

HABITAT COMMUNITY CAPITAL
(FORMERLY EBSV COMMUNITY DEVELOPMENT, INC.)
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2024 AND 2023

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

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LINDQUIST
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Certified Public Accountants

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Habitat Community Capital
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INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Habitat Community Capital, formerly EBSV Community Development, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2024 and 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat Community Capital as of June 30, 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 Financial Statements section of our report. We are required to be independent of Habitat Community Capital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Related-party Transactions

As discussed in Note 1 to the financial statements, Habitat Community Capital is controlled by the Board of Directors of Habitat for Humanity East Bay/Silicon Valley. Our opinion is not modified with respect to this matter.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the financial statements, Habitat Community Capital adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on current expected credit losses. Our opinion is not modified with respect to this matter.

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 Habitat Community Capital's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 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 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 Habitat Community Capital'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 Habitat Community Capital'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.

Lindquist, von Husen and Joyce LLP

November 26, 2024

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|---|--------------|--------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 374,831 | \$ 2,195,400 |
| Receivables, net: | | |
| Related-party (Note 6) | 1,000,000 | 245,000 |
| Mortgages receivable, net – current portion (Note 3) | 273,343 | 219,919 |
| Other | - | 7,820 |
| Prepaid expenses | 14,706 | - |
| Total current assets | 1,662,880 | 2,668,139 |
| Mortgages receivable, net – net of current portion (Note 3) | 6,839,995 | 3,181,082 |
| Property and equipment – net (Note 4) | 16,127 | 22,912 |
| Deferred costs – net (Note 5) | 132,015 | 124,401 |
| Total assets | \$ 8,651,017 | \$ 5,996,534 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 13,808 | \$ 41,674 |
| Related-party payable (Note 6) | 66,236 | 40,325 |
| Notes payable – current portion (Note 7) | 131,912 | 57,799 |
| Total current liabilities | 211,956 | 139,798 |
| Notes payable – net of current portion (Note 7) | 3,762,880 | 878,798 |
| Other subordinate debt (Note 8) | 4,192,963 | 4,174,231 |
| Total liabilities | 8,167,799 | 5,192,827 |
| Net assets: | | |
| Without donor restrictions | 483,218 | 803,707 |
| Total net assets | 483,218 | 803,707 |
| Total liabilities and net assets | \$ 8,651,017 | \$ 5,996,534 |

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

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
 STATEMENTS OF ACTIVITIES
 YEARS ENDED JUNE 30, 2024 AND 2023

| | <i>Without Donor Restrictions</i> | |
|---|-----------------------------------|--------------------------|
| | <u>2024</u> | <u>2023</u> |
| Support and revenue: | | |
| Grants and contributions | \$ 100,000 | \$ - |
| Total support and revenue | <u>100,000</u> | <u>-</u> |
| Expenses: | | |
| Program services | 365,847 | 395,479 |
| Management and general | 282,099 | 238,737 |
| Total expenses | <u>647,946</u> | <u>634,216</u> |
| Change in net assets before other revenue | (547,946) | (634,216) |
| Other revenue (expense): | | |
| Interest and other income (Note 10) | 156,955 | 91,025 |
| Mortgage discount amortization | 70,530 | 52,710 |
| Other expense | (28) | (50,172) |
| Total other revenue and expense | <u>227,457</u> | <u>93,563</u> |
| Change in net assets | (320,489) | (540,653) |
| Net assets, beginning of year | <u>803,707</u> | <u>1,344,360</u> |
| Net assets, end of year | <u><u>\$ 483,218</u></u> | <u><u>\$ 803,707</u></u> |

