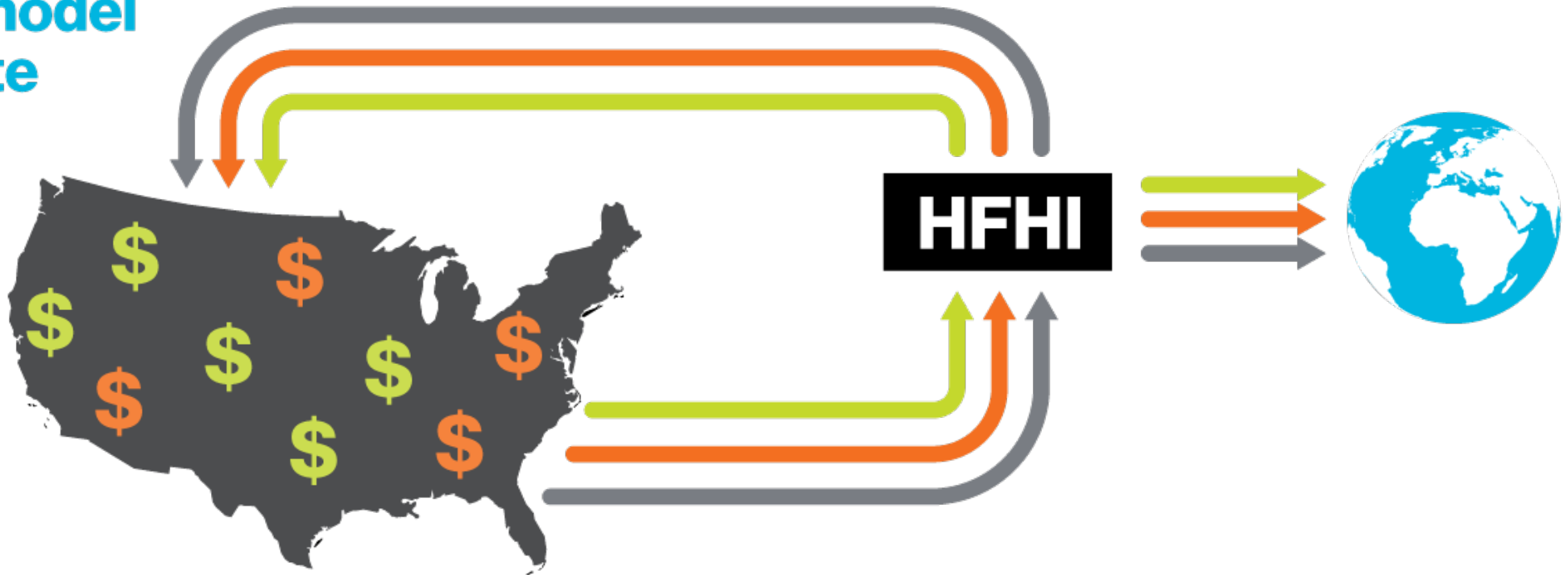


Habitat 2.0 financial model future state

The majority of **HFHI undesignated donations** (less fundraising costs) would be **distributed to the affiliate** geographic service area in which the funds are raised.



In return, **Habitat affiliates** in the U.S. would **pay an investment fee** to HFHI.

This investment fee would cover:

- Costs of programs and services to support the U.S. network.
- Support to maintain and grow a strong federation.
- International work currently funded through HFHI's unrestricted fundraising efforts.

Overview of recommended changes to the formula

Recommended Change	What we heard	Why the change was made
Removed Tithe from the amount that fee is solving for	Having Tithe part of the fee makes Tithe feel like a tax	Maintaining and growing global support through affiliate Tithe is important, however including it in the investment fee is not the best way to address Tithe support across the network.
Changed population from per person fee to a banded fee approach	Per person population does not take into account special populations (prison, college, etc.) that may be in a population. Per person population disincentives mergers or GSA expansions.	Using population bands better accounts for the diversity that GSA populations may experience and allows for more stability for mergers or other GSA changes.
Changed revenue from a percentage to a banded fee approach	The percentage of revenue was seen as “double taxing” by many because of the income included that is sent out by HFHI or through grants.	Moving to a banded revenue approach allows revenue to be used as a measure to compare affiliates and allocate fees proportionally by their current operations. In addition, given the concerns around revenue, revenue band fees were weighted lower than the population and Direct Marketing band fees.
Added the amount of Direct Marketing transfers as a banded fee lever	The fee should be tied to the amount of fundraising being done in an affiliate’s area. The amount of direct marketing transfers is not equally divided among affiliates.	Adding Direct Marketing as a banded lever lowers the fee for those who would receive little Direct Marketing funds and raises the fee for those that would receive more Direct Marketing funds.
Removed the AMI adjustment	The AMI adjustment is very confusing to understand and does not account for higher cost areas.	Originally AMI was used as a predictor for fundraising potential. However, the new Direct Marketing lever is a more accurate measure for fundraising potential and decreased the need to include an AMI lever. Adding an AMI adjustment on top of using a Direct Marketing lever did not materially have an impact on affiliate’s fees and did not warrant adding the additional complexity to the formula.
Removed the production credit	The production credit does not incentivize production. The production credit does not account for all the ways affiliates serve families and make an impact in their community.	Rewarding families served is important to the culture and mission of the organization, but without ways to equitability measure an affiliate’s full impact, it was decided that the investment fee is not the best way to reward or incentivize families served. Removing the production credit also removes a level of complexity from the formula.

