

Wichita Habitat for Humanity, Inc.

Independent Auditor's Report

and

Financial Report

December 31, 2023 and 2022



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Independent Auditor's Report

To the Board of Directors
Wichita Habitat for Humanity, Inc.
Wichita, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wichita Habitat for Humanity, Inc. which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Wichita Habitat for Humanity, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wichita Habitat for Humanity, Inc. 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 Wichita Habitat for Humanity, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Wichita Habitat for Humanity, Inc.'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 Wichita Habitat for Humanity, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of direct expense of Habitat's ReStore is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Regier Can E Mowal, CPA

August 20, 2024
Wichita, Kansas

Wichita Habitat for Humanity, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 3,551,869	\$ 3,778,256
Certificates of deposit	294,651	285,008
Accounts receivable, net	147,292	283,650
Inventory	155,379	172,455
Contributions receivable, net	116,567	84,710
Other assets	29,213	30,950
Construction assets		
Construction supplies	21,013	50,474
Construction in progress	460,283	299,996
Land held for development	198	198
Mortgages receivable, net	4,108,658	4,096,161
Property and equipment - net of accumulated depreciation of \$180,112 and \$166,872 at December 31, 2023 and 2022, respectively	283,028	171,376
Operating lease right-of-use assets	436,614	560,975
Total assets	\$ 9,604,765	\$ 9,814,209
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 101,820	\$ 185,796
Accrued salaries and vacation	92,037	83,407
Payroll and sales taxes payable	1,977	3,204
Deferred revenue	5,277	5,851
Note payable-bank	-	17,910
Operating lease liability	436,614	560,975
Total liabilities	637,725	857,143
Net Assets		
Without donor restrictions	8,855,965	8,866,698
With donor restrictions	111,075	90,368
Total net assets	8,967,040	8,957,066
Total liabilities and net assets	\$ 9,604,765	\$ 9,814,209

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

Wichita Habitat for Humanity, Inc.
Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donors Restrictions	Total	Without Donor Restrictions	With Donors Restrictions	Total
Support and Revenue						
Contributions	\$ 355,114	\$ 639,232	\$ 994,346	\$ 2,757,161	\$ 647,864	\$ 3,405,025
Grants	353,099	-	353,099	561,224	-	561,224
In kind contributions-for operations	292,438	-	292,438	276,883	-	276,883
Total contributions	<u>1,000,651</u>	<u>639,232</u>	<u>1,639,883</u>	<u>3,595,268</u>	<u>647,864</u>	<u>4,243,132</u>
Special event						
Contributions	138,105	-	138,105	171,382	-	171,382
Less cost of direct benefits to donors	(3,872)	-	(3,872)	(6,921)	-	(6,921)
Net special events revenue	<u>134,233</u>	<u>-</u>	<u>134,233</u>	<u>164,461</u>	<u>-</u>	<u>164,461</u>
Sale of homes						
Net proceeds from sale of homes	1,765,950	-	1,765,950	1,219,787	-	1,219,787
Less discount on non-interest bearing mortgages receivable	(293,774)	-	(293,774)	(321,274)	-	(321,274)
Adjusted net proceeds from sale of homes	<u>1,472,176</u>	<u>-</u>	<u>1,472,176</u>	<u>898,513</u>	<u>-</u>	<u>898,513</u>
Habitat's ReStore activity						
Sale of merchandise						
Purchased	525,722	-	525,722	478,578	-	478,578
Donated	904,590	-	904,590	766,615	-	766,615
Cost of goods sold	(307,693)	-	(307,693)	(277,259)	-	(277,259)
Direct expense	(948,385)	-	(948,385)	(828,243)	-	(828,243)
Net profit from Habitat's ReStore	<u>174,234</u>	<u>-</u>	<u>174,234</u>	<u>139,691</u>	<u>-</u>	<u>139,691</u>
Other revenue						
Amortization of discount on non-interest bearing mortgages receivable	276,421	-	276,421	336,436	-	336,436
Gain on 2nd mortgage proceeds	15,000	-	15,000	10,000	-	10,000
Other interest income	79,306	-	79,306	30,075	-	30,075
Miscellaneous revenue	16,061	-	16,061	18,356	-	18,356
Gain on disposal of assets	2,600	-	2,600	10,452	-	10,452
Gain on sale of mortgage receivables	66,023	-	66,023	-	-	-
Total other revenue	<u>455,411</u>	<u>-</u>	<u>455,411</u>	<u>405,319</u>	<u>-</u>	<u>405,319</u>
Total revenue	<u>\$ 3,236,705</u>	<u>\$ 639,232</u>	<u>\$ 3,875,937</u>	<u>\$ 5,203,252</u>	<u>\$ 647,864</u>	<u>\$ 5,851,116</u>