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

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | | | 2023 | | |
|---|-----------------------------|-----------------------------------|--------------|-----------------------------|-----------------------------------|--------------|
| | <i>Program Services</i> | <i>Management and General</i> | <i>Total</i> | <i>Program Services</i> | <i>Management and General</i> | <i>Total</i> |
| Homeowner relations | \$ 24,000 | \$ - | \$ 24,000 | \$ 24,000 | \$ - | \$ 24,000 |
| Professional services | 308,749 | 8,488 | 317,237 | 350,340 | 2,410 | 352,750 |
| Interest (Note 8) | - | 262,622 | 262,622 | - | 232,101 | 232,101 |
| Depreciation and amortization | 6,785 | 8,386 | 15,171 | 688 | 2,308 | 2,996 |
| Miscellaneous | 26,313 | 2,603 | 28,916 | 20,451 | 1,918 | 22,369 |
| Total expenses as shown in the statements of activities | 365,847 | 282,099 | 647,946 | 395,479 | 238,737 | 634,216 |
| Other expenses | 28 | - | 28 | 50,172 | - | 50,172 |
| Total expenses | \$ 365,875 | \$ 282,099 | \$ 647,974 | \$ 445,651 | \$ 238,737 | \$ 684,388 |

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

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (320,489) | \$ (540,653) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Mortgage discount amortization | (70,530) | (52,710) |
| Depreciation and amortization | 15,171 | 2,996 |
| Interest expense – permanent loan cost amortization | 158,667 | 135,752 |
| (Increase) decrease in assets: | | |
| Other receivable | 7,820 | (7,820) |
| Prepaid expenses | (14,706) | 19,999 |
| Increase in liabilities: | | |
| Accounts payable and accrued expenses | (27,866) | 17,413 |
| Related-party payable | 25,911 | 40,325 |
| | (226,022) | (384,698) |
| Net cash used in operating activities | | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | (23,600) |
| Issuance/acquisition of mortgages receivable | (3,942,825) | (1,451,817) |
| Collection of mortgages receivable | 301,018 | 299,522 |
| Collection of related-party receivable | (755,000) | 186,092 |
| Deferred costs paid | (16,000) | (30,398) |
| | (4,412,807) | (1,020,201) |
| Net cash used in investing activities | | |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 3,063,300 | - |
| Repayment of note payable | (80,140) | (57,799) |
| Payment of permanent loan fees | (164,900) | (324,501) |
| | 2,818,260 | (382,300) |
| Net cash provided by (used in) financing activities | | |
| Decrease in cash | (1,820,569) | (1,787,199) |
| Cash, beginning of year | 2,195,400 | 3,982,599 |
| Cash, end of year | \$ 374,831 | \$ 2,195,400 |
| Supplementary information: | | |
| Cash paid for interest | \$ 103,955 | \$ 96,349 |

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

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Habitat Community Capital (HCC), formerly EBSV Community Development, Inc., is a California nonprofit public benefit corporation, which was formed on May 25, 2016. Habitat for Humanity East Bay/Silicon Valley (HEBSV), a California nonprofit public benefit corporation, is affiliated with and has majority board control of HCC, which was formed as an instrument to further HEBSV's organizational objectives. HCC's purpose is to meet the affordable housing-related credit and service needs of very-low, low-, and moderate-income families. HCC obtained Community Development Financial Institution certification of the CDFI Fund of the U.S. Department of Treasury on May 5, 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Methods

HCC uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

HCC reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of HCC.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. HCC has no net assets with non-expiring donor restrictions as of June 30, 2024 and 2023.

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions. Contributions restricted for the purchase of long-lived assets, are reported as without donor restriction when the assets are placed in service, unless continuing use restrictions apply.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand.

Mortgages Receivable

Mortgages receivable consist of mortgages originated by HCC, as well as mortgages acquired by HCC. Mortgages originated by HCC bear interest ranging from 4.25% to 5.50%. Mortgages acquired by HCC generally bear no interest and are discounted to reflect imputed interest over the lives of the mortgages. For acquired mortgages, the discount is calculated as the difference between the gross value of the mortgages acquired and the acquisition price. The discount rates based on this calculation which is used to impute interest range between 2.50% and 6.26%. Mortgages are reported net of unamortized discount and amortization is recognized on a straight-line basis. Management estimates that the difference between amortization calculated using the straight-line method and the effective interest method is not material.

Management may sell a portion of the mortgages. Due to the uncertainty of the timing and amount of each sale of those mortgage receivables, any loss resulting from such transactions will be recorded when the transactions are settled or when amounts can be reasonably estimated.