Next Iteration: Three-Banded Model Formula

Population Banded Lever

Makes up ~50% of the total solve amount

Population Bands	Band Fee
Pop Band 1: < 25K	\$2,500
Pop Band 2: 25k - 40k	\$3,500
Pop Band 3: 40k - 60k	\$5,000
Pop Band 4: 60k-80k	\$7,000
Pop Band 5: 80k-120k	\$10,000
Pop Band 6: 120k-180k	\$15,000
Pop Band 7: 180k- 250k	\$22,000
Pop Band 8: 250k- 500k	\$36,000
Pop Band 9: 500k- 1M	\$80,000
Pop Band 10: > 1M	\$200,000

Population is based on 2020 census data for an affiliate's Geographical Service Area (GSA).

Revenue Banded Lever

Makes up ~15% of the total solve amount

Revenue Bands	Band Fee
Rev Band 1: < \$50k	\$1,000
Rev Band 2: \$50k - \$150k	\$1,200
Rev Band 3: \$150k - \$300k	\$1,400
Rev Band 4: \$300k-\$500k	\$2,000
Rev Band 5: \$500k - \$850k	\$4,000
Rev Band 6: \$850k - \$1.5M	\$6,500
Rev Band 7: \$1.5M - \$2.5M	\$10,500
Rev Band 8: \$2.5M - \$5M	\$20,000
Rev Band 9: \$5M - \$10M	\$40,000
Rev Band 10: > \$10M	\$80,000

Revenue is based on a 3-year rolling average of line 12 from an affiliate's 990. Revenue band fees have been weighted less than population and direct marketing band fees in response to concerns around revenue.

Direct Marketing Banded Lever

Makes up ~35% of the total solve amount

DM Bands (Gross Amount)	Band Fee
DM Band 1: <\$4k	\$1,500
DM Band 2: \$4k-\$8k	\$1,700
DM Band 3: \$8k-\$15k	\$3,000
DM Band 4: \$15k-\$25k	\$6,000
DM Band 5: \$25k-\$50k	\$10,000
DM Band 6: \$50k-\$120k	\$20,000
DM Band 7: \$120k-\$250k	\$40,000
DM Band 8: \$250k-\$400k	\$80,000
DM Band 9: \$400k-\$850k	\$130,000
DM Band 10: >\$850k	\$310,000

Direct Marketing is based on a 3-year rolling average of the gross dollars HFHI raised in direct marketing in an affiliate's GSA.

☰ An affiliate's investment fee

NOTE: Band Fees are based on \$57M solve amount using most current data available and will change before implementation in FY2025 after updated data is applied

Investment fee percentage by GSA category

The chart below shows how the percentage of total investment fees of the affiliates in each GSA correlates with their portion of the US network’s population, revenue, direct marketing and existing cash transfers from HFHI.

	Small GSA Affiliates	Intermediate GSA Affiliates	Medium GSA Affiliates	Large GSA Affiliates	Very Large GSA Affiliates
Percentage of US Affiliates	30% of affiliates are in small GSAs	20% of affiliates are in intermediate GSAs	26% of affiliates are in medium GSAs	16% of affiliates are in large GSAs	8% of affiliates are in Very Large GSAs
Lever Demographics	Affiliates in this GSA account for: <ul style="list-style-type: none"> • 3% of the US Network’s population • 5% of the US Network’s total revenue • 2% of the total Direct marketing funds 	Affiliates in this GSA account for: <ul style="list-style-type: none"> • 5% of the US Network’s population • 8% of the US Network’s total revenue • 5% of the total Direct marketing funds 	Affiliates in this GSA account for: <ul style="list-style-type: none"> • 15% of the US Network’s population • 20% of the US Network’s total revenue • 14% of the total Direct marketing funds 	Affiliates in this GSA account for: <ul style="list-style-type: none"> • 25% of the US Network’s population • 29% of the US Network’s total revenue • 26% of the total Direct marketing funds 	Affiliates in this GSA account for: <ul style="list-style-type: none"> • 51% of the US Network’s population • 37% of the US Network’s total revenue • 53% of the total Direct marketing funds
Amount of current cash transfers from HFHI	Receiving 5% of the current cash transfers from HFHI	Receiving 5% of the current cash transfers from HFHI	Receiving 17% of the current cash transfers from HFHI	Receiving 27% of the current cash transfers from HFHI	Receiving 46% of the current cash transfers from HFHI
Percentage of total investment fees in new three banded formula	Paying 4% of the total investment fees	Paying 6% of the total investment fees	Paying 16% of the total investment fees	Paying 27% of the total investment fees	Paying 47% of the total investment fees