(Continued)

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

Wichita Habitat for Humanity, Inc.
Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donors Restrictions	Total	Without Donor Restrictions	With Donors Restrictions	Total
Net Assets Released from Restrictions						
Home construction	\$ 505,830	\$ (505,830)	\$ -	\$ 534,165	\$ (534,165)	\$ -
Home repair	29,521	(29,521)	-	44,073	(44,073)	-
Homeowner education	83,174	(83,174)	-	48,265	(48,265)	-
Total net assets released from restrictions	618,525	(618,525)	-	626,503	(626,503)	-
Expenses						
Program services						
Cost of homes sold	2,011,781	-	2,011,781	1,988,282	-	1,988,282
Other program expenses	1,361,457	-	1,361,457	1,159,097	-	1,159,097
Total program expenses	3,373,238	-	3,373,238	3,147,379	-	3,147,379
Supporting services						
General and administration	272,044	-	272,044	231,288	-	231,288
Fund-raising	220,681	-	220,681	284,722	-	284,722
Total support expenses	492,725	-	492,725	516,010	-	516,010
Total expenses	3,865,963	-	3,865,963	3,663,389	-	3,663,389
Change in Net Assets	(10,733)	20,707	9,974	2,166,366	21,361	2,187,727
Net Assets at Beginning of Year	8,866,698	90,368	8,957,066	6,700,332	69,007	6,769,339
Net Assets at End of Year	\$ 8,855,965	\$ 111,075	\$ 8,967,040	\$ 8,866,698	\$ 90,368	\$ 8,957,066

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

Wichita Habitat for Humanity, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		General & Administrative	Fund- Raising			General & Administrative	Fund- Raising	
Construction costs	\$1,719,343	\$ -	\$ -	\$ 1,719,343	1,711,399	\$ -	\$ -	\$ 1,711,399
In kind-materials/ supplies	292,438	-	-	292,438	276,883	-	-	276,883
Cost of homes sold	2,011,781	-	-	2,011,781	1,988,282	-	-	1,988,282
Salaries	836,260	178,363	154,979	1,169,602	742,611	147,381	190,823	1,080,815
Employee benefits	69,517	19,255	14,268	103,040	52,633	10,766	18,414	81,813
Payroll taxes	63,161	13,668	11,757	88,586	57,182	11,617	14,203	83,002
Professional fees	9,699	17,920	-	27,619	992	16,000	-	16,992
Supplies	42,423	7,223	12,580	62,226	39,412	7,591	14,819	61,822
Telephone	11,472	1,149	1,338	13,959	9,968	1,034	1,262	12,264
Postage and shipping	1,542	92	686	2,320	1,283	316	454	2,053
Occupancy	21,854	5,524	5,752	33,130	18,252	5,517	5,706	29,475
Tools and equipment	13,836	75	-	13,911	21,018	18	-	21,036
Printing	571	35	-	606	768	102	14	884
Travel	22,062	965	-	23,027	13,226	1,093	1,013	15,332
Repairs	26,071	-	-	26,071	30,887	-	-	30,887
Advertising	11,724	64	7,138	18,926	12,170	-	11,820	23,990
Training	7,006	677	1,465	9,148	3,559	648	1,543	5,750
Food	8,891	1,579	133	10,603	10,500	1,007	319	11,826
Tithe	63,061	-	-	63,061	63,943	-	-	63,943
Dues and subscriptions	867	15,357	1,514	17,738	1,119	15,100	875	17,094
Fees	31,731	5,677	-	37,408	654	5,341	-	5,995
Other	595	116	790	1,501	709	462	692	1,863
Interest expense	317	-	-	317	116	-	-	116
Volunteer recognition	627	-	660	1,287	929	-	1,220	2,149
Insurance	91,396	4,305	1,722	97,423	53,414	7,295	5,615	66,324
Vacant lot expense	1,407	-	-	1,407	1,199	-	-	1,199
Escrow losses/bad debts	-	-	4,000	4,000	-	-	1,500	1,500
Depreciation	25,367	-	-	25,367	22,553	-	-	22,553
Special event expense	-	-	1,899	1,899	-	-	14,430	14,430
Other expenses	1,361,457	272,044	220,681	1,854,182	1,159,097	231,288	284,722	1,675,107
Total expenses	\$3,373,238	\$ 272,044	\$ 220,681	\$ 3,865,963	\$ 3,147,379	\$ 231,288	\$ 284,722	\$ 3,663,389

