



**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**  
**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2023)**

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## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors  
Habitat Omaha Affordable Mortgage Solutions, Inc.  
Omaha, Nebraska

### ***Opinion***

We have audited the accompanying financial statements of Habitat Omaha Affordable Mortgage Solutions, Inc. (the Organization), a Nebraska non-profit corporation, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS (Continued)**

### ***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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS (Continued)

### *Report on Summarized Comparative Information*

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bland + Associates, P.C.*

Omaha, Nebraska  
May 27, 2025

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,138,556	\$ 324,123
Restricted Cash	7,964,650	974,608
Unconditional Promises to Give, Net	276,560	197,813
Other Receivables	557,500	-
Mortgage Loans, Net	33,257,237	23,373,826
Other Assets	1,100	1,100
<b>TOTAL ASSETS</b>	<b><u>\$ 43,195,603</u></b>	<b><u>\$ 24,871,470</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 393,250	\$ 117,000
Long-Term Debt	26,918,711	19,070,402
Intercompany Payables, Net	4,866,946	5,489,007
Total Liabilities	<u>32,178,907</u>	<u>24,676,409</u>
 <b>NET ASSETS</b>		
Without Donor/Grantor Restrictions		
Undesignated	3,494,089	(204,939)
Board Designated	1,502,089	-
Total Without Donor/Grantor Restrictions	<u>4,996,178</u>	<u>(204,939)</u>
With Donor/Grantor Restrictions		
Purpose Restrictions	6,020,518	400,000
Total Net Assets	<u>11,016,696</u>	<u>195,061</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 43,195,603</u></b>	<b><u>\$ 24,871,470</u></b>

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

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**STATEMENTS OF ACTIVITIES, FUNCTIONAL EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2024**  
**(With Summarized Comparative Information for 2023)**

	2024			2023
	Without Donor/Grantor Restrictions	With Donor/Grantor Restrictions	Total	Total
<b>OPERATING REVENUES AND SUPPORT:</b>				
Contributions	\$ 13,747	\$ 1,254,871	\$ 1,268,618	\$ 388,813
Grants	-	5,551,883	5,551,883	125,000
Grants from Affiliate	3,316,239	-	3,316,239	-
Mortgage Origination Service Fees	642,812	-	642,812	646,565
In-kind Contributions	39,000	-	39,000	28,373
Interest Income	739,048	177,754	916,802	390,820
Other Revenue	526,734	-	526,734	-
Satisfaction of Donor Restrictions	1,363,990	(1,363,990)	-	-
Total Operating Revenues and Support	6,641,570	5,620,518	12,262,088	1,579,570
<b>OPERATING EXPENSES:</b>				
Program Services:				
Salaries and Benefits	396,095	-	396,095	417,084
Interest Expense	511,640	-	511,640	271,736
Allowance for Credit Losses	291,000	-	291,000	234,000
Information Technology	56,195	-	56,195	67,200
Professional Services	31,882	-	31,882	25,618
All Other Expense	81,641	-	81,641	103,870
Total Program Services	1,368,453	-	1,368,453	1,119,509
Supporting Services:				
Management and General	72,000	-	72,000	60,000
Total Operating Expenses	1,440,453	-	1,440,453	1,179,509
<b>CHANGES IN NET ASSETS (Note C)</b>	5,201,117	5,620,518	10,821,635	400,061
<b>NET ASSETS - BEGINNING OF PERIOD</b>	(204,939)	400,000	195,061	-
<b>ADOPTION OF TOPIC 326 (Note B)</b>	-	-	-	(205,000)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 4,996,178</b>	<b>\$ 6,020,518</b>	<b>\$ 11,016,696</b>	<b>\$ 195,061</b>

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

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31,**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 10,821,635	\$ 400,061
Adjustments to Reconcile Changes in Net Assets to Cash Provided by Operating Activities:		
Increase in Allowance for Credit Losses (ACL)	291,000	234,000
Discounts on Unconditional Promises to Give	(3,747)	22,187
Loan Discount Interest Income	(130,322)	-
Intercompany Transfer of Mortgages Receivable, Net of Discount	(395,784)	-
Changes in Operating Assets and Liabilities		
Unconditional Promises to Give	(75,000)	(220,000)
Other Receivables	(557,500)	5,000
Intercompany Payables	(501,908)	761,879
Accounts Payable and Accrued Expenses	136,250	-
Net Cash Flows Provided by Operating Activities	9,584,623	1,203,127
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Houses Financed	(17,490,827)	(14,108,101)
Mortgage Loans Sold	7,101,203	4,163,210
Principal Payments on Mortgage Loans and Other Items	761,167	306,677
Net Cash Flows Used In Investing Activities	(9,628,457)	(9,638,214)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	(735,163)	(309,294)
Proceeds from Issuance of Long-Term Debt	8,583,472	9,553,001
Net Cash Flows Provided by Financing Activities	7,848,309	9,243,707
 Net Increase in Cash, Cash Equivalents, and Restricted Cash	 7,804,475	 808,620
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:</b>		
Beginning of Year	1,298,731	490,111
End of Year	\$ 9,103,206	\$ 1,298,731
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
Recognition of ACL upon adoption of Topic 326 (Note B)	\$ -	\$ 205,000
Houses Financed Through Intercompany Payables	\$ 4,124,049	\$ 4,230,918
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 511,640	\$ 271,736

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

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2024**  
**(With Summarized Comparative Information For 2023)**

**NOTE A – BASIS OF PRESENTATION**

**Controlled Organizations**

Habitat Omaha Affordable Mortgage Solutions, Inc. (HOAMS), a Nebraska non-profit corporation, was incorporated in June 2021, and began operations effective August 1, 2021. HOAMS is one of several legal entities controlled by Habitat for Humanity of Omaha, Inc. (HFHO), through the respective organizational and ownership structures of the entities. HFHO and its other controlled entities are summarized as follows:

- HFHO, a Nebraska non-profit corporation, was incorporated in 1984, and operates as an affiliate under the guidelines of Habitat for Humanity International, Inc. (HFHI). HFHI's primary activities, mission, and vision are summarized as follows:
  - HFHI is a global nonprofit housing organization working in local communities across all 50 states in the U.S. and in approximately 70 countries.
  - HFHI's vision is a world where everyone has a decent place to live. HFHI works toward this vision by building strength, stability, and self-reliance in partnership with families in need of decent and affordable housing.
  - HFHI's homeowners help build their own homes alongside volunteers, and they pay an affordable mortgage.
  - HFHI's advocacy efforts focus on policy reform to remove systemic barriers preventing low-income and historically underserved families from accessing adequate, affordable shelter.

Although HFHI assists with information resources, training, publications, prayer support, and in other ways, HFHO is primarily and directly responsible for its own (and its wholly controlled entities) operations.

- 1701, LLC, a wholly owned subsidiary of HFHO, was incorporated in 2012. 1701, LLC was organized to purchase the main warehouse and office facilities and aid HFHO in completing Tax Increment Financing arrangements.
- HFHO Real Estate Holdings, Inc. (HFHO REH), a Nebraska non-profit corporation, was incorporated in 2013. HFHO REH was organized to acquire and operate certain assets previously owned by HFHO, for the purpose of qualifying for the benefits of the New Market Tax Credit (NMTC) transaction that occurred in 2013. As part of the 2013 NMTC transaction, HFHO REH purchased HFHO's ReStore retail stores and HFHO's main warehouse and office facilities, which are being leased back to HFHO.

