Deferred revenue	10,008,404	3,563,621
Financing lease obligation, current portion	37,545	39,799
Operating lease liability, current portion	573,842	554,023
Line of credit	3,000,000	3,000,000
Notes payable - TDHCA, net, current portion	103,509	106,959
Long-term debt, current portion	276,225	264,071
Total Current Liabilities	15,720,818	9,405,258
Financing lease obligation, long-term portion	-	43,303
Operating lease liability, net, long-term portion	2,908,853	3,482,695
Notes payable - TDHCA, net, long-term portion	1,155,982	1,223,406
New market tax credit - promissory note	5,500,238	-
Long-term debt, net, long-term portion	8,280,416	8,537,937
Total Liabilities	33,566,307	22,692,599
Net Assets:		
Without donor restrictions	28,306,982	30,520,249
With donor restrictions	13,416,318	901,419
Total Net Assets	41,723,300	31,421,668
Total Liabilities and Net Assets	\$ 75,289,607	\$ 54,114,267

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions	\$ 2,661,253	\$ 13,450,855	\$ 16,112,108
Home building sponsorship revenues	2,144,298	-	2,144,298
Investment return, net	293,648	-	293,648
Other income	896,036	-	896,036
Net assets released from restrictions	935,956	(935,956)	-
Total Contributions and Other Income	6,931,191	12,514,899	19,446,090
ReStore Revenues:			
ReStore sales	9,473,609	-	9,473,609
In-kind donation of inventory	5,118,465	-	5,118,465
Cost of goods sold	(7,654,543)	-	(7,654,543)
Sales discounts and refunds	(412,768)	-	(412,768)
Total ReStore Revenues, Net	6,524,763	-	6,524,763
Low-Cost Housing Revenues:			
Home sales	5,185,200	-	5,185,200
In-kind contributions of labor and construction materials	771,073	-	771,073
Mortgage discount and amortization	365,174	-	365,174
Other housing revenues	51,850	-	51,850
Cost of homes sold	(6,371,347)	-	(6,371,347)
Total Low-Cost Housing Revenues, Net	1,950	-	1,950
Total Revenues	13,457,904	12,514,899	25,972,803
Expenses:			
Low-cost housing program	4,935,425	-	4,935,425
ReStore program	6,368,403	-	6,368,403
Fundraising	2,343,821	-	2,343,821
Management and general	2,023,522	-	2,023,522
Total Expenses	15,671,171	-	15,671,171
Change in net assets	(2,213,267)	12,514,899	10,301,632
Net assets, beginning of year	30,520,249	901,419	31,421,668
Net assets, end of year	\$ 28,306,982	\$ 13,416,318	\$ 41,723,300

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions	\$ 3,296,635	\$ 7,101	\$ 3,303,736
Home building sponsorship revenues	2,630,989	-	2,630,989
Investment return, net	217,114	-	217,114
Other income	1,535,349	-	1,535,349
Net assets released from restrictions	331,764	(331,764)	-
Total Contributions and Other Income	8,011,851	(324,663)	7,687,188
ReStore Revenues:			
ReStore sales	10,451,924	-	10,451,924
In-kind donation of inventory	10,945,829	-	10,945,829
Cost of goods sold	(13,862,980)	-	(13,862,980)
Sales discounts and refunds	(415,567)	-	(415,567)
Total ReStore Revenues, Net	7,119,206	-	7,119,206
Low-Cost Housing Revenues:			
Home sales	7,203,000	-	7,203,000
In-kind contributions of labor and construction materials	1,411,089	-	1,411,089
Mortgage discount and amortization	291,728	-	291,728
Other housing revenues	13,010	-	13,010
Cost of homes sold	(8,707,759)	-	(8,707,759)
Total Low-Cost Housing Revenues, Net	211,068	-	211,068
Total Revenues	15,342,125	(324,663)	15,017,462
Expenses:			
Low-cost housing program	4,762,801	-	4,762,801
ReStore program	7,289,905	-	7,289,905
Fundraising	1,427,400	-	1,427,400
Management and general	1,346,927	-	1,346,927
Total Expenses	14,827,033	-	14,827,033
Change in net assets	515,092	(324,663)	190,429
Net assets, beginning of year	30,776,740	1,226,082	32,002,822
Change in accounting principle (Note 2)	(771,583)	-	(771,583)
Net assets, end of year	\$ 30,520,249	\$ 901,419	\$ 31,421,668