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

Wichita Habitat for Humanity, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 9,974	\$2,187,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of assets	(2,600)	(10,452)
Gain on sale of mortgage receivables	(66,023)	-
Depreciation	34,872	28,962
Right of use assets - amortization	124,361	121,112
Accretion of operating lease liability	13,059	16,308
Change in operating assets and liabilities:		
Certificates of deposit	(9,643)	(9,936)
Accounts receivable	136,358	(75,522)
Inventory	17,076	(81,566)
Contributions receivable	(31,857)	(48,558)
Other assets	1,737	2,093
Construction assets:		
Construction supplies	29,461	(16,651)
Construction in progress	(160,287)	(172,062)
Mortgages receivable	(691,079)	(382,827)
Accounts payable	(83,976)	30,998
Accrued salaries & vacation	8,630	12,028
Payroll and sales taxes payable	(1,227)	(1,921)
Deferred revenue	(574)	(1,902)
Operating lease liability	(137,420)	(137,420)
Net cash (used)/provided by operating activities	(809,158)	1,460,411
Cash Flows from Investing Activities		
Proceeds from mortgage receivable sale	744,605	-
Proceeds from sale of equipment	2,600	37,263
Purchase of property & equipment	(146,524)	(69,461)
Net cash provided/(used) by investing activities	600,681	(32,198)
Cash Flows from Financing Activities		
Repayment of notes payable-bank	(17,910)	(13,534)
Net cash used by financing activities	(17,910)	(13,534)
Net Increase (Decrease) in Cash and Cash Equivalents	(226,387)	1,414,679
Cash and Cash Equivalents-Beginning of Year	3,778,256	2,363,577
Cash and Cash Equivalents-End of Year	\$3,551,869	\$3,778,256
Supplemental Information:		
Proceeds from sales of real estate financed through non-interest bearing mortgages receivable, net of discount	\$1,113,878	\$ 641,891
Interest paid	\$ 317	\$ 116

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

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Nature of operations

Wichita Habitat for Humanity, Inc. (the “Organization”) is a nonprofit corporation based in Wichita, Kansas organized for the purpose of constructing modest single family housing for low-income families. The Organization is an affiliate of Habitat for Humanity International, a Georgia nonprofit corporation. The Organization receives its funding primarily from individual and corporate donations. In addition to cash and in-kind contributions of materials and supplies, the Organization relies on volunteers for significant aspects of the housing construction. Additional construction costs are incurred for items which are not donated. Such costs may include real estate, direct materials, subcontractor costs and indirect costs related to construction such as supplies, insurance and building permits.

Homes are sold to eligible families who have been selected by the Organization. In addition to satisfying eligibility criteria, potential homeowners are required to invest 400 hours if dual head of household or 250 hours if single of donated service for the home’s construction. However, for both types of homeowners 100 hours can be donated. The homes are sold to the selected families at the average estimated cost paid to construct the home. Additionally, sales are financed by the Organization with zero percent interest mortgages to the families.

Habitat’s ReStore

Habitat’s ReStore is a store in which building materials, home appliances and supplies are sold to the public. Portions of the merchandise are donated to the Organization, or are surplus materials from construction activities. Other amounts of merchandise that are sold are purchased through traditional methods.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all monies from checking and certificates of deposit which have original maturities of 90 days or less.

Certificates of deposit

Certificates of deposit are carried at cost, which is estimated to approximate fair value. All certificates of deposit which have not been included as a cash equivalent have original maturities greater than 90 days, but less than one year.

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Inventory

Inventory is stated at the lower of cost or net realizable value, computed on the first-in, first-out method. The original carrying value for items purchased for operations, or sale at Habitat's ReStore, is the actual cost to acquire the item. The carrying value of donated items for use in operations is the fair value of the item at the date of the contribution. Donated items for sale at Habitat's ReStore are not recognized until sold.

Construction in progress and land held for development

Construction in progress includes direct costs associated with the construction of a home. Direct costs include materials, supplies, sub-contractor costs and other construction related expenses. Land held for development represents the carrying value of lots owned by the Organization which may be the site of future home construction. The carrying value of construction in progress and land held for development is cost, or if donated, the fair value at the time of the donation. Upon the sale of the home to a homeowner, the construction in progress and land held for development are recognized as cost of homes sold.

