## Lexington Habitat for Humanity Plan to Address Going Concern

As the cost of building and the need for affordable housing subsidies in our community continue to grow, outpacing current funding sources and homebuyer borrowing capacity, Lexington Habitat for Humanity is prioritizing sustainable solutions to recurring operating deficits that have surfaced as a result. Below is a summary of the steps LHFH is currently taking to create a path to long-term financial sustainability.

**Step 1: Historical Analysis and Financial Modeling**
Lexington Habitat has identified a partner who, over the next several weeks, will develop a financial proforma to assist leadership in analyzing, forecasting and projecting results of proposed actions around long-term sustainability. This partner will also analyze the direct and indirect costs associated with construction for use in a break-even analysis, influencing our target number of builds per year.

Data from the financial modeling will be used to inform strategic budgeting and operational decisions for the next three fiscal years. The current goal is to have a strategic budget for the remainder of FY27 in place by October 2026 and a balanced budget for FY28 and forward.

**Step 2: Asset & Cash Flow Management**
Lexington Habitat will be exploring ways to leverage our approximately $7M assets (mortgage portfolio, real property, endowment) to fill potential cash flow gaps during FY27 and to make operational investments needed for long-term sustainability.

Additionally, the strategic use of our $600K line of credit will assist with short-term funding gaps that may occur with our build schedule.

**Step 3: Long-term Budgeting for a Sustainable Operating Model (FY2027-2029)**
Lexington Habitat's Leadership Team and Executive Committee are meeting regularly to develop a sustainable operating model. We are evaluating construction volume and timing, land acquisition opportunities and partnerships, operating costs, staffing and organizational structure, as well as fundraising capacities and identification of new sources of revenue.

Contingency planning will be included in budget development to provide flexibility and ensure a continued path toward sustainability. Current contingencies include:

- The likelihood of 19 zero-cost lots at the Marquard Field project.
- Expansion of our general service area into Franklin County.
- Partnerships with surrounding affiliates (e.g., ReStore expansion, fee structure for services, etc.)

- An opportunity to partner with the Lexington Community Land Trust for zero-cost lots in Davis Bottoms.

**What are we doing to cut costs?**

- Pursuing land acquisition partnership opportunities.
- Evaluating staffing, organizational, and operational structures, expenses, and efficiencies.

**What are we doing to increase revenue?**

- Developing an Affordable Housing Crisis campaign to engage and empower stakeholders and educate the community on the rising cost of housing and the impact on LHFH's mission delivery.
- Structuring our corporate and faith community sponsorship model to close the construction cost gap.
- Evaluating our asset portfolio with the intention of liquidating a small percentage to generate working capital. Utilizing that working capital to make forward-leaning investments into the revenue-generating portions of the business.
    - Add capacity to our fundraising department in order to accelerate efforts on major gifts, planned giving, recurring donations and board giving to help fund operating costs and essential infrastructure.
    - Add capacity within the physical plant of the ReStore to allow a higher volume of donated items and therefore increase sales.
    - Replace assets that have reached the end-of-life and currently require significant and expensive ongoing maintenance.