New Accounting Standard on Current Expected Credit Losses

New accounting standards on current expected credit losses, required by accounting principles generally accepted in the United States of America, significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

HCC adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Management estimates an allowance for credit losses on mortgages receivable balances that may not be collected which is an estimate based upon current and projected economic conditions, prior loan loss experience, the value of the underlying collateral, continuing review of the loan, and evaluation of credit risk. The allowance is increased or decreased by a provision (recapture) for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Management has determined mortgages receivable were fully collectible and as such, no allowance for mortgage losses was deemed necessary as of June 30, 2024 and 2023.

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Property and Equipment

Property and equipment are stated at cost of acquisition, or fair market value if donated. The costs of maintenance and repairs below \$3,000 that neither significantly add to the permanent value of property and equipment nor prolong its intended useful life are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

| | |
|------------------|---------|
| Office equipment | 5 years |
|------------------|---------|

Deferred Costs

Deferred costs were incurred in order to acquire mortgages. Deferred costs are amortized on a straight-line basis over the term of the acquired mortgages.

Notes Payable

GAAP requires that notes payable bearing no interest are discounted to reflect imputed interest using the effective interest method over the lives of the loan, if the financial statement impact is material. Notes payable to governmental entities are exempt from the requirement to impute interest.

Permanent Loan Costs

Costs incurred in order to obtain permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

Income Taxes

HCC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections, except on net income derived from unrelated business activities.

HCC believes that it has appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. HCC's federal and state information returns for the years 2020 through 2023 are subject to examination by regulatory agencies, generally for three years and four years after they were filed federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

Subsequent Events

Management has evaluated subsequent events through November 26, 2024, the date on which the financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2023 financial statements were reclassified to conform to the 2024 presentation for comparative purposes.

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 3 – MORTGAGES RECEIVABLE

Mortgages receivable are summarized as follows:

| | 2024 | 2023 |
|----------------------------|--------------|--------------|
| Mortgage receivable, gross | \$ 8,685,177 | \$ 4,577,692 |
| Less: unamortized discount | (1,571,839) | (1,176,691) |
| | 7,113,338 | 3,401,001 |
| Less: current portion | (273,343) | (219,919) |
| Long-term portion | \$ 6,839,995 | \$ 3,181,082 |

HCC had 83 and 65 1st lien mortgages outstanding in 2024 and 2023, respectively. Mortgages were purchased from the following Habitat for Humanity organizations:

Habitat for Humanity East Bay/Silicon Valley (a related party): 14 mortgages with an aggregate balance of \$1,611,837 purchased at a discount of 29% in July 2016. Monthly payments of \$4,817 as adjusted based on collections anticipated through 2045.

Habitat for Humanity Fresno: 12 mortgages with an aggregate balance of \$645,610 purchased at a discount of 23% in February 2019. Monthly payments of \$4,844 as adjusted based on collections anticipated through 2033.

Habitat for Humanity Tulare/Kings Counties: 13 mortgages with an aggregate balance of \$371,012 purchased at a discount of 23% in June 2020. Monthly payments of \$3,738 as adjusted based on collections anticipated through 2036.

Habitat for Humanity Fresno: 9 mortgages with an aggregate balance of \$474,755 purchased at a discount of 34% in September 2020. Monthly payments of \$2,528 as adjusted based on collections anticipated through 2043.

Habitat for Humanity Fresno: 9 mortgages with an aggregate balance of \$654,200 purchased at a discount of 36% in July 2021. Monthly payments of \$3,094 as adjusted based on collections anticipated through 2042.

Habitat for Humanity Calaveras: 6 mortgages with an aggregate balance of \$511,661 purchased at a discount of 40% in April 2023. Monthly payments of \$2,208 as adjusted based on collections anticipated through 2050.

Habitat for Humanity East Bay/Silicon Valley (a related party): 2 mortgages with an aggregate balance of \$296,892 purchased at a discount of 25% in June 2023. Monthly payments of \$1,073 as adjusted based on collections anticipated through 2050.

Habitat for Humanity San Bernardino: 2 mortgages with an aggregate balance of \$551,271 purchased at a discount of 60% in September 2023. Monthly payments of \$1,145 as adjusted based on collections anticipated through 2063.

Habitat for Humanity Honolulu: 2 mortgages with an aggregate balance of \$285,733 purchased at a discount of 48% in November 2023. Monthly payments of \$933 as adjusted based on collections anticipated through 2049.