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE A – BASIS OF PRESENTATION (Continued)**

**Controlled Organizations (Continued)**

- Habitat for Humanity of Sarpy County, Inc. (Habitat Sarpy), a Nebraska non-profit corporation, was incorporated in 1994. Habitat Sarpy operated as an independent affiliate of HFHI through June 30, 2020, in Sarpy County, Nebraska, which is the county adjacent to HFHO's geographic service area. Effective July 1, 2020, the Habitat Sarpy operations merged into HFHO through a restructuring agreement in which Habitat Sarpy's operations came under control of HFHO. As a result, Habitat Sarpy's assets, liabilities, net assets, and results of operations were included in HFHO's consolidated financial statements.

On September 11, 2024, Habitat Sarpy's Board of Directors voted to formally dissolve the entity for the following reasons: (i) dissolving Habitat Sarpy, and transferring its geographical program focus and residual assets to Habitat Omaha and Habitat Omaha Affordable Mortgage Solutions, Inc. (HOAMS), would result in operational efficiencies, scaled benefits, and improvement in the overall organizational combined performance, while having no adverse impact in the level or quality of delivery of affordable homeownership and financing programs to Habitat Sarpy's service area, and (ii) Habitat Omaha and HOAMS were acceptable 501(c)(3) organizations allowed to receive the Habitat Sarpy's residual assets upon proper dissolution, as outlined in its Articles of Incorporation. Upon the final dissolution of Sarpy County, which was completed in 2024, the amount of the residual assets distributed to Habitat Omaha and HOAMS during 2024 was \$1.0 million, and \$0.4 million, respectively.

The consolidated financial statements prepared annually by HFHO include the accounts of HFHO and the controlled entities described above, including HOAMS. The financial statements and notes prepared herein represent the financial statements of the HOAMS legal entity only. HOAMS' intercompany transactions and accounts that are eliminated in the HFHO consolidated financial statements are reflected in HOAMS' stand-alone financial statements as intercompany transactions and accounts with HFHO and its controlled entities (Note C). Hereafter, reference to HFHO in these footnotes includes the accounts and activities of HFHO and its other controlled entities, excluding HOAMS, as outlined above.

**Formation of HOAMS**

In June 2021, HOAMS was formed as a "spin off" of HFHO's previous mortgage lending activities. The spin off included the legal assignment and transfer of HFHO's mortgage assets, debt obligations, and certain operating contracts transacted during 2021 from HFHO to HOAMS, effective August 1, 2021. The amount of mortgage loans and corresponding debt obligations transferred from HFHO to HOAMS at that time was \$2.8 million (consisting of 22 mortgage loans), along with a contingent-recourse obligation (i.e., a guarantee) of \$0.6 million related to five (5) mortgage loans sold by HFHO prior to August 1, 2021 (see Note F for additional discussion). Effective August 1, 2021, HOAMS began its mortgage lending practices as a separate legal entity, and all mortgage lending activities of the HFHO controlled entities subsequent to that date have been conducted by HOAMS.

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2024**  
**(With Summarized Comparative Information For 2023)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

This summary of significant accounting policies of HOAMS is presented to assist in understanding HOAMS' financial statements. The financial statements and notes are representations of HOAMS' management, who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to GAAP and have been consistently applied in the preparation of the financial statements.

HOAMS is required to provide financial statements, which are prepared to focus on the organization as a whole and to present balances and transactions, according to the existence or absence of donor-imposed restrictions.

HOAMS maintains its accounts on the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net Assets Without Donor/Grantor Restrictions:*

- Net assets which are not subject to any donor/grantor-imposed restrictions.
- Income that is limited to specific uses by donor/grantor restrictions is reported as increases in net assets without donor/grantor restrictions if the restrictions are met in the same reporting period as the income is recognized.

*Net Assets With Donor/Grantor Restrictions:*

- Net assets subject to donor/grantor-imposed restrictions that may or will be met by actions of HOAMS for a specific purpose and/or the passage of time.

**Summary of Operations**

HOAMS was organized by HFHO in June 2021 to provide affordable home mortgages to low- and moderate-income families who lack access to capital, with the purpose of providing services that expand homeownership opportunities to underserved individuals and families. Since its formation, HOAMS' has issued over 280 loans, totaling approximately \$49 million.

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2024**  
**(With Summarized Comparative Information For 2023)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Summary of Operations (Continued)**

HOAMS' geographic service area for its various mortgage lending services includes communities within the following counties in Nebraska: Burt, Cass, Douglas, Sarpy, and Washington. In addition, HOAMS provides its mortgage lending services to other HFHI affiliates in a broader geographic service area to include several counties in and around Fremont, Nebraska, Lincoln, Nebraska, and Council Bluffs, Iowa (collectively, HFHI Affiliates). HOAMS' primary borrower target market for its lending services is first-time homebuyer, low-income families (i.e., 30-80% of Area Median Income, or AMI), but it also provides financing on a limited basis to first-time homebuyer, moderate-income families (i.e., 80-120% AMI).

Eligible households typically use the HOAMS mortgage loan to purchase a home built or rehabilitated by HFHO, or by an approved HFHO partner affiliate in the region (including HFHI Affiliates), but a HOAMS loan can also be used to purchase any other eligible home in the Omaha, Lincoln, or Council Bluffs metropolitan areas on the open market. Through its partnership with HFHO, HOAMS also provides various ancillary programs and services to assist homeowners in both obtaining and maintaining the benefits of homeownership, such as: (i) mortgage readiness program (referred to as the "Home Journey" program), (ii) home maintenance programs, and (iii) financial literacy programs.

Consistent with industry practices and the needs of its borrowers, HOAMS evaluates the viability of mortgage applicants based on four general measures as follows: (i) financial means to take on a mortgage (e.g., income, employment history, savings, and monthly debt payments); (ii) workable cash flows reserved to manage their finances; (iii) credit and payment history; and (iv) mortgage loan collateral.

HOAMS' current terms of its first mortgage loans are as follows: (i) a 30-year term, fully amortizing loan with monthly payments, (ii) a 2.625% fixed interest rate, and (iii) fully collateralized by the underlying property being financed.

All first mortgage loans are sized so monthly payments (including principal, interest, taxes, and insurance) are no greater than 30% of a household gross income, or total monthly debt payments (including monthly mortgage payments) are no greater than 42% of household gross income. Mortgage loans are also set with a maximum 105% Loan to Value (LTV). See Note F for additional discussion of HOAMS' home mortgage loans.

*CDFI Certification.* In January 2023, HOAMS received its designation as a certified Community Development Financial Institution (CDFI) from the U.S. Department of Treasury (USDT). The CDFI certification status further enhances HOAMS' affordable financing offerings to the communities it serves. During 2023, the USDT announced that all previously certified CDFIs must reapply for certification as part of the USDT's plan to improve the overall quality of its CDFI program. HOAMS is required to reapply during the latter part of 2025.

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Summary of Operations (Continued)**

Until the submission due date, HOAMS will: (i) retain its status as a certified CDFI; and (ii) remain eligible to apply for all CDFI Fund programs where CDFI certification is an eligibility requirement, provided it remains in compliance with any CDFI reporting requirements and have no material event affecting its CDFI certification status. Management believes HOAMS will be successful in its CDFI recertification process in 2025.

**Measure of Operations**

In the statements of activities, functional expenses and changes in net assets, HOAMS includes in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including any net realized and unrealized gains and losses, are recognized as operating support, revenues, gains, and losses.

**Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

**Reclassifications**

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, HOAMS considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents in the statement of cash flows. A summary of those amounts is as follows:

	2024	2023
Cash and Cash Equivalents	\$ 1,138,556	\$ 324,123
Restricted Cash	7,964,650	974,608
Total Cash, Cash Equivalents and Restricted Cash	\$ 9,103,206	\$ 1,298,731

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted Cash**

HOAMS has classified certain cash that is restricted for specific purposes as restricted cash. Certain cash amounts are required to be held in separate bank accounts under contractual arrangements with third parties.

A summary of the key components of restricted cash as of December 31, are as follows:

	2024	2023
Contractual Loan Loss Reserves (Note G)	\$ 1,287,043	\$ 794,108
Grant Restricted - Mortgage Capital (Note F)	6,677,607	180,500
	\$ 7,964,650	\$ 974,608

**Allowance for Credit Losses**

On January 1, 2023, HOAMS adopted Accounting Standards Codification (ASC) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended. The newly adopted Allowance for Credit Losses (ACL) accounting model addresses perceived shortcomings of the previous accounting methodology (incurred loss impairment methodology) by taking into consideration historical and now future economic changes, which is more commonly referred to as the current expected credit loss (CECL) methodology under Topic 326 (i.e., the new approach requires losses to be recognized earlier than under the previous method). Upon adoption, HOAMS recorded an increase in its ACL amounts, and a corresponding decrease to net assets of \$0.2 million. See Note F for additional details of HOAMS’ ACL recorded upon the adoption of Topic 326.

HOAMS records its ACL as follows:

- For credit loss exposure related to financial assets measured at amortized cost and for applicable contract assets, the ACL is a valuation account deducted from the amortized cost basis of the related asset to present the net amount expected to be realized.
- For credit loss exposure related to certain mortgage loans for which HOAMS has provided a guarantee of performance, and which are not recorded on HOAMS’ statements of financial position (hereafter referred to as “off-balance sheet” credit loss exposures for HOAMS), the ACL is reflected as a liability within accrued expenses.

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Allowance for Credit Losses (Continued)**

HOAMS' policy approach to determine its ACL under the CECL methodology is summarized as follows:

- The ACL is estimated over the contractual term of the underlying financial assets.
- The estimate of the respective ACL amounts includes expected recoveries from any collateral, and/or recoveries of amounts previously written off, as well as amounts currently expected to be written off.
- The estimate of ACL amounts is based on HOAMS' historical loss experience, adjusted for current, reasonable, and supportable forecasts of economic conditions and other pertinent factors affecting HOAMS' customers, grantors, and borrowers, such as known credit risks or industry trends. This approach includes incorporating relevant forward-looking information through the use of a macroeconomic scenario applied over the entire contractual term of the financial asset. This macroeconomic scenario is based on various factors, including gross domestic product levels, employment rates and changes in wages, inflation levels, the interest rate market, and real estate market trends, as these have historically been a key driver of credit-loss risk for HOAMS. HOAMS' estimate is based on the single economic scenario that it considers most likely.
- HOAMS' approach for determining its ACL amounts also considers the imprecision inherent with forward-looking credit risk assessments of this nature. As a result, amounts determined under the approach described above are adjusted by management to consider the potential impact of other qualitative factors not captured in the quantitative model adjustments which include, but are not limited to: (i) model imprecision, (ii) imprecision in economic scenario assumptions, and (iii) emerging risks related to changes in the environment that may affect HOAMS' credit loss exposure. To take these uncertainties into consideration, as part of its determination of the required ACL amounts, HOAMS performs a sensitivity analysis on certain key variables to determine a reasonable range of its ACL estimates.

**Fair Value of Homeowner Loans**

Home mortgage loans that are originated, closed, and held by HOAMS are carried at their estimated fair value using a discounted cash flow method, determined at the inception date of the loan, net of any ACLs. The interest rate used to calculate the discounted cash flow value for each loan is determined based on various business and market factors, including the holding period of the loan, credit risk, market factors, and liquidity plans for the loans.

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Homeowner Loans (Continued)**

Any initial discount amount necessary to record an individual loan to its fair value is amortized over the life of the loan, utilizing a straight-line basis. From time to time, HOAMS will sell home mortgage loans to financial institutions. If a loan is sold, any unamortized balance of the loan discount recorded at the inception of the loan is recorded as income on the statement of activity and changes in net assets as discount recovery on the sale of mortgage loans.

**Compensated Absences**

HOAMS' staff are entitled to certain amounts of paid personal time off. In the event of termination, a staff member is reimbursed for accumulated unused paid time off.

**Revenue Recognition**

Under *Revenue from Contracts with Customers* (Topic 606), HOAMS recognizes revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration which HOAMS expects to receive in exchange for those goods or services. To determine proper revenue recognition for arrangements, HOAMS performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) HOAMS satisfies the performance obligation.

HOAMS only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, HOAMS assesses the goods or services promised within each contract and determines those that are performance obligations. HOAMS then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

*Other Revenue Recognition Policies.*

- Unconditional promises to give are recognized as revenues or gains in the period received, or when a notification of a beneficial interest is received, and as assets, decreases of liabilities, or expenses depending on the form of the consideration or benefits received.

**HABITAT OMAHA AFFORDABLE MORTGAGE SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

- Receipts of unconditional promises to give with payments due in future periods are reported as donor-restricted support unless donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended it to be used to support activities of the period received. At December 31, 2024 and 2023, HOAMS considered its unconditional promises to give to be 100% collectible; therefore, no allowance for credit losses has been established.
- Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

*Donor/Grantor Restrictions.* All support and revenues are considered net assets without donor/grantor restrictions unless stipulated by the grantor.

Net assets are released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor/grantors. When the net assets are released, such net assets are reclassified within the applicable classes of net assets.

Contributions received and investment income with donor/grantor restrictions that are met within the same reporting period are reported as revenue and an increase in net assets without donor/grantor restrictions.

**In-Kind Contributions and Donated Services**

Contributions of gifts in-kind that can be used by HOAMS are recorded at the estimated fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

**Functional Expenses/Allocation of Expenses**

The costs of providing HOAMS mortgage lending program activities have been summarized on a functional basis in the statements of activities, functional expenses and changes in net assets. HOAMS has not incurred any fundraising expenses for the periods presented. The financial statements may report certain expenses that are attributable to more than one category of functional expenses. In such cases, expenses will be allocated on a reasonable basis that is consistently applied.

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Program Services**

Program services consist primarily of mortgage lending and servicing activities, and related borrower education programs.

**Income Taxes**

HOAMS has received an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. As such, no provision for income taxes is reflected in the financial statements.

HOAMS is required to file a separate Form 990, *Return of Organization Exempt from Income Tax*. HOAMS' returns are subject to review and examination by federal authorities.

As of December 31, 2024, HOAMS is not aware of any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. All tax years since HOAMS' inception in 2021 remain subject to examination by major tax jurisdictions. HOAMS has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

**Summarized Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with HOAMS' financial statements for the year ended December 31, 2023, from which the summarized information was derived.

**Subsequent Events**

Management has evaluated subsequent events through May 27, 2025, which is the date the financial statements were available to be issued, and any material subsequent events have been disclosed within these footnotes.