Mortgages receivable

Mortgages receivable consist of non-interest bearing notes, which have been collateralized by single family residential property located in the Wichita, Kansas area. The mortgages receivable have been discounted to an estimated present value using discount rates ranging from 5% to 8.78%, over the remaining life of the mortgage. Discount rates are established at the origination of the mortgage and remain fixed over the term of the mortgage.

In 2023, the Organization entered into an agreement whereby it sold packages of mortgage loans to local financial institutions. A gain was recognized based upon the difference of the proceeds received and the net discounted carrying value of the mortgage loans sold.

Property assets

Property and equipment are carried at cost or estimated fair value at date of donation. The Organization typically capitalizes items costing or valued at \$3,000 or more. Depreciation has been computed using the straight-line method over the following estimated useful lives:

Furniture and office equipment	3 to 15 years
Transportation equipment	3 to 5 years
Leasehold improvements	15 years
Warehouse	27.5 years

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with core activities of the Organization.
- With Donor Restrictions - Net assets are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. The Organization has no donor-imposed restrictions which are perpetual in nature.

Revenue and Revenue Recognition

Contributions, including any unconditional promises to give, are recognized as revenues in the period received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as satisfaction of donor restrictions.

Revenue from certain grants and contracts from foundations and governmental entities contain stipulations within the agreements that contain right of return of funds and barriers that make these contributions conditional. These funds are recognized as revenue as eligible costs are incurred and barriers have been met. As of December 31, 2023 and 2022, such conditional grant income approximating \$0 and \$219,434, respectively, had been awarded but has not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. Both conditions require repairing housing units in which the homeowner meets certain area median income levels.

Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as net assets with donor restrictions at the time of receipt. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Revenue and revenue recognition (Continued)

The Organization receives various donated in-kind support including construction materials to use for the construction of homes and operations. Construction materials are recorded at their estimated fair value in the period received. The Organization did not monetize (sell) any of the contributions received from construction materials. The Organization also receives donated household items in their ReStore. Due to the uncertainty of the value of donations made to ReStore, such donations are not recognized as revenue until the donated items are sold. The Organization monetizes (sells) the donated items as soon as they can in their ReStore.

Volunteers have donated significant amounts of their time to the Organization's program services. The value of those donated services are not recorded in the accompanying financial statements, unless the donated services create or enhance non-financial assets and required specialized skills, if the services are provided by individual possessing those skills and if the services would typically need to be purchased if not provided by donation. During the years ended December 31, 2023 and 2022 there were approximately 29,253 and 21,683 hours of volunteer time donated towards the Organization's construction activities that have not been reflected in the accompanying financial statements.

Other revenue items, including home sales and ReStore sales, are considered exchange transactions with revenue recognized as the respective event or exchange occurs within the year. Revenue on the sale of the homes is recognized at the estimated net present value of the proceeds to be received.

Income taxes

The Organization is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Organization is qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising charged to expense on the Statement of Functional Expenses was \$18,926 and \$23,990 for the years ended December 31, 2023 and 2022, respectively. Additional advertising included in direct expense of Habitat's ReStore was \$79,961 and \$71,944 for the years ended December 31, 2023 and 2022, respectively.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, general and administrative, and fund raising activities that were benefited. Program expenses not only include the construction of homes, but also the servicing of non-interest bearing mortgage loans and home buyer education. As noted above, the Organization's program efforts include substantial volunteer effort which is not recognized in the financial statements, therefore, program expenses do not reflect these donated services.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fund raising activities in conjunction with its other activities.

Change in Accounting Principles

Effective January 1, 2023 the Organization adopted the new standard, *Financial Instruments – Credit Losses*, (also known as CECL) that requires the measurement of expected credit losses (allowance for doubtful accounts) that is based on historical experience and current conditions and reasonable and supportable forecasts that affect collectability of reported amounts. The Organization assessed all accounts receivable and determined there was no material impact to the Organization's financial statements as a result of adoption.

2. Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

3. Contributions receivable

Contributions receivable were \$116,567 and \$84,710 as of December 31, 2023 and 2022, respectively. The contributions receivable have been discounted to an estimated present value using a 7.85% and 7.49% rate, respectively, over the remaining life of the receivable.