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Collected payments from the mortgages are remitted to HCC through a loan servicing agent or the Habitat for Humanity organizations who continue to service the loans. Mortgages were issued by HCC related to homes sold by the following Habitat for Humanity organizations:

HEBSV: 2 mortgages with an aggregate balance of \$921,976 and 1 mortgage with a balance of \$402,000 issued in June 2023 and May 2024, respectively. Monthly payments of \$4,536 and \$2,097 are due through 2053 and 2054, respectively.

Habitat for Humanity San Gabriel Valley: 2 mortgages with balances of \$270,000 and \$222,000 issued in December 2023 and May 2024, respectively. Monthly payments of \$2,638 are due through 2054.

Habitat for Humanity Inland Valley: 1 mortgage with a balance of \$275,000 issued in January 2024. Monthly payments of \$1,475 are due through 2054.

Habitat for Humanity San Diego: 10 mortgages with an aggregate balance of \$2,402,500 issued in June 2024. Monthly payments of \$13,641 are due through 2054.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

| | 2024 | 2023 |
|--------------------------------|-----------|-----------|
| Office equipment | \$ 23,600 | \$ 23,600 |
| Less: accumulated depreciation | (7,473) | (688) |
| Total property and equipment | \$ 16,127 | \$ 22,912 |

NOTE 5 – DEFERRED COSTS

Deferred costs are summarized as follows:

| | 2024 | 2023 |
|--------------------------------|------------|------------|
| Mortgage acquisition costs | \$ 163,850 | \$ 147,850 |
| Less: accumulated amortization | (31,835) | (23,449) |
| Total deferred costs | \$ 132,015 | \$ 124,401 |

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 6 – RELATED-PARTY TRANSACTIONS

Expenses paid to related parties included on the statement of activities are summarized as follows:

| | 2024 | 2023 |
|--|------------|------------|
| HEBSV: | | |
| Outsourced services ⁽¹⁾ | \$ 297,069 | \$ 303,965 |
| Community counseling services ⁽¹⁾ | 24,000 | 24,000 |
| Total | \$ 321,069 | \$ 327,965 |

⁽¹⁾ HCC contracted HEBSV to provide the following services to residents of Alameda County, Contra Costa County and Santa Clara County: pre-purchase counseling; pre-purchase homebuyers education workshops; financial management counseling; financial, budgeting and credit workshops and non-delinquency post purchase workshops. HCC also pays HEBSV for outsourced services related to contracted labor related to certain officers and other employee positions.

The operating advances owed to HEBSV as of June 30, 2024 and 2023 amounted to \$66,236 and \$40,325, respectively.

In June 2020, HCC entered into a loan agreement with HEBSV in the amount of \$375,000, accruing interest at the rate of 4.0% per annum. Effective June 2021, the \$375,000 project loan was paid off, and a new loan was made for the same project (Pacifica Landing) in the amount of \$425,000, accruing interest at the rate of 3.6% per annum. HCC is entitled to receive monthly interest payments of \$1,275 through June 19, 2022, at which time the remaining principal and interest shall be due in full. The loan was amended effective June 19, 2022, to extend the due date to June 19, 2023. In June 2023, the remaining principal and interest were paid in full.

In August 2022, HCC entered into a loan agreement with HEBSV in the amount of \$670,000, accruing interest at the rate of 5.0% per annum. HCC was entitled to receive monthly interest payments of \$2,792 through August 2023, at which time the remaining principal and interest were paid in full. The outstanding principal balance was \$-0- and \$245,000 as of June 30, 2024 and 2023, respectively.

In January 2024, HCC entered into a loan agreement with HEBSV in the maximum amount of \$1,500,000, accruing interest at the rate of 6.0% per annum. HCC is entitled to receive monthly interest payments of \$6,000 through January 2025, at which time the remaining principal and interest shall be due in full. The remaining principal as of June 30, 2024 was \$1,000,000.