**NOTE C – INTERCOMPANY/PARTNER AFFILIATE TRANSACTIONS AND ACCOUNTS**

**HFHO/HOAMS Shared Services Agreement (SSA)**

Effective August 1, 2021, HOAMS and HFHO entered into an SSA, to assist both entities in the most efficient and cost-effective manner in pursuit of their respective mission and business. The key services between HOAMS and HFHO are as follows:

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**NOTE C – INTERCOMPANY/PARTNER AFFILIATE TRANSACTIONS AND ACCOUNTS**  
**(Continued)**

**HFHO/HOAMS Shared Services Agreement (SSA) (Continued)**

*Operational Support Activities.* HFHO provides the following operational support services to HOAMS as part of HOAMS' normal business operations:

- *Mortgage Services Staff Personnel Costs.* HOAMS' mortgage lending staff are maintained as employees of HFHO to optimize Human Resource functions, and minimize payroll and benefits costs, across the combined HFHO controlled organizations. The actual payroll and benefits costs incurred for HOAMS' staff are charged directly to HOAMS by HFHO through the use of the intercompany payable account (Intercompany Payables). Such amounts are reflected as salaries and benefits expense in the accompanying HOAMS' financial statements.
- *Revenues/Direct Operating and Capital Expenditures.* As a means to minimize overhead costs for HOAMS' benefit, HFHO provides various revenue management and procurement functions for HOAMS. For any revenues collected on behalf of HOAMS, and for any direct operating costs and capital expenditures attributable to HOAMS, the actual amount of the transaction activities are recorded through the use of Intercompany Payables. These amounts are recorded in the appropriate HOAMS revenue captions, and within the various functional expense captions within program services, in the accompanying HOAMS financial statements.
- *Homeowner Educational and Related Support.* HFHO and HOAMS work together in delivering various homeowner educational programs (e.g., family financial planning, etc.), and mortgage preparedness education and counseling. Both parties are responsible for their own costs incurred in performing such services, and therefore, there are no Intercompany transactions recorded for such activities.
- *General Management and Administrative Support.* To maximize overhead efficiencies across the combined HFHO controlled organizations, HFHO provides various general management and administrative functions for HOAMS (e.g., Human Resources, Accounting and Finance, general management, etc.) for a monthly fixed charge determined annually. During 2024 and 2023, respectively, HFHO charged HOAMS \$72,000 and \$60,000 for such services through the use of Intercompany Payables.
- *Cash Management Services.* As noted above, the various operating transactions between HFHO and HOAMS are generally recorded through their respective Intercompany Receivable/Payables accounts, with the settlement of such Intercompany operating amounts to be made when HFHO and HOAMS mutually agree to any cash settlements. During 2024 and 2023, HFHO paid HOAMS \$0.2 million and \$0.5 million for settlement of certain Intercompany Receivable/Payables account operating transactions.

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**NOTE C – INTERCOMPANY/PARTNER AFFILIATE TRANSACTIONS AND ACCOUNTS**  
**(Continued)**

**HFHO/HOAMS Shared Services Agreement (SSA) (Continued)**

*Mortgage Lending Activities.* HOAMS provides the following mortgage lending services to HFHO under the SSA, and to other partner affiliates, as part of HOAMS' normal business operations:

- *HFHO Intercompany Activities.* HOAMS originates and closes mortgage loans as part of its services provided under the SSA for HFHO. The amount due from HOAMS to HFHO for the home being financed is payable to HFHO as the mortgage funds are available through HOAMS' various mortgage monetization strategies with third party financial institutions (as discussed in greater detail in Notes D and F), or from other sources of available HOAMS mortgage capital (such as government grants, etc.). For any mortgages closed for which HOAMS has not provided the mortgage funding, the amounts are included in Intercompany Payables until such mortgage funds are paid to HOAMS. As of December 31, 2024, and 2023, there were \$4.1 million and \$3.9 million, respectively, of mortgages closed, that were pending payment from HOAMS to HFHO pending HOAMS' receipt of the corresponding mortgage capital from its lending partners. These amounts are reflected in Intercompany Payables in the accompanying financials statements.
- *HFHI Affiliates and Other Partners.* HOAMS originates and closes mortgage loans for other HFHI Affiliates, and other nonprofit partners, which are not part of the HFHO controlled group of legal entities (collectively referred to hereafter as Partner Affiliates). This includes mortgage activities with Fremont Area Habitat for Humanity in Fremont, Nebraska, Lincoln/Lancaster County Habitat for Humanity, Inc. in Lincoln, Nebraska (Habitat Lincoln), and Habitat for Humanity of Council Bluffs in Council Bluffs, Iowa. The amounts due from HOAMS to the Partner Affiliates for the home being financed is payable only when the mortgage funds are available through HOAMS' various mortgage monetization strategies with third party financial institutions (as discussed in greater detail in Notes D and F), or from other sources of HOAMS mortgage capital (such as government grants, etc.). As of December 31, 2024, \$0.1 million was due to Partner Affiliates for closed mortgage loans and included in Accounts Payable and Accrued Expenses.
- *Mortgage Origination Service Revenues.* Under the SSA, HOAMS is entitled to collect mortgage origination service fees from HFHO for work performed in conjunction with the underwriting and issuance of home mortgages on behalf of HFHO. Rates for service fees are determined annually. The amount of mortgage origination service revenues recognized by HOAMS for 2024 and 2023 were \$0.6 million each year.

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**NOTE C – INTERCOMPANY/PARTNER AFFILIATE TRANSACTIONS AND ACCOUNTS**  
**(Continued)**

**HFHO/HOAMS Shared Services Agreement (SSA) (Continued)**

- *Summary of Mortgage Funding Activities.* A summary of the mortgage funding activities for 2024 and 2023, including a breakout of these activities for HFHO and Partner Affiliates, are shown in the table below.

	<u>2024</u>	<u>2023</u>
<b>Loans Closed:</b>		
Number of Loans:		
HFHO	77	69
Partner Affiliates	<u>8</u>	<u>15</u>
Total Loans Closed	85	84
Total Amount of Loans:		
HFHO	\$ 16,148,539	\$ 13,957,047
Partner Affiliates	<u>1,235,420</u>	<u>2,853,578</u>
Total Loans Closed	<u>17,383,959</u>	<u>16,810,625</u>
<b>Funding Sources Of Loans:</b>		
HFHO:		
Cash Settled	\$ 11,888,240	\$ 9,726,129
Intercompany Payables	<u>4,260,299</u>	<u>4,230,918</u>
Total HFHO Loans	16,148,539	13,957,047
Partner Affiliates:		
Cash Settled	1,098,920	2,853,578
Accounts Payable	<u>136,500</u>	<u>-</u>
Total Partner Affiliate Loans	1,235,420	2,853,578
Total Loans:		
Cash Settled	12,987,160	12,579,707
Intercompany Payables	<u>4,260,299</u>	<u>4,230,918</u>
Accounts Payable	136,500	-
Total Loans	<u>\$ 17,383,959</u>	<u>\$ 16,810,625</u>

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**NOTE C – INTERCOMPANY/PARTNER AFFILIATE TRANSACTIONS AND ACCOUNTS**  
**(Continued)**

**Grants from Affiliates**

During 2024, HFHO made the following grants to HOAMS:

- \$1.5 million, board designated for utilization as part of the Middle-Income Workforce Housing Fund (MWHF) grant program (see Note F).
- \$1.8 million to provide additional, undesignated funds, for mortgage capital.

**Intercompany Transfer of Mortgage Loans from Habitat Sarpy**

As discussed in Note A, upon its dissolution, Habitat Sarpy transferred its mortgage loan portfolio, consisting of 21 mortgage loans, to HOAMS. The transferred mortgage loans had an aggregate unpaid principal balance of \$1.4 million as of the transfer date.