Contributions receivable are summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>
Less than 1 year	\$ 115,176	\$ 82,849
1 to 5 years	<u>1,500</u>	<u>2,000</u>
	116,676	84,849
Less discount	<u>(109)</u>	<u>(139)</u>
Net contributions receivable	<u>\$ 116,567</u>	<u>\$ 84,710</u>

4. Mortgages receivable

Mortgages receivable consist of non-interest bearing notes, which have been collateralized by single family residential property located in the Wichita, Kansas area. The mortgages receivable have been discounted to an estimated present value using discount rates ranging from 5% to 8.78% over the remaining life of the mortgage. During the year 2018, the Organization transitioned to having their mortgages receivable serviced by a local bank. The notes require monthly payments, including amounts for insurance and taxes. Amounts received for insurance and taxes are held in escrow by the local bank until the due date for the payment. As a result of the loan to value ratio for mortgaged collateral, a provision for loan losses is not considered necessary at December 31, 2023 and 2022. The ultimate collectability of the mortgage receivables and the value of mortgaged collateral are susceptible to changes in the local economy.

Mortgages receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Mortgages receivable	\$ 6,299,238	\$ 6,468,263
Less discount	<u>(2,190,580)</u>	<u>(2,372,102)</u>
Net mortgages receivable	<u>\$ 4,108,658</u>	<u>\$ 4,096,161</u>

In 2023, the Organization entered into an agreement whereby it sold a package of mortgage loans to a local financial institution. The mortgage loans were sold at 85% of the undiscounted carrying value and the Organization received \$744,605 in proceeds during the year ended December 31, 2023. The Organization has guaranteed the performance of these loans to the financial institutions. Should a homeowner default on their payment, the Organization has the option of repurchasing the loan, or replacing the non-performing loan with one that is performing, subject to the financial institutions acceptance of the replacement loan.

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

5. Property and equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 90,067	\$ 97,479
Transportation equipment	192,740	60,437
Leasehold improvements	30,349	30,348
Warehouse	149,984	149,984
	<u>463,140</u>	<u>338,248</u>
Less accumulated depreciation	(180,112)	(166,872)
	<u>\$ 283,028</u>	<u>\$ 171,376</u>

Depreciation charged to expense on the Statement of Functional Expenses was \$25,367 and \$22,553 for the years ended December 31, 2023 and 2022, respectively. Additional depreciation included in direct expense of Habitat's ReStore was \$9,505 and \$6,409 for the years ended December 31, 2023 and 2022, respectively.

6. Note payable - bank

The note payable to a bank consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Note payable to a bank payable in monthly installments of \$1,235 beginning April 13, 2014 and maturing March 13, 2024, bearing an interest rate of 5%, adjusting annually based upon a U.S. Treasury index, plus 3.5%, secured by warehouse	<u>\$ -</u>	<u>\$ 17,910</u>

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

7. Net assets without donor restrictions

Net assets without donor restrictions are for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 7,410,519	\$ 8,416,698
Board designated - operating reserve	250,000	250,000
Board designated - land/construction	1,000,000	-
Board designated - tithe	154,370	200,000
Board designated - capital assets	41,076	-
	<u>\$ 8,855,965</u>	<u>\$ 8,866,698</u>

8. Net assets with donor restrictions

Net assets with donor restrictions are for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Home construction	\$ 1,913	\$ 1,913
Home repair	60,000	28,521
Homeowner education	49,162	59,934
	<u>\$ 111,075</u>	<u>\$ 90,368</u>

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

9. Financial assets and liquidity resources

The following schedule reflects the Organization's financial assets available for general expenditure as of December 31, 2023 and 2022, reduced by amounts that are not available for general use due to donor-imposed and/or board designated restrictions within one year of the statement of financial position date:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 3,551,869	\$ 3,778,256
Certificates of deposit	294,651	285,008
Accounts receivable	147,292	283,650
Contributions receivable	116,567	84,710
	4,110,379	4,431,624
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions:		
Home construction	1,913	1,913
Home repair	60,000	28,521
Homeowner education	49,162	59,934
	111,075	90,368
Board designated:		
Operating reserve	250,000	250,000
Land and construction	1,000,000	-
Tithe	154,370	200,000
Capital Assets	41,076	-
	1,445,446	450,000
	1,556,521	540,368
Total financial assets available to meet cash need for general purpose expenditures within one year	\$ 2,553,858	\$ 3,891,256

The Organization's objective is to maintain financial assets to meet operating expenses as due. The Organization maintains excess cash in liquid money market accounts and certificates of deposit.