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

	Low-Cost Housing	ReStore	Fundraising	Management and General	Total
Salaries and related	\$ 3,132,360	\$ 3,843,762	\$ 1,149,123	\$ 1,024,580	\$ 9,149,825
Advertisements	19,352	184,963	34,666	65,905	304,886
Office expenses	100,225	324,614	15,223	40,702	480,764
Information technology	66,984	100,062	12,948	39,736	219,730
Occupancy	73,813	996,097	6,368	13,832	1,090,110
Travel	19,813	48,344	10,575	31,019	109,751
Conference, conventions, and meetings	43,363	14,254	8,904	35,618	102,139
Tithe to Habitat for Humanity International	101,000	-	-	-	101,000
Interest and amortization	79,561	204,847	6,704	96,707	387,819
Depreciation	160,729	361,683	24,600	78,455	625,467
Insurance	183,673	199,619	3,419	6,885	393,596
Warranty work	35,636	-	-	1	35,637
Tools and equipment	20,470	332	-	-	20,802
Professional services	105,097	35,154	169,214	375,278	684,743
Dues and subscriptions	81,391	45,795	133,589	208,742	469,517
Home repair program	693,194	-	-	430	693,624
Other expense	18,764	8,877	768,488	5,632	801,761
Total	<u>\$ 4,935,425</u>	<u>\$ 6,368,403</u>	<u>\$ 2,343,821</u>	<u>\$ 2,023,522</u>	<u>\$ 15,671,171</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Low-Cost Housing	ReStore	Fundraising	Management and General	Total
Salaries and related	\$ 3,175,801	\$ 4,640,151	\$ 985,192	\$ 849,644	\$ 9,650,788
Advertisements	6,986	219,452	260,517	11,303	498,258
Office expenses	103,904	437,484	19,290	42,572	603,250
Information technology	74,598	82,336	22,690	33,679	213,303
Occupancy	67,250	980,992	5,866	9,354	1,063,462
Travel	25,509	49,051	15,011	18,784	108,355
Conference, conventions, and meetings	53,525	30,813	9,321	56,733	150,392
Tithe to Habitat for Humanity International	81,500	-	-	-	81,500
Interest and amortization	76,901	220,626	6,967	8,783	313,277
Depreciation	118,207	383,264	10,860	48,552	560,883
Insurance	101,513	164,747	3,399	5,725	275,384
Warranty work	72,296	-	-	-	72,296
Tools and equipment	34,989	2,037	-	48	37,074
Professional services	123,698	44,553	14,917	173,765	356,933
Dues and subscriptions	54,752	27,252	52,686	76,992	211,682
Home repair program	588,434	-	-	-	588,434
Other expense	2,938	7,147	20,684	10,993	41,762
Total	\$ 4,762,801	\$ 7,289,905	\$ 1,427,400	\$ 1,346,927	\$ 14,827,033

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 10,301,632	\$ 190,429
Adjustments to reconcile change in net assets to net cash flows from operations:		
Amortization expense	14,495	14,496
Depreciation	625,467	560,883
Financing discount on notes payable - TDHCA	59,296	58,419
Gain on sale of land held for investment	-	(405,718)
Change in operating assets and liabilities:		
Accounts receivable	(419,978)	18,282
Pledges receivable	(6,012,451)	(17,750)
Mortgages receivable	504,011	478,762
ReStore inventory	1,005,639	(159,207)
Home construction in progress	(16,209,928)	(990,850)
Prepaid expenses and other current assets	(471,418)	80,115
Land held for development	9,358,758	(4,708,167)
Other long-term assets	-	214,702
Accounts payable	(725,992)	612,961
Accrued expenses	570,500	(256,156)
Deferred revenue	6,444,783	205,860
Pass-through donations payable	-	(331,000)
Net change in lease assets and liabilities	24,540	40,553
Net cash from operating activities	<u>5,069,354</u>	<u>(4,393,386)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(215,964)	(1,092,777)
Purchase of investment in HFHI NMTC Leverage Lender 2024, LLC	(4,113,784)	-
Net cash from investing activities	<u>(4,329,748)</u>	<u>(1,092,777)</u>
Cash flows from financing activities:		
Net proceeds on line of credit	-	1,000,000
Payments on long-term debt	(259,862)	(253,489)
Payments on financing lease obligation	(45,557)	(38,625)
Proceeds from issuance of New Market Tax Credit promissory note	5,500,238	-
Payments on notes payable - TDHCA	(130,170)	(109,001)
Net cash from financing activities	<u>5,064,649</u>	<u>598,885</u>
Change in cash and cash equivalents	5,804,255	(4,887,278)
Cash, cash equivalents, and restricted cash, beginning of year	9,868,536	14,755,814
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 15,672,791</u>	<u>\$ 9,868,536</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 329,325</u>	<u>\$ 298,774</u>
Prior period change to mortgage and notes receivable, second liens, due to change in accounting principle	<u>\$ -</u>	<u>\$ 771,583</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AUSTIN HABITAT FOR HUMANITY, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 1—Organization

Austin Habitat for Humanity, Inc. (“AHFH”) is a nonprofit, affordable housing developer driven by the vision that everyone needs a place to live in and around Austin, Texas. It is affiliated with Habitat for Humanity International, Inc. (“HFHI”) based in Americus, Georgia. AHFH was incorporated in 1985 under the laws of the state of Texas. While adhering to the policies and procedures prescribed by HFHI, AHFH exists as a separate corporation with its own Board of Directors (the “Board”). Local policies, strategies, operations, and fundraising are the responsibility of the affiliate.

Austin Neighborhood Alliance for Habitat, Inc., (the “Alliance”) is a wholly-owned non-profit corporation formed to support AHFH. The Alliance receives federal financial assistance to acquire land and develop infrastructure for homes.

HomeBase Texas (“HomeBase”) is a wholly-owned non-profit corporation that provides affordable homeownership opportunities to homeowners by partnering with outside developers, builders, and agencies.

AHFH maintains separate accounting records for its Place of Business (“POB”) operations, which encompasses the financing and construction activities related to Persimmon Point. While the POB is not a separate legal entity, management tracks and reports these activities separately to provide visibility into the debt provided by NMTC to Persimmon Point’s financial performance and cash flows. The POB’s financial results are consolidated within the AHFH’s primary legal entity for reporting purposes.

Low-Cost Housing Program – To be considered for home ownership, families must be low-income families who demonstrate a need for housing, an ability to make mortgage payments, and a willingness to work in partnership with AHFH. The partnership consists, in part, of each family completing 300 hours of “sweat equity” and meeting monthly mortgage payments. AHFH acquires the land, finds and qualifies the families, raises the funding, finds and supervises construction volunteers, and builds the houses. While AHFH previously funded the mortgages directly, they now sell the completed homes through a third-party mortgage company. By policy of HFHI, AHFH may accept government support for land, infrastructure improvements and construction.

ReStore Program – AHFH operates three ReStores, two in Austin and one in San Marcos, as well as an online store, ShopAustinRestore.com. The ReStore program provides access to new and used building materials, household goods, clothing, etc., to the general public to help them create a better human habitat in which to live and work. The ReStore receives donated materials, purchases items, and sells them.

