Central South Carolina Habitat for Humanity, Inc.

Financial Statements with
Independent Auditor's Report

June 30, 2025 and 2024

Scott + Company

= not your average accounting firm

Central South Carolina Habitat for Humanity, Inc.

Contents

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Central South Carolina Habitat for Humanity, Inc.
Columbia, South Carolina

Opinion

We have audited the accompanying financial statements of Central South Carolina Habitat for Humanity, Inc. ("Habitat"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2025 and 2024, 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 as of June 30, 2025 and 2024, 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 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat'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'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'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.

Scott and Company LLC

Columbia, South Carolina
April 8, 2026

Central South Carolina Habitat for Humanity, Inc.

Statements of Financial Position

As of June 30,

	2025	2024
Assets		
Current assets		
Cash and cash equivalents		
Unrestricted	$ 1,075,544	$ 852,970
Restricted	125,248	498,269
Prepaid expenses	59,133	15,163
ReStore inventory	24,561	-
Construction in progress	575,398	208,310
Current portion of unconditional promises to give, less discount of $0 and $1,886, respectively	-	221,439
Current portion of non-interest bearing mortgage loans receivable, net	379,085	355,260
Other receivables	39,584	-
Total current assets	2,278,553	2,151,411
Non-interest bearing mortgage loans receivable, net of current portion:		
First mortgages	4,841,447	5,021,823
Second mortgages	1,801,450	1,767,299
Less, valuation allowance	(1,801,450)	(1,767,299)
Less, unamortized discount	(2,283,001)	(2,376,362)
	2,558,446	2,645,461
Real estate held for development and sale, net of impairment reserve of $24,000 and $0, respectively	40,488	356,888
Property, building and equipment, net	963,910	30,191
Right of use assets, net	505,274	648,438
Other assets	5,800	5,000
Total assets	$ 6,352,471	$ 5,837,389
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 162,305	$ 89,760
Current portion of operating lease liability	164,429	157,788
Current portion of finance lease liability	5,796	-
Total current liabilities	332,530	247,548
Operating lease liability, less current portion	334,750	499,179
Finance lease liability, less current portion	7,361	-
Security deposit	550	-
Total liabilities	675,191	746,727
Net assets		
Without donor restrictions:		
Board designated for operating reserve	165,085	165,085
Undesignated	5,386,947	4,427,308
With donor restrictions	125,248	498,269
Total net assets	5,677,280	5,090,662
Total liabilities and net assets	$ 6,352,471	$ 5,837,389

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

Central South Carolina Habitat for Humanity, Inc.
Statement of Activities
For the year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and grants	$ 228,204	$ 1,073,251	$ 1,301,455
Contributed property, materials and services	855,031	-	855,031
Imputed interest on noninterest bearing mortgage loans receivable	228,654	-	228,654
ReStore store sales	832,537	-	832,537
Sale of homes	415,663	-	415,663
Loss on sale of assets	(23,451)	-	(23,451)
Casualty recovery	101,569	-	101,569
Interest and dividends	49,109	-	49,109
Other income	90,522	-	90,522
Net assets released from restrictions due to fulfillment of donor/grantor restrictions	1,446,272	(1,446,272)	-
Total revenues	4,224,110	(373,021)	3,851,089
Expenses:			
Program expenses:			
Construction and rehabs	1,249,014	-	1,249,014
ReStore	1,382,118	-	1,382,118
Management and general	403,408	-	403,408
Fundraising	229,931	-	229,931
Total expenses	3,264,471	-	3,264,471
Change in net assets	959,639	(373,021)	586,618
Net assets, beginning of year	4,592,393	498,269	5,090,662
Net assets, end of year	$ 5,552,032	$ 125,248	$ 5,677,280