The loans were transferred at their historic carrying value on the books of Habitat Sarpy, which reflected an unamortized discount of \$1.0 million, stemming from the original mortgage terms. As a result, HOAMS recognized income of \$0.4 million in the statement of activities, functional expenses and changes in net assets for the period ended December 31, 2024.

**NOTE D – CONCENTRATION RISKS**

HOAMS has the following key concentration risks:

*Credit Risk.* HOAMS' financial instruments with credit risk exposure consist of cash equivalents, accounts receivables, home mortgage loans, and unconditional promises to give.

HOAMS maintains cash balances in financial institutions in which balances may sometimes exceed the federally insured limits. HOAMS utilizes a distributed money-market sweep account to mitigate its exposure for certain deposits that would exceed federally insured limits without the use of the sweep account. HOAMS' credit risk related to its home mortgage loans, and related lending activities, including various recourse obligations, as described in Note F, are concentrated with low- and moderate-income borrowers for homes financed principally within the greater Omaha, Nebraska metro area, and in particular, within the Northeast section of the City of Omaha. The historically strong economic environment in the greater Omaha metro area, including a strong real estate market, has limited HOAMS credit losses related to home mortgage loans. See Note F for additional discussion of HOAMS' credit loss risk related to its mortgage lending business.

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**NOTE D – CONCENTRATION RISKS (Continued)**

*Mortgage Capital Concentration Risk.* Historically, HOAMS has relied heavily on mortgage capital from various financial institutions, either through its Loan Pool Participation Agreements, or through direct mortgage loan purchase agreements (see Notes F and G). During 2024, of the \$17.4 million of mortgage loans closed, \$15.2 million was ultimately funded with mortgage capital from 23 of HOAMS' financial partners.

HOAMS' mortgage capital commitments from its financial partners, and the cost of this capital, are renewed on an annual basis, generally in the fourth quarter of the year. The loss of a significant portion of these third-party financial commitments, and/or renewals at a substantially higher cost of capital due to interest rate market pressures, would have a significant negative impact on HOAMS' ability to continue to close and fund its annual mortgage lending activities at its current levels. To mitigate this risk, HOAMS continues to expand the sources of its mortgage capital to include additional financial investors and increase funding opportunities from both private donors and government grants (see additional discussion on this topic directly below).

*Revenue Concentration Risks.* HOAMS has the following revenue concentration risks:

- As discussed in Note C, HOAMS relies on HFHO for mortgage origination service fees as the primary revenue source to fund its annual operating costs related to its mortgage lending services. There is minimal near-term risk on this revenue source as HFHO has a strong financial profile and is critically dependent on HOAMS to continue to conduct its mortgage lending activities in order to deliver on HFHO's primary mission of providing affordable housing solutions.
- Prior to 2023, HOAMS did not receive any significant donor or grant revenues. Beginning in 2023, HOAMS increased its focus on generating revenue from new donor and grant sources as an additional source of mortgage capital. In 2024, HOAMS was awarded a \$5 million grant from a single entity. In addition, HOAMS secured additional funds from several sources to more than meet the required \$2.5 million matching requirement, of which \$1.4 million was received from HFHO.

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**NOTE E – PROMISES TO GIVE**

Unconditional promises to give that have scheduled payments beyond one year are carried at their present value using an estimated fair market interest rate. The discount rate used for 2024 and 2023, respectively, was 4.27% and 4.01% (the 3-year Treasury bill rate). Unconditional promises to give are as follows at December 31:

	2024	2023
Corporate and Foundation	\$ 50,000	\$ -
Other Donations	245,000	220,000
Total Unconditional Promises to Give	295,000	220,000
Less Discount	(18,440)	(22,187)
Net Carrying Value	\$ 276,560	\$ 197,813

The maturities of unconditional promises to give at December 31, 2024, are as follows:

Receivable Due in:		
Less than One Year	\$	127,666
One to Five Years		148,894
Total Unconditional Promises to Give	\$	276,560

Under Topic 326, unconditional promises to give for nonprofits such as HOAMS, are specifically excluded from the CECL ACL requirements.

**NOTE F – MORTGAGE LOANS**

**Mortgage Loan Structure and Lending Activities**

*Structure.* Since 2021, HOAMS and HFHO have relied on various mortgage monetization programs (discussed below and in Note D) through various loan and purchase agreements with third-party financial institutions to provide the necessary liquidity to pay for the houses being financed shortly after closing. Because of this immediate committed source of liquidity at 100% of the face amount of these mortgage loans held, management believes these mortgage loans carry “at-market” interest rates for similar-type loans pursued by certain investors, and therefore, it is not necessary to record any discount on the loans at the origination date.

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**NOTE F – MORTGAGE LOANS (Continued)**

**Mortgage Loan Structure and Lending Activities (Continued)**

*Composition.* During 2024 and 2023, HOAMS had the following home mortgage loan lending activities:

	2024	2023
<b>Loan Profile:</b>		
Number of Loans Originated	85	84
Total Value of Loans	\$ 17,383,959	\$ 16,810,625
Average Size of Loan	\$ 204,517	\$ 200,126
Weighted Average Loan to Value	84%	90%
<b>Borrower's Profile:</b>		
Average Area Median Income (AMI)	64%	60%
Average Credit Score	709	690
Borrowers Without a Credit Score	3	6
Percentage of Minority Borrowers	89%	95%

**Home Mortgage Loans (HMLs) Held**

*Composition.* The HML lending activity during 2024 and 2023 and the total number of the HMLs as of December 31 were as follows:

	2024	2023
<b>Lending Activities for HMLs Held During the Period:</b>		
Loans Originated	58	64
Total Value of Loans	\$ 11,845,385	\$ 12,964,643
Average Size of Loan	\$ 204,231	\$ 202,573
<b>Number of HMLs Held at December 31:</b>		
Below-Market Loans	21	-
At-Market Loans	199	148
Total Loans	220	148

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**NOTE F – MORTGAGE LOANS (Continued)**

**Mortgage Loan Structure and Lending Activities (Continued)**

*Composition.* The net carrying value of HMLs as of January 1, 2023, was \$11,467,036. The net carrying value of HMLs as of December 31 were as follows:

	2024	2023
<b>Carrying Value of HMLs Held at December 31:</b>		
Below-Market	\$ 1,345,131	\$ -
Discount	(835,238)	-
Net of Discount	509,893	-
At-Market	33,220,344	23,695,826
Net Amortized Cost	33,730,237	23,695,826
Allowance for Credit Losses	(473,000)	(322,000)
Net Carrying Value	33,257,237	23,373,826
Current portion	(2,322,925)	(1,530,377)
Long-term portion	\$ 30,934,312	\$ 21,843,449

**Average Size of HMLs at Net Amortized Cost at December 31:**

Below-Market	\$ 24,281	\$ -
At-Market	\$ 166,936	\$ 160,107
Total	\$ 153,319	\$ 160,107

The below-market loans reflected in the table above relate to the loans transferred from Habitat Sarpy upon its dissolution in 2024 (see Note C).