Note 2—Summary of significant accounting policies

Basis of Presentation – The consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Consolidation – The Alliance, HomeBase and POB financial statements are consolidated into the financial statements of AHFH because AHFH has control over and an economic interest in the Alliance, HomeBase and POB. AHFH and its affiliates, the Alliance HomeBase and POB, are collectively referred to as the “Organization”. All significant interorganization accounts and transactions have been eliminated in consolidation.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Net Asset Classification – In accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to stipulations. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by the Organization. The Organization has reserved \$100,000 as board-designated net assets for reserves at December 31, 2024 and 2023.

Net Assets With Donor Restrictions – Net assets at are subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the fair value of investments, allowances for uncollectable receivables, useful lives of property and equipment, functional expense allocation, and the valuation of in-kind services and materials.

Advertising Costs – Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2024 and 2023 were \$304,886 and \$498,258, respectively.

Fair Value Measurements – The Organization measures and discloses fair value measurements in accordance with the authoritative literature. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 – Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 – Unobservable inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable is recorded at the amount the Organization expects to collect on outstanding balances. Accounts receivable at January 1, 2023 were \$280,620. The allowance for credit losses is based on the Organization's assessment of the collectability of customer accounts receivable. In accordance with ASC Topic 326: *Financial Instruments - Credit Losses*, the Organization makes ongoing estimates relating to the collectability of accounts receivable and records an allowance for estimated losses expected from the inability of its customers to make required payments. The Organization establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. As of December 31, 2024 and 2023, the allowance for credit losses was immaterial to the consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Pledges Receivable – The Organization records unconditional pledges receivable that are expected to be collected within one year at net realizable value. Unconditional pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. Allowance for uncollectible pledges receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off when deemed uncollectable. At December 31, 2024 and 2023, the allowance was \$741,042 and \$-0-, respectively.

Home Sales and Mortgages Receivable – Home sales represent the sale of houses built in Central Texas or the Greater Austin Area by the Organization to qualified families. Homes are sold at affordable prices and the sales are financed by third party mortgage companies. Prior to 2021, the Organization financed the sale of home utilizing non-interest bearing 15- to 30-year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate and are carried at the unpaid principal balances. On certain older loans, a “soft” (0% interest, deferred, forgivable after 30 years) second mortgage was used to secure the difference between the affordable mortgage amount and the market value. This practice ended in 2016 with the addition of a deed restriction that effectively locked this equity into the property, making it inaccessible to the homeowner at resale.

Mortgages receivable is discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages. The financing discounts are amortized and reflected as mortgage discount and amortization in the accompanying consolidated statements of activities when mortgage payments are collected.

Notes Receivable, Second Liens – Notes receivable is a deferred repayable second lien with the first payment due after 30 years, amortizing over five years thereafter. The second lien is attached to a home sale to qualified applicants under the HomeBase program. The first lien is provided for by a traditional third party lender. The second lien is due and payable between 20 to 30 years to allow for the first lien to have been paid off and provides a subsidy that allows the home sale to meet the affordability requirements of the HomeBase program. These notes are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages.

Reserve for Credit Losses on Mortgage and Notes Receivable – Mortgages receivable and notes receivable, second liens collectability are evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and changes in the general market or business conditions that the Organization has exposure to. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the reserve for credit losses are made, when necessary, based on the results of analysis, the aging of receivables and historical and industry trends. The Organization periodically evaluates the impact of observable external factors on the collectability of the mortgages receivable and notes receivable, second liens to determine if adjustments to the reserve for credit losses should be made based on current conditions or reasonable and supportable forecasts.

The Organization recorded a reserve for credit losses of \$126,055 and \$88,055 at December 31, 2024 and 2023, respectively, for mortgages receivable and \$1,025,476 and \$952,583 at December 31, 2024 and 2023, respectively, for notes receivable, second liens. However, the Organization will consider foreclosure proceedings on any delinquent accounts if the partner family ceases to have the ability to pay and make payments on the mortgage. At December 31, 2024 and 2023, the Organization had no investment in foreclosed loans.

ReStore Inventory – ReStore inventory consists of donated building materials, household items and clothing as well as purchased building materials available for sale. Donated inventory is recorded as in-kind contributions at fair value when received based on estimated sales value. There are no donor-imposed restrictions associated with donated inventory. Purchased inventory is stated at the lower of cost or market determined by the first-in first-out method.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Home Construction in Progress – Home construction in progress represents home construction and land costs incurred on homes in progress and completed homes not yet conveyed to the recipient family. Once sold and conveyed, the home costs are expensed to cost of homes sold in the accompanying consolidated statements of activities.

Land Held for Development and Investment – Land held for development and investment includes the costs of purchasing and developing land. Costs incurred to improve land are capitalized when incurred. Interest incurred on related debt during the construction period is capitalized as incurred. Once construction of a home on a lot is completed, the cost of the associated lot and house is expensed in cost of homes sold on the accompanying consolidated statements of activities.

Land held for investment is recorded at fair value, net of future selling costs. Land held for investment was valued using the sales comparison approach and inputs were considered Level 3 under the fair value hierarchy.

Property and Equipment – Property and equipment consists of land, buildings, and equipment. Property and equipment additions are recorded at cost if purchased or estimated fair value if donated less accumulated depreciation. The Organization capitalizes all additions over \$1,000 and expenses maintenance and repairs that do not improve or extend the useful lives of the respective assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Estimated useful lives are three to five years for computer equipment; five years for building improvements, software, and vehicles; three to seven years for tools and construction equipment; and twenty to forty years for completed buildings. Property and equipment under financing leases are amortized over the shorter of the lease term or the expected useful life of the asset.