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

| | 2024 | 2023 |
|---|--------------|--------------|
| Northern Trust, in the original amount of \$1,383,612, bears no interest, with monthly installments of \$4,817, due in full in May 2045. | \$ 1,181,315 | \$ 1,239,114 |
| Heritage Bank of Commerce, in the original amount of \$1,158,986, bears interest of 1.75%, with monthly payments of \$4,158, due in full in July 2053. | 1,136,645 | - |
| Community Bank of the Bay, in the original amount of \$1,904,314, bears interest of 2.5%, with monthly payments of \$7,581, due in full in February 2054. | 1,904,314 | - |
| Total | 4,222,274 | 1,239,114 |
| Less: unamortized permanent loan costs ⁽¹⁾ | (327,482) | (302,517) |
| Net | 3,894,792 | 936,597 |
| Less: current portion | (131,912) | (57,799) |
| Long-term portion | \$ 3,762,880 | \$ 878,798 |

⁽¹⁾ Costs incurred in order to obtain permanent financing were \$589,826 and \$424,926 as of June 30, 2024 and 2023, respectively, and are amortized on a straight-line basis into interest expense over the term of the notes. Interest expense for amortization of permanent loan costs was \$139,935 and \$117,464 in 2024 and 2023, respectively.

Scheduled principal payments on the note payable for the next five years are estimated as follows:

| | <i>Year Ending June 30,</i> |
|------------|-----------------------------|
| 2025 | \$ 131,912 |
| 2026 | 133,555 |
| 2027 | 135,235 |
| 2028 | 136,954 |
| 2029 | 138,712 |
| Thereafter | 3,545,906 |
| Total | \$ 4,222,274 |

HABITAT COMMUNITY CAPITAL
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 8 – OTHER SUBORDINATE DEBT

In June 2016, HCC entered into a subordinated equity note agreement with Heritage Bank of Commerce. The agreement provides for Heritage Bank of Commerce to purchase from HCC a subordinated equity note at a purchase price of \$350,000 which is structured as a subordinated unsecured equity equivalent investment (EQ). The EQ requires quarterly interest-only payments at a rate of 2.50% per annum. The original maturity date of the EQ was April 1, 2021, which is expected to be extended annually through April 2041. Currently, the extended maturity date is April 1, 2029. The EQ was made subordinate to all other obligations of HCC. The interest expense was \$8,873 and \$8,849 for 2024 and 2023, respectively.

A second EQ, in the amount of \$2,000,000 was obtained by HCC from City National Bank in November 2016. The EQ bears quarterly interest-only payments at a rate of 2.50% per annum. The loan was originally due in full on January 1, 2022, which is expected to be extended annually through January 1, 2042. Currently, the extended maturity date is January 1, 2029. The interest expense was \$50,000 in both 2024 and 2023.

A third EQ, in the amount of \$2,000,000 was obtained by HCC from Western Alliance Bank in October 2021. The EQ bears quarterly interest-only payments at a rate of 1.50% per annum and has a maturity date of January 1, 2028, which was extended to January 1, 2029. The interest expense was \$30,000 and \$37,500 for 2024 and 2023, respectively.

Costs incurred in order to obtain permanent financing were \$236,875 and are amortized on a straight-line basis into interest expense over the term of the subordinate debts. The unamortized permanent loan costs balance was \$157,037 and \$175,769 as of June 30, 2024 and 2023, respectively. Interest expense for amortization of permanent loan costs was \$18,732 for both 2024 and 2023.

NOTE 9 – LIQUIDITY AND AVAILABILITY

The following financial assets can be readily made available within one year of the statements of financial position date to meet general expenditures:

| | 2024 | 2023 |
|---------------------------------------|--------------|--------------|
| Cash | \$ 374,831 | \$ 2,195,400 |
| Related party receivable | 1,000,000 | 245,000 |
| Mortgage receivable – current portion | 273,343 | 219,919 |
| Other receivable | - | 7,820 |
| | \$ 1,648,174 | \$ 2,668,139 |
| Total | \$ 1,648,174 | \$ 2,668,139 |

NOTE 10 – INTEREST AND OTHER INCOME

Interest and other income are summarized as follows:

| | 2024 | 2023 |
|----------------------------|------------|-----------|
| Interest income | \$ 130,350 | \$ 58,750 |
| Miscellaneous other income | 26,605 | 32,275 |
| | \$ 156,955 | \$ 91,025 |
| Total | \$ 156,955 | \$ 91,025 |