*MWHF HMLs.* During 2024, HOAMS was awarded a \$5 million mortgage capital grant from a State of Nebraska housing agency, for which HOAMS matched this award with \$2.5 million of other funding, for a total of \$7.5 million program funds. This MWHF can only be used for certain types of home mortgage financing transactions specific to the grant. All principal and interest payments (at 2%) on HMLs funded from the MWHF program, as well as any HMLs sold to third parties that were funded by the MWHF program, are required to be paid back into the MWHF to be used again for future program lending use. During 2024, HOAMS closed 10 loans under this program for a total of \$2.1 million, of which \$0.6 million was funded from the MWFH shortly after December 31, 2024. The balance of the MWHF at December 31, 2024, is \$6.3 million, which is reflected as restricted cash and cash equivalents in the accompanying financial statements.

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**NOTE F – MORTGAGE LOANS (Continued)**

**Off-Balance Sheet Home Mortgage Loans (Off-BS HMLs) With Credit Loss Risk**

*Off-BS HMLs Related to Sold Loans.* HOAMS typically sells some of its loan portfolio to financial institutions as a source of liquidity on an annual basis. There are no carrying amounts on HOAMS' statements of financial position for mortgage loans sold. However, HOAMS has a contingent recourse obligation (i.e., a loan guarantee) to the purchaser for the remaining unpaid mortgage balance for any Off-BS HML that ends up in default, which is contractually defined, and currently ranges from 90-150 days of payment delinquency. Upon payment of a defaulted Off-BS HML, HOAMS receives full ownership rights to the loan for loss recovery purposes, which helps mitigate HOAMS' financial exposure related to these transactions. This guarantee arrangement with the purchasers of HOAMS' loans represents an "off-balance sheet" credit loss exposure subject to quantification under Topic 326.

In connection with the sale of certain of these loans, HOAMS and/or HFHO are contractually required to pledge certain investments to the purchaser as security for the recourse obligations. The amount of pledged investments subject to these security rights was approximately \$0.9 million as of December 31, 2024, and 2023. Such pledged securities have been provided by HFHO, and therefore, are not reflected in these HOAMS financial statements.

*Composition.* During 2024 and 2023, HOAMS sold the following mortgage loans to third parties at 100% of the then current outstanding balance. The total number of the Off-BS HMLs subject to credit loss exposure quantification under Topic 326, and the outstanding balances of these loans as of December 31, 2024, and 2023, were as follows:

	2024	2023
<b>Sold Loan Activities During the Year:</b>		
Loans Sold	34	22
Total Balance	\$ 7,101,203	\$ 4,163,210
Average Size of Loan	\$ 208,859	\$ 189,237
<b>Total Number of Off-BS HMLs at December 31:</b>	81	48
<b>Outstanding Balance of Off-BS HMLs at December 31:</b>		
Total Balance	\$ 14,129,408	\$ 7,393,167
Average Size of Sold Loans	\$ 174,437	\$ 154,024

As of December 31, 2024, and 2023, respectively, there were six (6) and four (4) mortgage loans held by HOAMS for a total of \$1.5 million and \$1.0 million which were in process of being sold to third parties. Cash settlements for these loans were completed in January 2025 and are included in current portion of mortgages held in the above tables.

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**NOTE F – MORTGAGE LOANS (Continued)**

**ACL for Home Mortgage Loans**

*Scope.* HOAMS evaluates its credit loss exposure for both its HMLs held and Off-BS HMLs under Topic 326, with its adoption effective January 1, 2023. Because business processes and credit risks associated with HMLs and Off-BS HMLs are the same, HOAMS utilizes similar processes to estimate the respective credit loss exposure. HMLs and Off-BS HMLs are referred to collectively hereafter as “Home Mortgage Loans”.

*Collection Management and Credit Quality.* The following summarizes HOAMS’ key collection management practices, credit quality assessment process, and the determination of its ACL under Topic 326 for its Home Mortgage Loans:

- *Delinquency Aging:* HOAMS monitors collections on its Home Mortgage Loans on a monthly basis as its primary credit quality indicator, which includes categorization of delinquent loans into different aging categories. Home Mortgage Loans are considered delinquent based on the number of days past the scheduled mortgage payment due date.

As its primary default risk mitigator, HOAMS has a borrower outreach program when loans age past 29 days delinquent, which includes various stages of credit discussion and counseling if the loan’s delinquency situation continues to age, which generally includes a plan to bring the loan payments current if the aging continues to significantly deteriorate. If these mitigation efforts are unsuccessful and delinquency aging goes beyond 120 days, HOAMS will initiate foreclosure proceedings if it is determined there is no other viable path for the borrower to service the loan going forward.

Because of the nature of its borrowers, it is not unusual for HOAMS to experience delinquency rates on its Home Mortgage Loans in excess of 10% of the respective total portfolio balance. However, because of the success of this outreach program with its borrowers as noted above, HOAMS’ historical default rate on its Home Mortgage Loans has been minimal.

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**NOTE F – MORTGAGE LOANS (Continued)**

**ACL for Home Mortgage Loans (Continued)**

- *Foreclosure/Buyback.* HOAMS' typical foreclosure practice includes buying back the collateral house from the borrower at a fair value price, or for certain Home Mortgage Loans, at a predetermined appreciated value from the origination date, and settling the mortgage and any related unpaid interest or fees. The buyback transaction is typically structured to allow for the timely resell of the house to another family through HFHO's homeownership program, typically structured such that HOAMS does not incur a loss on the overall buyback and resell transaction (including any required repair or sales costs needed by HFHO to complete the resell transaction). As a result, HOAMS considers its loans as "collateral-dependent," with practical expedience being followed in the determination of potential credit loss exposure as repayment is expected to be provided substantially through the sale of the collateral property. Therefore, expected credit losses are based primarily on the estimated fair value of the collateral at the point of buyback, adjusted for any repair or sales costs.
  
- *Portfolio Risk Pools.* HOAMS maintains a single credit risk pool for its HMLs, and a single credit risk pool for its Off-BS HMLs. The aggregation into these single pools is based primarily on the similar risk characteristics shared within each pool, with these key risk factor considerations summarized as follows:
  - *Borrower Profile.* The following are the key common characteristics of the borrowers for HOAMS' Home Mortgage Loans: (i) all borrowers must successfully complete HOAMS' mortgage preparedness and homeownership program before they are eligible for a loan, (ii) borrowers are generally low- and moderate-income families, with AMLs between 30-80%, (iii) total monthly mortgage payments (principal, interest, and escrow amounts), and any other debt payments (e.g., car loan payment, etc.), are structured as a consistent percentage of the borrower's gross monthly income to target affordability both initially at origination and on a sustained basis over the term of the loan (i.e., mortgage loans are sized based mainly on the borrower's "capacity to pay"), and (iv) loan terms (including the 2.625% mortgage interest rate) are consistent amongst all borrowers, regardless of their individual credit risk profile.
  
  - *Collateral Profile.* The following are the key common characteristics of the collateral for HOAMS' Home Mortgage Loans: (i) consists almost entirely of single-family residences of similar size and value, (ii) located in similar types of neighborhoods, and (iii) have similar LTV ratios. During 2024, the weighted average LTVs for Home Mortgage Loans originated was 84%, compared to 90% for 2023. LTVs are typically less than 100% mainly due to the use of down payment assistance funds available for the house purchase transaction.

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**NOTE F – MORTGAGE LOANS (Continued)**

**ACL for Home Mortgage Loans (Continued)**

- *Economic/Geographic Profile.* Almost all homes financed by HOAMS are within the Greater Omaha, Nebraska area, subjecting all borrowers to similar economic factors that could influence their ability to service their loan, and retain the value of their home over time (e.g., job markets and wages, home insurance costs and availability, inflation impacts, real estate taxes, real estate values, etc.).