Long-lived assets subject to depreciation and amortization are reviewed for impairment whenever events or circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment of such assets as of December 31, 2024 and 2023.

Debt Issuance Costs – Debt issuance costs associated with long-term debt are recorded as a reduction of the related debt balance and amortized to interest expense over the term of the related arrangement.

Notes Payable – TDHCA – The Texas Department of Housing and Community Affairs Department (“TDHCA”) administers the Owner – Builder Loan Program, also known as the Texas Bootstrap Loan Program (“Bootstrap Program”). The Bootstrap Program is a self-help housing construction program that provides the owners and builders of very low-income families an opportunity to purchase or refinance real property on which to build new housing or repair their existing homes through “sweat equity.” Owner builder’s household income may not exceed 60% of Area Median Family Income. The Bootstrap Program notes payable are discounted based upon prevailing market interest rates at the inception of the mortgage. The financing discounts are amortized and reflected as mortgage discount and amortization in the accompanying consolidated statements of activities as the mortgage payments are made.

ReStore Sales Revenue – The Organization operates three thrift retail stores and has an online presence with its ShopAustinReStore.com website. The stores provide access to building materials, new and used household goods, clothing, furnishings, and other construction materials and is open to the general public. The stores receive donated materials and purchase items for resale. Sales are recognized on a daily basis as they occur.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Contribution Revenue – All contributions, including home building sponsorship revenues, government grant revenue, and noncash contributions, are recorded as revenue when received. Conditional contributions, that is those with a measurable performance or other barrier and a right of return or release, are recognized only when the conditions on which they depend are substantially met. Noncash contributions are recorded at fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related net assets are reclassified to net assets without donor restrictions. This is reported in the accompanying consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received.

Government Grant Revenue – The Organization receives funding from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position.

The Organization also receives funding in the form of forgivable loans from the City of Austin through the Austin Housing Finance Corporation for the purpose of constructing, rehabilitating, and preserving affordable housing. The Organization recognizes revenue at the time the loan is forgiven which is when a home is sold to an income qualified buyer.

Home Building Sponsorship Revenues – The Organization sells sponsorship opportunities to local businesses and organizations to underwrite the costs of constructing a house. In addition to recognition as an Austin Habitat for Humanity partner, typically the sponsorship includes the option for the entity to volunteer on the build site. Sponsorship revenues are recognized in the year they are received.

In-Kind Contributions of Labor and Construction Materials – A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. Donated services are recognized as contributions if the services: (1) create or enhance non-financial assets, or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Under those criteria, volunteer time and professional services donated to construct homes is recognized as contribution revenue and capitalized as home construction in progress. Volunteer time and professional services donated to construct homes are valued and reported at the estimated fair value in the consolidated financial statements based on current market rate for similar professional services. Contributed construction materials are valued and reported at the estimated fair value in the consolidated financial statements based on estimated fair values. There are no donor-imposed restrictions associated with in-kind contributions of labor and constructions materials. When homes are transferred to recipient families, home construction in progress is recorded as a component of cost of homes sold within the accompanying consolidated statements of activities.

Functional Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain expenses are allocated between functional categories based on management's estimates. Expenses relating to more than one function are allocated to low-cost housing program, ReStore program, fundraising, and management and general based on employee time and effort estimates. Allocations to low-cost housing and ReStore programs are for activities that result in services being distributed to beneficiaries, donors, or others that fulfill the mission of the Organization. Allocations to management and general expenses include accounting, general management and oversight, audit, budgeting, human resources, legal and admin support of the Board. Allocations for fundraising are primarily for fundraising activities for operations. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Organization.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Federal Income Taxes – AHFH, the Alliance, and HomeBase are all non-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. AHFH, the Alliance and Home Base did not incur any tax liabilities for unrelated business income during the years ended December 31, 2024 or 2023. The Organization assesses uncertainties in income taxes in its consolidated financial statements and uses a threshold of more likely than not for recognition and derecognition of tax positions taken. Management determined no uncertain tax positions have been taken. There is no provision or liability for federal income taxes in the accompanying consolidated financial statements related to the Organization. AHFH, the Alliance, and Home Base file Form 990 tax returns in the U.S. federal jurisdiction and are subject to routine examinations of its returns. However, there are no examinations currently in progress.

Note 3—Liquidity and availability of resources

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditure, that is, without donor or other restrictions limiting their use, are as follows at December 31:

	2024	2023
Cash and cash equivalents	\$ 15,672,791	\$ 9,868,536
Accounts receivable, net	682,316	262,338
Pledges receivable, net	6,197,701	185,250
Mortgages receivable, current portion, net	355,219	384,300
	<u>22,908,027</u>	<u>10,700,424</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to donor purpose restrictions	(13,416,318)	(901,419)
Subject to board designations	(100,000)	(100,000)
Financial assets available to meet general expenditures within one year	<u>\$ 9,391,709</u>	<u>\$ 9,699,005</u>

For purposes of analyzing resources available to meet general expenditures over a one-year period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Receivable balances are expected to be collected within one year. Total net assets without donor restrictions as of December 31, 2024 were approximately \$28,300,000. The Organization also maintains an available line of credit of \$5,000,000 with Sunflower Bank and a \$3,000,000 with Frost Bank that is available for draw, see Note 12.

Note 4—Concentrations of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and its receivables.

As of December 31, 2024, the Organization had cash and cash equivalents in excess of insured limits of approximately \$9,915,792. Management believes no significant risk exists with respect to cash and cash equivalents.