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

Central South Carolina Habitat for Humanity, Inc.
Statement of Activities
For the year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and grants	$ 304,722	$ 845,017	$ 1,149,739
Contributed property, materials and services	790,351	-	790,351
Imputed interest on noninterest bearing mortgage loans receivable	198,442	-	198,442
ReStore store sales	790,838	-	790,838
Sale of homes	801,372	-	801,372
Gain on sale of assets	547,250	-	547,250
Casualty recovery	134,980	-	134,980
Interest and dividends	39,374	-	39,374
Other income	38,854	-	38,854
Net assets released from restrictions due to fulfillment of donor/grantor restrictions	687,169	(687,169)	-
Total revenues	4,333,352	157,848	4,491,200
Expenses:			
Program expenses:			
Construction and rehabs	1,798,185	-	1,798,185
ReStore	1,360,126	-	1,360,126
Management and general	367,574	-	367,574
Fundraising	247,072	-	247,072
Total expenses	3,772,957	-	3,772,957
Change in net assets	560,395	157,848	718,243
Net assets, beginning of year	4,031,998	340,421	4,372,419
Net assets, end of year	$ 4,592,393	$ 498,269	$ 5,090,662

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

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

Central South Carolina Habitat for Humanity, Inc.
Statement of Functional Expenses
For the year ended June 30, 2025

	Program Services				
	Construction and Rehabs	**ReStore**	**Management and General**	**Fundraising**	**Total**
Expenses:					
Salaries and benefits	$ 350,173	$ 282,248	$ 209,329	$ 167,540	$ 1,009,290
Donated goods	-	749,826	-	-	749,826
Cost of homes sold & repaired	425,103	-	-	-	425,103
Facilities	282	209,271	16,246	-	225,799
Loan forgiveness	169,774	-	-	-	169,774
Discount on current year non-interest bearing mortgage loans	135,293	-	-	-	135,293
Professional fees	6,199	10,046	88,696	14	104,955
Insurance	42,050	22,675	12,243	-	76,968
Events	22,560	-	-	45,300	67,860
Purchased goods	-	54,965	-	-	54,965
International tithe and support to Habitat International	4,000	-	29,800	-	33,800
Tools and equipment	15,581	8,550	7,980	680	32,791
Depreciation expense	6,910	9,653	8,624	-	25,187
Mortgage servicing fees	24,660	-	-	-	24,660
Land impairment	24,000	-	-	-	24,000
Advertising	10,121	298	-	11,712	22,131
Repairs and maintenance	1,046	13,739	6,896	-	21,681
Credit card fees	5	14,733	776	796	16,310
Other expenses	2,847	-	11,929	-	14,776
Food and travel	4,639	3,942	2,041	1,429	12,051
Dues, licenses & subscriptions	2,678	2,150	2,263	1,456	8,547
Property taxes	821	22	5,897	-	6,740
Postage	272	-	463	1,004	1,739
Casualty loss	-	-	225	-	225
Total expenses	$ 1,249,014	$ 1,382,118	$ 403,408	$ 229,931	$ 3,264,471

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

Central South Carolina Habitat for Humanity, Inc.

Statement of Functional Expenses

For the year ended June 30, 2024

	Program Services				
	Construction and Rehabs	**ReStore**	**Management and General**	**Fundraising**	**Total**
Expenses:					
Salaries and benefits	$ 423,272	$ 283,819	$ 181,819	$ 204,325	$ 1,093,235
Donated goods	-	763,153	-	-	763,153
Cost of homes sold & repaired	609,526	-	4,729	-	614,255
Loan forgiveness	398,752	-	-	-	398,752
Facilities	5,873	216,270	17,877	808	240,828
Discount on current year non-interest bearing mortgage loans	224,271	-	-	-	224,271
Insurance	56,962	26,970	15,959	-	99,891
Professional fees	971	3,007	86,607	3,665	94,250
Events	10,890	-	7,293	33,562	51,745
Repairs and maintenance	10,353	14,320	4,475	-	29,148
Purchased goods	-	27,686	-	-	27,686
Mortgage servicing fees	22,575	-	16	-	22,591
International tithe and support to Habitat International	6,000	-	15,000	-	21,000
Food and travel	10,301	6,016	2,672	1,351	20,340
Tools and equipment	4,358	6,979	7,553	880	19,770
Credit card fees	-	3,801	12,292	1,019	17,112
Depreciation expense	4,260	5,951	5,317	-	15,528
Dues, licenses & subscriptions	7,675	1,097	3,416	669	12,857
Advertising	963	850	73	87	1,973
Postage	100	-	1,142	706	1,948
Property taxes	1,083	207	264	-	1,554
Casualty loss	-	-	1,070	-	1,070
Total expenses	$ 1,798,185	$ 1,360,126	$ 367,574	$ 247,072	$ 3,772,957