For these reasons, HOAMS believes the use of the single risk pools noted above to assess their credit loss exposure is appropriate. Within the individual pools, HOAMS stratifies the loans into the years of origination as part of its evaluation process, as some of the default and collateral recovery risk factors can vary downward slightly as the loan matures through its term. By policy, if HOAMS was to identify loans that do not share these risk characteristics, such loans would be evaluated on an individual basis and would not be included in the collective pool evaluation.

The following tables summarize the two loan pools for HMLs and Off-BS HMLs, with selected information by year of loan origination, as of December 31, 2024, and 2023:

2024 HMLs Held				
Origination	Loans	Net Amortized Cost	Average per Loan	Weighted Average Life Remaining (Years)
2024	58	\$ 11,800,050	\$ 203,449	29.7
2023	58	11,200,365	193,110	28.8
2022	45	5,660,894	125,798	27.6
2021	38	4,559,035	119,975	26.6
1999-2020	21	509,893	24,281	20.0
Total	220	\$ 33,730,237	\$ 153,319	28.5

2023 HMLs Held				
Origination	Loans	Net Amortized Cost	Average per Loan	Weighted Average Life Remaining (Years)
2023	64	\$ 12,936,953	\$ 202,140	29.8
2022	46	6,081,416	132,205	28.6
2021	38	4,677,457	123,091	27.6
Total	148	\$ 23,695,826	\$ 160,107	29.0

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**NOTE F – MORTGAGE LOANS (Continued)**

**ACL for Home Mortgage Loans (Continued)**

2024 Off Balance Sheet HMLs				
Origination	Loans	Net Amortized Cost	Average per Loan	Weighted Average Life Remaining (Years)
2023	27	\$ 5,501,454	\$ 203,758	29.6
2022	26	4,985,641	191,755	28.6
2021	17	2,410,800	141,812	27.7
1999-2020	11	1,231,513	111,956	26.7
Total	81	\$ 14,129,408	\$ 174,437	28.7

2023 Off-Balance Sheet HMLs				
Origination	Loans	Net Amortized Cost	Average per Loan	Weighted Average Life Remaining (Years)
2023	20	\$ 3,802,241	\$ 190,112	29.4
2022	16	2,198,438	137,402	28.7
2021	12	1,392,488	116,041	27.7
Total	48	\$ 7,393,167	\$ 154,024	28.9

*ACL Reserve Estimation.* HOAMS' ACL for its Home Mortgage Loans is based on historical loss experience, current borrower risk characteristics, current economic conditions, reasonable forward-looking expectations of future conditions and other relevant factors. HOAMS utilizes a probability of default approach in calculating its credit loss exposures for its Home Mortgage Loans, using an estimate of loan default rates, and an estimate of the credit loss given a default (considering collateral recovery benefits), applied against portfolio exposure (with each of these three components varying by the year of loan origination), to yield an estimated credit loss exposure.

Historically, the default rate and loss given default rate have been minimal, attributed primarily to HOAMS': (i) affordability sizing of monthly payments for borrowers, (ii) successful credit counseling process for delinquent borrowers, and (iii) successful foreclosure/buyback process mitigating loss upon a default. In addition to historical information, the ACL recorded considers forward-looking risk factors that may affect lifetime credit losses. These factors include, but are not limited to:

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**NOTE F – MORTGAGE LOANS (Continued)**

**ACL for Home Mortgage Loans (Continued)**

- Macroeconomic variables, such as unemployment rates, real estate values, real estate taxes, inflation, and the interest rate market. In particular during 2024, HOAMS considered the economic uncertainty and recession risk related to the sustained level of inflation (since 2022), and the lagged impact of an elevated interest rate market on borrower's earning potential;
- Loan and borrower characteristics, such as delinquency status and trending observations; and
- Information regarding expected recovery from collateral if a default was to occur, such as available valuation information for collateral, and the supply and demand of qualified home buyers within HFHO's homeownership program to purchase homes timely in the event of a foreclosure/buyback situation.

The activity related to HOAMS' ACL for HMLs, and its Off-BS HMLs portfolio are as follows:

	HMLs	Off-BS HMLs
<b>ACL Balance at December 31, 2022:</b>	\$ -	\$ -
Change in Accounting Principal	160,000	45,000
Provision for Credit Losses	162,000	72,000
Charge-offs	-	-
Recoveries	-	-
<b>ACL Balance at December 31, 2023:</b>	<b>\$ 322,000</b>	<b>\$ 117,000</b>
Provision for Credit Losses	151,000	140,000
Charge-offs	-	-
Recoveries	-	-
<b>ACL Balance at December 31, 2024:</b>	<b>\$ 473,000</b>	<b>\$ 257,000</b>

**ACL Ratio:**

**December 31, 2023:**

Total Portfolio Risk	\$ 23,695,826	7,393,167
ACL to Portfolio	1.4%	1.6%

**December 31, 2024:**

Total Portfolio Risk	\$ 33,730,237	14,129,408
ACL to Portfolio	1.4%	1.8%

Following the adoption of Topic 326, the increase in the ACL balance is primarily attributable to an increase in the amount of the respective portfolio balances related to 2024 lending activities, as noted above.

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**NOTE G – LONG-TERM DEBT**

*Loan Pool Purchase Agreements (LPPAs) Structure.* To provide mortgage capital for closed loans, HOAMS has leveraged certain HMLs bearing 2.625% interest to obtain debt from a consortium of financial institutions equal to 100% of the total loan values under two (2) separate LPPAs, each with a corresponding Loan Servicing Agreement (LSA). The LPPA and corresponding LSA are hereafter referred to collectively as the LPPA. The monthly cash flows from the underlying loans are used to service the monthly principal and interest payments of the associated debt. Both LPPAs have a 2% interest rate payable to the various lender participants, for a 30-year period coterminous with the underlying mortgage loans. While cash flows from the mortgage loans are used to service the underlying LPPA debt, LPPA debt is not secured by any individual loan. HOAMS retains the real estate collateral position underlying the mortgage loans.

- *Habitat Omaha LPPA (Omaha LPPA).* HFHO entered into the Omaha LPPA with a consortium of banks effective January 1, 2021. Effective August 1, 2021, the Omaha LPPA was amended, and HFHO then assigned, and HOAMS assumed, all rights and obligations under the LPPA. The Omaha LPPA has a 40-year term and participants elect their participation level each calendar year. For both years ended December 31, 2024, and 2023, HOAMS secured lending commitments for up to \$10.5 million from the participant banks.

For any of these loans that end up in default (defined contractually as delinquent by 120 days), HOAMS is required to pay off the corresponding debt obligation upon such default. HOAMS includes these loans in the determination of its ACL mentioned below, as the debt repayment obligation is tied directly to the performance of the underlying loan. In addition, HOAMS is contractually required to maintain restricted cash for potential losses on the bank debt due to defaulted mortgage loans. As of December 31, 2024, and 2023, respectively, HOAMS had such reserves included in restricted cash of approximately \$1.3 million and \$0.8 million.

- *Habitat Lincoln (Lincoln LPPA).* HOAMS entered into the Lincoln LPPA with a consortium of banks effective September 1, 2021. The Lincoln LPPA has a 40-year term, and participants elect their participation level each fiscal year ended June 30. The Lincoln LPPA is utilized only for homes financed with Habitat Lincoln. For the fiscal years ending June 30, 2025, and 2024, respectively, HOAMS and Habitat Lincoln had secured lending commitments of up to \$0.8 million and \$1 million from the participant banks.