The Organization does not maintain collateral for its receivables except for mortgages and notes receivable and does not believe significant risk exists at December 31, 2024 or 2023. Credit risk for mortgages and notes receivable is concentrated because substantially all of the balances are due from individuals located in the same geographic region. Management considered the collateral pledged from mortgages and notes receivable to be adequate at December 31, 2024 and 2023.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 5—Related party transactions and affiliations

Contributions from members of the Board for the years ended December 31, 2024 and 2023 were \$332,142 and \$155,686, respectively. Pledges receivable from the Board and employees of AHFH for the years ended December 31, 2024 and 2023 were \$97,000 and \$110,000, respectively. Expenses paid by the Organization for services provided by Board related businesses for the years ended December 31, 2024 and 2023 were \$295,300 and \$651,786, respectively.

The Organization operates within a covenant agreement with HFHI. The Organization tithes to support HFHI's international homebuilding work. Tithes to HFHI totaled \$101,000 and \$81,500 for the years ended December 31, 2024 and 2023, respectively.

Note 6—Mortgages and notes receivable, net

Mortgages receivable consisted of the following at December 31:

	2024	2023
Gross mortgages receivable	\$ 11,930,300	\$ 12,820,781
Financing discount based on imputed interest at rates ranging from 3.72% to 8.00%	(3,901,407)	(4,325,877)
Mortgages receivable, net of unamortized financing discount	8,028,893	8,494,904
Current portion of mortgages receivable	(355,219)	(384,300)
Reserve for credit losses	(126,055)	(88,055)
	<u>\$ 7,547,619</u>	<u>\$ 8,022,549</u>

Mortgages receivable were valued using the income approach and inputs were considered Level 2 under the fair value hierarchy. Gross undiscounted future mortgage payments scheduled to be collected at December 31, 2024 are as follows:

2025	\$ 691,870
2026	684,838
2027	666,883
2028	641,356
2029	627,654
Thereafter	8,617,699
	<u>\$ 11,930,300</u>

Notes receivable on second liens consisted of the following at December 31:

	2024	2023
Gross notes receivable for second liens	\$ 2,746,756	\$ 2,746,756
Financing discount based on imputed interest at rates ranging from 3.73% to 4.22%	(1,721,280)	(1,794,173)
Notes receivable on second liens, net of unamortized financing discount	1,025,476	952,583
Reserve for credit losses	(1,025,476)	(952,583)
	<u>\$ -</u>	<u>\$ -</u>

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 7—ReStore inventory

ReStore inventory consisted of the following at December 31:

	2024	2023
Donated goods	\$ 425,586	\$ 452,825
Purchased materials	838,453	1,816,853
	<u>\$ 1,264,039</u>	<u>\$ 2,269,678</u>

Note 8—Property and equipment, net

Property and equipment consisted of the following at December 31:

	2024	2023
Land	\$ 3,678,393	\$ 3,678,393
Buildings and improvements	12,300,286	12,340,430
Equipment	1,155,607	1,196,226
Trucks	426,425	426,425
	17,560,711	17,641,474
Accumulated depreciation	(3,169,101)	(2,840,361)
Total property and equipment, net	<u>\$ 14,391,610</u>	<u>\$ 14,801,113</u>

Property and equipment financed under financing lease obligations totaled \$37,545 and \$83,102, net of accumulated amortization of \$322,152 and \$276,595, as of December 31, 2024 and 2023, respectively. Total depreciation expense was \$625,467 and \$560,883 for the years ended December 31, 2024 and 2023, respectively.

Note 9—Pledges receivable, net

The Organization received pledges to fund new ReStores and future purchases of land. Pledges are stated at their realizable value, net of an allowance for uncollectible pledges. The Organization did not record a discount on long term pledges given the nominal impact on the consolidated financial statements.

Net pledges receivable consisted of the following at December 31:

	2024	2023
Pledges receivable	\$ 7,410,417	\$ 185,250
Less allowance for doubtful collections	(741,042)	-
Less pledge discount (3.8% and 0%)	(471,674)	-
Pledges receivable, net	<u>\$ 6,197,701</u>	<u>\$ 185,250</u>

Pledges receivable maturity dates at December 31 were as follows:

	2024	2023
Less than one year	\$ 3,297,489	\$ 185,250
One to five years	4,112,928	-
	<u>\$ 7,410,417</u>	<u>\$ 185,250</u>

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 10—Fair value measurement

The following table represents the Organization's fair value hierarchy for its asset valued at fair value on a recurring basis as of December 31, 2024:

	Fair Value Measurement Using:			Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Asset:				
Land held for investment	\$ -	\$ -	\$ 1,900,000	\$ 1,900,000
Total asset in fair value hierarchy	\$ -	\$ -	\$ 1,900,000	\$ 1,900,000

The following table represents the Organization's fair value hierarchy for its asset valued at fair value on a recurring basis as of December 31, 2023:

	Fair Value Measurement Using:			Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Asset:				
Land held for investment	\$ -	\$ -	\$ 1,900,000	\$ 1,900,000
Total asset in fair value hierarchy	\$ -	\$ -	\$ 1,900,000	\$ 1,900,000

The changes in the Level 3 asset measured at fair value on a recurring basis is summarized as follows:

	Land Held for Investment
Balance, January 1, 2023	\$ 1,494,282
Additions	-
Changes in fair value	405,718
Balance, December 31, 2023	1,900,000
Additions	-
Changes in fair value	-
Balance, December 31, 2024	\$ 1,900,000

Valuation methodology of asset is based on appraised value.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 11—Long-term debt

Long-term debt consisted of the following at December 31:

	2024	2023
Promissory note to a banking institution	\$ 6,641,115	\$ 6,848,965
Construction loan payable to a banking institution	1,988,002	2,040,014
Total debt	8,629,117	8,888,979
Unamortized debt issuance costs	(72,476)	(86,971)
Total debt, net of unamortized debt issuance costs	8,556,641	8,802,008
Current portion of debt, net	(276,225)	(264,071)
Long-term debt, net	<u>\$ 8,280,416</u>	<u>\$ 8,537,937</u>

On December 30, 2019, the Organization refinanced a loan with Frost Bank. The loan has a fixed interest rate of 3.03% and matures on December 30, 2029. Interest only shall be due and payable monthly on the last day of the month beginning on January 30, 2020 until December 30, 2022 at which time monthly installments of both principal and interest will be due and payable until the maturity date. This note is secured by the Austin ReStore's land and building and a warehouse in south Austin. The principal amount outstanding for this note is \$6,641,115 and \$6,848,965 at December 31, 2024 and 2023, respectively.