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

10. Other related party

Ten percent of Habitat’s ReStore’s net income is contributed to Habitat for Humanity International to support housing construction in third world countries. During the year ended December 31, 2022, after receiving a large, one-time donation, the Organization’s board decided to tithe. Contributions to Habitat for Humanity International and other affiliated organizations were as follows for the years ended December 31:

	2023	2022
Statement of functional expense - Tithe	\$ 63,061	\$ 63,943

Wichita Habitat for Humanity had accounts payable of \$712 and \$25,865 to Habitat for Humanity International as of December 31, 2023 and 2022, respectively.

11. Leases

The Organization leases certain office facilities under a long-term non-cancelable operating lease agreement. The lease expires in December 2023. The Organization also leases retail space for the Habitat’s ReStore under a long-term non-cancelable operating lease. The lease expires March 2028. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building classes of assets.

The Organization determines the standalone prices of both lease and non-lease components and only the lease components will be included in the determination of the lease asset and liability.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. As of December 31, 2023, the Organization had no short term leases.

Total lease costs for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Operating lease cost	\$ 137,420	\$ 137,420

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

11. Leases (Continued)

The following table summarized the supplemental cash flow information for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 137,420	\$ 137,420

The following summarized the weighted-average remaining lease term and weighted-average discount rate:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term in years:		
Operating leases	4.25	5.03
	<u>2023</u>	<u>2022</u>
Weighted-average discount rate:		
Operating leases	2.65%	2.65%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

	<u>Operating</u>
December 31,	
2024	\$ 108,500
2025	108,500
2026	108,500
2027	108,500
2028	<u>27,125</u>
Total undiscounted cash flows	461,125
Less present value discount	<u>(24,511)</u>
Present value of lease liabilities	<u>\$ 436,614</u>

Wichita Habitat for Humanity, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

12. In kind contributions

The following is a summary of the Organization's non-financial support, as shown on the statement of activities, for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Construction materials	<u>\$ 292,438</u>	<u>\$ 276,883</u>

Construction materials generally include electrical, plumbing and HVAC materials, appliances, concrete, doors and windows and moisture wrap. Materials are used in the construction of new homes and are recognized at fair value based on current prices of similar items.

All in-kind contributions during the years ended December 31, 2023 and 2022 were unrestricted.

13. Pension plan

During 2009, Wichita Habitat for Humanity, Inc. implemented a 403(b) thrift plan for its employees. The employees become eligible to make contributions to the plan beginning on the first day of employment when working more than 20 hours per week. Employees are eligible for employer contributions when they have attained 21 years of age, have been employed for more than six months and when working more than 20 hours per week. The participants can defer up to \$22,500 and \$20,500 of their compensation for 2023 and 2022. The Organization matches 50% of contributions made up to 7% of their compensation. Total expense for the plan was \$21,972 and \$24,852 for the years ended December 31, 2023 and 2022, respectively.

14. Commitments

The Organization has commitments to sell homes currently under construction at estimated cost and to finance the sale with non-interest bearing mortgage receivables to potential homeowners, based upon the satisfaction of certain requirements by the potential homeowner. Substantially all properties included in construction in progress are identified for such sale.

15. Subsequent events

Subsequent to year end, the Organization purchased a building for \$682,500. The Organization will consolidate their office and warehouse into the new building.

Subsequent events were evaluated through August 20, 2024, which is the date the financial statements were available to be issued.

Supplemental Information

Wichita Habitat for Humanity, Inc.
Supplemental Information-Direct Expense of Habitat's ReStore
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Salaries	\$ 438,442	\$ 370,937
Employee benefits	56,822	36,006
Payroll taxes	34,520	31,147
Professional fees	456	1,977
Supplies	18,172	15,537
Telephone	4,872	5,027
Postage and shipping	-	12
Occupancy	236,727	227,603
Printing	154	69
Travel	-	14
Repairs	5,340	309
Advertising	79,961	71,944
Auto	9,976	15,837
Training	-	71
Dues and subscriptions	301	199
Fees	30,458	25,854
Other	2,429	2,122
Insurance	20,250	17,169
Depreciation	9,505	6,409
	<u> </u>	<u> </u>
Total direct expenses of Habitat's ReStore	<u>\$ 948,385</u>	<u>\$ 828,243</u>