For any of the mortgage loans tied to the debt that end up in default (defined contractually as delinquent by 120 days), Habitat Lincoln is required to pay off the corresponding debt obligation upon such default. HOAMS would be responsible for such payment in the case Habitat Lincoln is unable to pay off the debt. While the risk of recourse responsibility falling upon HOAMS is low, HOAMS includes these loans in the determination of its ACL mentioned above, as the debt repayment obligation is ultimately tied directly to the performance of the underlying mortgage loan.

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**NOTE G – LONG-TERM DEBT (Continued)**

*Funding Mechanics of the LPPAs.* The debt funding, and the corresponding payment for the property financed to the seller, is completed one month in arrears after a mortgage loan is closed under both LPPAs (e.g., December mortgage closings are funded the following January). As of December 31, 2024, and 2023, respectively, there were no funding amounts pending under the Lincoln LPPA. The debt funding amounts pending under the Omaha LPPA (i.e., due to HFHO) as of December 31, 2024, and 2023, respectively, were \$2.4 million and \$2.9 million, which were reflected in Intercompany Payables account as on the statements of financial position. These unpaid amounts are reflected as noncash transactions in the corresponding statements of cash flows in the year the mortgages closed. Then, in the following year, as the payments to the seller for the houses financed are made, and the proceeds from issuance of the long-term debt are received, these amounts are reflected as investing and financing activities, respectively, in the corresponding statements of cash flows. For the years ended December 31, 2024, and 2023, respectively, HOAMS received debt funding of \$8.2 million and \$8.4 million from the Omaha LPPA and received debt funding of \$0.4 million and \$1.2 million from the Lincoln LPPA.

*Amounts Due Under the LPPAs.* The total amounts due under each LPPA as of December 31 were as follows:

	2024	2023
HOAMS Omaha LPPA	\$ 24,626,763	\$ 17,105,674
HOAMS & Lincoln LPPA	2,291,948	1,964,727
Total LPPAs Balance	26,918,711	19,070,401
Current Portion	(658,113)	(446,808)
Long-term Portion	\$ 26,260,598	\$ 18,623,593

Monthly principal payments total \$0.7 million for 2025, and increase through the scheduled amortization of the debt due through its final maturity in 2054, reaching the highest annual payment level of \$1.2 million in 2050. The aggregate maturities of long-term debt for the years ending after December 31, 2024, are as follows:

	Years Ending December 31
2025	\$ 658,113
2026	675,598
2027	693,547
2028	711,974
2029	730,890
Thereafter	23,448,589
Total	\$ 26,918,711

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**NOTE H – COMMITMENTS AND CONTINGENCIES**

HOAMS is subject to possible monitoring reviews by federal and state authorities that determine compliance with terms, conditions, laws, and regulations governing financing activities and grants given to HOAMS in the current and prior years. HOAMS believes the risk of any disallowed transactions and/or unexpended claims, which could require return of grant funds to the grantor agency, is remote. In addition, HOAMS' management believes it is in compliance with all applicable lending rules and regulations.

**NOTE I – LIQUIDITY AND AVAILABILITY**

*Key Sources and Uses of Operating Liquidity.* HOAMS manages its liquidity needs to pay its obligations as they become due from its normal, annual operating cycle. HOAMS' annual operating liquidity uses relate primarily to its program activities, with the largest need related to its mortgage lending activities consisting of payments to the sellers of the houses being financed.

The source of funds comes from a combination of the following key sources:

- Existing cash and cash equivalents;
- Current year revenue sources related to its operating activities, consisting primarily of mortgage origination service fees, net interest income, donations, and grants;
- HOAMS' ability to access mortgage capital shortly after mortgages close is a critical source of current year liquidity for HOAMS related to its lending activities. Through the following sources, HOAMS believes it will be able to substantially monetize all of its 2025 Home Mortgage Loans shortly after they are closed as follows:
  - HOAMS has commitments from its third-party financial partners to purchase up to approximately \$7.5 million of its Home Mortgage Loans closed in 2025, which compares to \$6 million for 2024, and HOAMS has lending commitments under its two LPPAs for up to approximately \$9.9 million for its HMLs closed in 2025, which compares to \$11.5 million amount for 2024 (See Note D for additional discussion); and
  - During the first quarter of 2024, HOAMS was awarded a \$5 million grant to be used for mortgage capital, for which HOAMS matched this award with \$2.5 million in donations and other funds, for a total of \$7.5 million of program funds. This mortgage capital can only be used for certain types of home financing transactions specific to the grant, of which HOAMS anticipates utilizing \$5 million to fund closed mortgages in 2025 (See Note D for additional discussion).
- To help manage unanticipated liquidity needs, HOAMS is able to obtain operating support from HFHO pursuant to its SSA with HFHO, which has a strong financial profile to provide such funding resources to HOAMS in the near-term as needed.

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**NOTE I – LIQUIDITY AND AVAILABILITY (Continued)**

The current restrictions imposed by donors and grantors with time or purpose restrictions are, in all material respects, for normal annual operating purposes related to its lending activities. Therefore, those restricted funds are effectively expected to be used for normal operating purposes in HOAMS' annual operating cycle.

While HOAMS has total financed debt of approximately \$26.9 million at December 31, 2024, this debt has a direct funding source funded from the cash flows from the corresponding mortgage loans underlying the debt (see Note G).

*Detailed Sources and Uses Table.* The following table reflects HOAMS' financial assets as of December 31, 2024, and 2023, reduced by amounts not available for general use within one year of those dates because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for contractual loan loss reserves related to HOAMS' LPPAs.

HOAMS considers cash with restrictions for use in current programs which are ongoing, major, and central to its annual operations (such as mortgage lending activities) to be available to meet cash needs for general expenditures. As a result, for purposes of these disclosures, general expenditures include administrative and general expenses, fundraising expenses, and financing-related expenses.

	2024	2023
<b>Financial Assets Available Within One Year:</b>		
Cash and Cash Equivalents	\$ 1,138,556	\$ 324,123
Restricted Cash	7,964,650	974,608
Current Portion of Unconditional Promises to Give	127,666	45,000
Current Portion of Mortgage Loans	2,322,925	1,530,377
Other Receivables	557,500	-
Other Assets	1,100	1,100
Total Financial Assets	12,112,397	2,875,208
<b>Less Those Unavailable for General Expenditures Within One Year:</b>		
Cash Restricted by Contract	(7,964,650)	(794,108)
Donor Contributions With Purpose Restrictions	(557,500)	(225,500)
Current Portion of Mortgage Loans Designated to be Sold and Settled	(1,489,117)	(994,766)
Current Portion of Mortgage Loans Contractually Tied to Long-Term Debt Service	(658,113)	(446,808)
Total Less Amounts Available	(10,669,380)	(2,461,182)
<b>Financial Assets Available to Meet General Expenditures Within One Year</b>	<b>\$ 1,443,017</b>	<b>\$ 414,026</b>

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**NOTE J – NET ASSETS**

Net assets without donor restrictions consist of the following as of December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 3,494,089	\$ (204,939)
Board Designated for Mortgage Capital	1,502,089	-
	<u>\$ 4,996,178</u>	<u>\$ (204,939)</u>

Net Assets with donor restrictions are available for the following purposes or periods as of December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Receivables and Pledges which are unavailable for expenditure until due	\$ 845,000	\$ 400,000
Mortgage Capital - MWHF (Note F)	5,175,518	-
	<u>\$ 6,020,518</u>	<u>\$ 400,000</u>