On November 3, 2021, the Organization entered into a promissory construction note for \$2,100,000 with a financial institution. The note has a fixed interest rate of 3.97% per annum and matures on November 3, 2031. Interest only shall be due and payable monthly on the third day of the month beginning on December 3, 2021 until December 3, 2022 at which time monthly installments of both principal and interest will be due and payable until the maturity date. The Organization has an outstanding balance of \$1,988,002 and \$2,040,014 as of December 31, 2024 and 2023, respectively.

Future maturities of long-term debt at December 31, 2024 are as follows:

2025	\$ 273,230
2026	282,162
2027	291,390
2028	300,924
2029	5,786,757
Thereafter	1,694,654
	<u>\$ 8,629,117</u>

The credit facility (see Note 12), notes payable, and other long-term debt agreements contain certain financial covenants, including requirements for liquidity, earnings, and fixed charge coverage. The agreements also contain additional conditions limiting indebtedness, capital expenditures, and various other covenants as defined in the agreements. Failure to comply with the covenants could result in the debt being called by the lenders. As of December 31, 2024, and through the date of this report, the Organization was in compliance with such covenants.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 12—Credit facility and letters of credit

On December 30, 2019, the Organization entered into a credit facility with Frost Bank. The credit facility has a maximum principal amount available of \$2,000,000. The credit facility was amended in December 2023 to extend the maturity date to February 28, 2025 and increased the value of principal from \$2,000,000 to \$3,000,000. No amounts have been drawn against this facility at December 31, 2024.

During the normal course of business, the Organization entered into letters of credit with financial institutions totaling \$615,609 at December 31, 2024 and 2023, pursuant to subdivision construction agreements with the city of Austin. The letters of credit have expiration dates through January 2025. The letters specify that amounts may be drawn by the city of Austin. There have been no amounts drawn under these letters of credit as of December 31, 2024 or 2023.

On September 21, 2022, the Organization entered into revolving line of credit agreement with a community foundation with a rate of 2.00% per annum prior to maturity date on the outstanding balance and 12% per annum on the unpaid balance. Quarterly interest-only payments are required beginning January 1, 2023 and continue through maturity, September 21, 2024. All unpaid principal and accrued but unpaid interest is due and payable upon maturity. The Organization renewed the revolving line of credit on October 30, 2024, with the community foundation with a rate of 3.00%, through maturity of October 30, 2026. As of December 31, 2024 and 2023, AHFH had an outstanding balance of \$3,000,000 and \$3,000,000 on this revolving line of credit and an unused balance of \$-0- at December 31, 2024 and 2023, respectively.

In June 2021, the Organization entered into a guidance line of credit with Sunflower Bank. The guidance line of credit has a maximum borrowing capacity of \$5,000,000 and borrowings bear interest at the floating Sunflower Bank Prime Rate (3.25% at the time of the agreement). The guidance line of credit is available beginning on the date of close and for the next 12 months. Individual notes issued under the guidance line of credit mature three years from the date each note closes. Monthly interest only payments are required beginning the first month after the individual notes are issued and continue through maturity. All unpaid principal and accrued but unpaid interest is due and payable upon each maturity date. As of December 31, 2024 and 2023, AHFH had a balance of \$-0- outstanding on this guidance line of credit.

Subsequent to year end on January 2, 2025, the line of credit with Sunflower Bank was amended to extend the maturity date through January 2, 2028 with a fixed interest rate of 6.5% through March 2, 2025. Thereafter, commencing on March 2, 2025, and adjusting on the second calendar day of each and every subsequent calendar month (the "Adjustment Date") thereafter until maturity, interest shall accrue on the unpaid principal balance at a fixed rate equal to the lesser of (i) the Prime Rate as defined in the agreement in effect on the most recent Adjustment Date minus 1.00% (the "Stated Rate"), or (ii) the Maximum Lawful Rate; provided, however, the Stated Rate shall never be less than 4.50%.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 13—Notes payable – TDHCA

Notes payable to TDHCA consisted of the following at December 31:

	2024	2023
Gross notes payable - TDHCA	\$ 1,843,152	\$ 1,973,322
Financing discount based on imputed interest at rates ranging from 3.72% to 6.62%	(583,661)	(642,957)
Notes payable - TDHCA, net of unamortized discount	1,259,491	1,330,365
Current portion of notes payable - TDHCA, net	(103,509)	(106,959)
	<u>\$ 1,155,982</u>	<u>\$ 1,223,406</u>

Notes payable to TDHCA were valued using the income approach and inputs were considered Level 2 under the fair value hierarchy. Gross undiscounted future mortgage payments scheduled to be collected from mortgagees and remitted to TDHCA at December 31, 2024 are as follows:

2025	\$ 103,509
2026	102,734
2027	99,615
2028	97,274
2029	97,274
Thereafter	1,342,746
	<u>\$ 1,843,152</u>

Note 14—New market tax credit transaction

In March 2024, the Organization entered into a debt agreement for \$5,880,000 with HFHI NMTC Sub-CDE VI, LLC ("Sub-CDE VI") (i) to finance reasonable and customary closing costs (ii) to finance certain hard and soft costs incurred by, or on behalf of, Persimmon Point in connection with the Persimmon Points' acquisition, rehabilitation and/or construction of certain single-family residences and/or multi-family for-sale residences; and (iii) providing working capital to finance Persimmon Point' construction and/or rehabilitation of the remaining improvements in connection with the project. The loan has a fixed interest rate of 1.00% and matures on March 14, 2054. Interest only payments shall be due and payable semi-annually beginning on March 14, 2024 until March 13, 2031 at which time semi-annual installments of both principal and interest will be due and payable until the maturity date. This note is secured by the land and construction on Persimmon Point. As of December 31, 2024 and 2023, AHFH had an outstanding balance of \$5,500,238, net of debt issuance costs of \$379,762 and \$-0-, respectively, on this debt.

As part of the transaction, AHFH acquired a 38.562% ownership interest in HFHI NMTC Leverage Lender 2024, LLC ("Leverage Lender 2024") for \$4,150,983 less \$37,199 of transaction costs. Leverage Lender 2024 issued a \$10,764,450 loan to Twain Investment Fund 782, LLC ("Twain Investment Fund"). Twain Investment Fund owns 99.99% of Sub-CDE VI. Although AHFH owns more than 20% of Leverage Lender 2024, AHFH does not have the ability to significantly influence the operating and financial policies of Leverage Lender 2024, and as a result, AHFH's investment in Leverage Lender 2024 is carried at cost.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 15—Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	2024	2023
The University of Texas at Austin campus chapter	\$ 19,892	\$ 17,608
Purchase land in Hayes County	748,232	883,811
General operating grant - restricted time	40,000	-
Women build donors 3 year payoff 2024-26	16,000	-
Women build - time restriction	10,000	-
Capital campaign	12,020,192	-
Carter work project 2025	70,000	-
2025 house sponsorship	12,000	-
Texas stars grant	5,000	-
Time restriction - 3 year payoff	400,000	-
2025 Builders Ball	75,000	-
	<u>\$ 13,416,316</u>	<u>\$ 901,419</u>

Net assets released from restrictions consisted of the following at December 31:

	2024	2023
Special events	\$ -	\$ (211,580)
The University of Texas at Austin campus chapter	(3,854)	(3,995)
Purchase land in Hayes County	(135,579)	(116,189)
General operating grant - restricted time	(20,000)	-
Women build donors 3 year payoff 2024-26	(7,000)	-
Time restriction - 3 year payoff	(200,000)	-
2024 Builders Ball	(569,523)	-
Net assets released from restrictions	<u>\$ (935,956)</u>	<u>\$ (331,764)</u>

Note 16—Retirement plan

The Organization sponsors a 401(k) plan that covers substantially all employees. The Organization's contributions to the plan for the years ended December 31, 2024 and 2023 were \$307,365 and \$281,434, respectively.

Note 17—Operating lease commitments

The Organization leases retail space, a construction warehouse, telephone equipment, and a copier under various noncancelable operating leases. The Organization determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative standalone prices.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 17—Operating lease commitments (continued)

Right-of-use (“ROU”) assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Organization uses the implicit rate when it is readily determinable.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. The Organization has no material obligation for leases signed but not yet commenced as of December 31, 2024. The Organization does not have any material sublease activities.

Future minimum payments under operating leases consisted of the following as of December 31, 2024:

Years Ending December 31,

2025	\$	624,937
2026		625,188
2027		632,579
2028		587,771
2029		438,562
Thereafter		<u>746,542</u>
Total undiscounted cash flows		3,655,579
Less present value discount		<u>(172,884)</u>
Total lease liabilities	\$	<u><u>3,482,695</u></u>

The components of the operating lease commitments are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 638,639	\$ 638,639
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 614,100	\$ 598,087
Weighted-average remaining lease term for operating leases	6.01 years	6.93 years
Weighted-average discount rate for operating leases	1.61%	1.60%

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Note 18—Finance lease commitments

The Organization has a noncancelable finance lease agreement for solar panels. Future minimum payments under the finance lease consisted of the following as of December 31, 2024:

Year Ending December 31,

2025	\$ 38,111
Total minimum lease payments	38,111
Less amount representing interest (3% annually)	<u>(566)</u>
Total capital lease obligations	37,545
Less current portion of capital lease obligations	<u>(37,545)</u>
Long term portion of capital lease obligation	<u>\$ -</u>

The components of the finance lease commitments are as follows:

	<u>2024</u>	<u>2023</u>
Interest on finance lease liabilities	\$ 1,776	\$ 2,951
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases (interest)	\$ 1,776	\$ 2,951
Financing cash flows from finance leases (principal portion)	\$ 39,799	\$ 38,624
Weighted-average remaining lease term for finance leases	0.84 years	1.84 years
Weighted-average discount rate for finance leases	3.00%	3.00%

Note 19—Contingencies

The Organization receives government grants for specific purposes that are subject to review and audit by government agencies. The Organization is also funded by grants and contracts that are subject to review and audit by the grantor agencies. These contracts have certain compliance requirements and, should audits by the government or grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs.

Note 20—Federal income taxes

The Organization is subject to federal income taxes on unrelated business income, which consists of ReStore sales of purchased materials. As of December 31, 2024 and 2023, the Organization has incurred cumulative net operating losses of approximately \$8,866,555 and \$6,176,000, respectively, for federal income tax purposes. These net operating losses may be used to offset future taxable unrelated business income. If not utilized, approximately \$2,182,000 of these losses will expire beginning in 2027. A full valuation allowance has been recorded as utilization is uncertain. The net change in the total valuation allowance for the years ended December 31, 2024 and 2023 was approximately \$2,690,469 and \$651,000, respectively.

Note 21—Subsequent events

Other than the debt amendment disclosed in Note 12, the Organization has evaluated subsequent events through May 29, 2025, the date the consolidated financial statements were available to be issued and identified no other subsequent events.

SUPPLEMENTARY INFORMATION

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2024

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	POB	Eliminations	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 15,383,798	\$ -	\$ 288,926	\$ 67	\$ -	\$ 15,672,791
Accounts receivable, net	585,266	-	97,050	-	-	682,316
Pledges receivable, net	2,967,739	-	-	-	-	2,967,739
Mortgages receivable, current portion, net	355,219	-	-	-	-	355,219
ReStore inventory	1,264,039	-	-	-	-	1,264,039
Home construction in progress	4,325,685	-	-	14,464,036	-	18,789,721
Prepaid expenses and other current assets	775,531	-	-	237,010	-	1,012,541
Total Current Assets	25,657,277	-	385,976	14,701,113	-	40,744,366
Land held for development	10,378,691	-	(883,753)	(9,494,938)	-	-
Land held for investment, at fair value	1,900,000	-	-	-	-	1,900,000
Investment in HFHI NMTC Leverage Lender 2024, LLC	4,113,784	-	-	-	-	4,113,784
Pledges receivable, long-term portion, net	3,229,962	-	-	-	-	3,229,962
Mortgages receivable, long-term portion, net	7,547,619	-	-	-	-	7,547,619
Operating lease right-of-use assets	3,362,266	-	-	-	-	3,362,266
Property and equipment, net	14,391,610	-	-	-	-	14,391,610
Total Assets	\$ 70,581,209	\$ -	\$ (497,777)	\$ 5,206,175	\$ -	\$ 75,289,607

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2024

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	POB	Eliminations	Total
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 368,418	\$ -	\$ -	\$ -	\$ -	\$ 368,418
Accrued expenses	1,352,875	-	-	-	-	1,352,875
Deferred revenue	10,008,404	-	-	-	-	10,008,404
Financing lease obligation, current portion	37,545	-	-	-	-	37,545
Operating lease liability, current portion	573,842	-	-	-	-	573,842
Line of credit	3,000,000	-	-	-	-	3,000,000
Notes payable - TDHCA, net, current portion	103,509	-	-	-	-	103,509
Long-term debt, current portion	276,225	-	-	-	-	276,225
Total Current Liabilities	15,720,818	-	-	-	-	15,720,818
Operating lease liability, net, long-term portion	2,908,853	-	-	-	-	2,908,853
Notes payable - TDHCA, net, long-term portion	1,155,982	-	-	-	-	1,155,982
New market tax credit - promissory note	-	-	-	5,500,238	-	5,500,238
Long-term debt, net, long-term portion	8,280,416	-	-	-	-	8,280,416
Total Liabilities	28,066,069	-	-	5,500,238	-	33,566,307
Net Assets:						
Without donor restrictions	29,098,822	-	(497,777)	(294,063)	-	28,306,982
With donor restrictions	13,416,318	-	-	-	-	13,416,318
Total Net Assets	42,515,140	-	(497,777)	(294,063)	-	41,723,300
Total Liabilities and Net Assets	\$ 70,581,209	\$ -	\$ (497,777)	\$ 5,206,175	\$ -	\$ 75,289,607

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2024

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	POB	Eliminations	Total
Revenues:						
Contributions and Other Income:						
Contributions	\$ 16,112,108	\$ -	\$ -	\$ -	\$ -	\$ 16,112,108
Home building sponsorship revenues	2,144,298	-	-	-	-	2,144,298
Investment return, net	256,416	-	-	37,232	-	293,648
Other income	282,744	-	613,292	-	-	896,036
Total Contributions and Other Income	18,795,566	-	613,292	37,232	-	19,446,090
ReStore Revenues:						
ReStore sales	9,473,609	-	-	-	-	9,473,609
In-kind donation of inventory	5,118,465	-	-	-	-	5,118,465
Cost of goods sold	(7,654,543)	-	-	-	-	(7,654,543)
Sales discounts and refunds	(412,768)	-	-	-	-	(412,768)
Total ReStore Revenues, Net	6,524,763	-	-	-	-	6,524,763
Low-Cost Housing Revenues:						
Home sales	5,005,200	-	-	180,000	-	5,185,200
In-kind contributions of labor and construction materials	689,668	-	-	81,405	-	771,073
Mortgage discount and amortization	365,174	-	-	-	-	365,174
Other housing revenues	-	-	51,850	-	-	51,850
Cost of homes sold	(5,983,301)	-	-	(388,046)	-	(6,371,347)
Total Low-Cost Housing Revenues, Net	76,741	-	51,850	(126,641)	-	1,950
Total Revenues	25,397,070	-	665,142	(89,409)	-	25,972,803

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2024

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	POB	Eliminations	Total
Expenses:						
Low-cost housing program	\$ 3,983,326	\$ -	\$ 747,445	\$ 204,654	\$ -	\$ 4,935,425
ReStore program	6,368,403	-	-	-	-	6,368,403
Fundraising	2,343,821	-	-	-	-	2,343,821
Management and general	2,023,522	-	-	-	-	2,023,522
Total Expenses	14,719,072	-	747,445	204,654	-	15,671,171
Change in net assets	10,677,998	-	(82,303)	(294,063)	-	10,301,632
Net assets, beginning of year	31,837,142	-	(415,474)	-	-	31,421,668
Net assets, end of year	<u>\$ 42,515,140</u>	<u>\$ -</u>	<u>\$ (497,777)</u>	<u>\$ (294,063)</u>	<u>\$ -</u>	<u>\$ 41,723,300</u>

See report of independent auditor.