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

Central South Carolina Habitat for Humanity, Inc.
Statements of Cash Flows
For the Years Ended June 30,

	2025	2024
Cash Flows from Operating Activities:		
Change in net assets	$ 586,618	$ 718,243
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,187	15,528
Amortization	159,167	149,237
Loss (gain) on disposal of assets	23,451	(547,250)
Land impairment	24,000	-
Change in discount on non-interest bearing mortgage loans receivable	(93,361)	25,830
Sale of homes	(415,663)	(801,372)
Loan forgiveness	169,774	398,752
Increase in ReStore inventory	(24,561)	-
(Increase) decrease in prepaid expenses	(43,970)	15,984
Increase in other assets	(800)	-
Decrease (increase) in unconditional promises to give	221,439	(182,012)
Increase in other receivables	(39,584)	-
Increase (decrease) in accounts payable and accrued expenses	72,545	(18,197)
Decrease in deferred revenue	-	(7,144)
Decrease in operating lease liability	(157,788)	(151,415)
Increase in other liabilities	550	-
Net cash provided by (used in) operating activities	507,004	(383,816)
Cash Flows from Investing Activities:		
Payments received on mortgage loans receivable	402,440	384,158
Construction in progress sales	305,446	551,054
Construction in progress purchases	(672,534)	(568,405)
Proceeds from sale of property, building and equipment	2,057	607,917
Purchases of property, building and equipment	(972,484)	(8,750)
Proceeds from sale of real estate held for development and sale	280,470	55,013
Purchases of real estate held for development and sale	-	(24,658)
Net cash (used in) provided by investing activities	(654,605)	996,329
Cash Flows from Financing Activities:		
Payments on finance lease liability	(2,846)	-
Net cash used in financing activities	(2,846)	-
Net (decrease) increase in cash and cash equivalents	(150,447)	612,513
Cash and cash equivalents at beginning of year	1,351,239	738,726
Cash and cash equivalents at end of year	$ 1,200,792	$ 1,351,239

Reconciliation to unrestricted and restricted cash reported within the statements of financial position:

	2025	2024
Cash and cash equivalents:		
Unrestricted	$ 1,075,544	$ 852,970
Restricted	125,248	498,269
Total cash	$ 1,200,792	$ 1,351,239

Supplemental disclosure of cash flow information

	2025	2024
Right of use assets obtained in exchange for finance lease liabilities	$ 16,003	$ -
Finance lease liabilities arising from obtained right of use assets	$ 16,003	$ -

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

Note 1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization – Central South Carolina Habitat for Humanity, Inc. (“Habitat”) is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”). Habitat was incorporated in 1985, as a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Habitat also operates the Habitat for Humanity ReStore (the “ReStore”), a retail operation, where home furnishings, building supplies, appliances, and other miscellaneous items are donated and then sold to the community at a greatly reduced price. Revenue is recognized by Habitat at the time the goods are sold; therefore, no value for the donated ReStore inventory is included in these financial statements.

Summary of Significant Accounting Policies

Basis of Accounting – The accounts of Habitat are maintained, and the accompanying financial statements are prepared on, the accrual basis of accounting. Habitat reports information regarding its financial position and activities in accordance with two classes of net assets: without donor restrictions and with donor restrictions.

Contributions and Support – Contributions without donor restrictions are recognized as revenue when received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Property and Services – Contributed property consisted of $855,031 and $790,351 in donated supplies for the years ended June 30, 2025 and 2024, respectively. Construction-related donated items are recorded at estimated fair value at the time of receipt if the fair market value is readily available and at the time of sale when donated to the ReStore. For items donated to the ReStore, the sale price of the item is the donated value at the time of sale. Contributed assets were utilized for operational purposes within construction and ReStore programs during 2025 and 2024.

A substantial number of volunteers have made significant contributions of their time to Habitat, principally in the areas of home construction and repairs, administration and fundraising. The value of non-professional contributed time is not reflected in the accompanying financial statements. However, Habitat values donated professional services based on the market value of the service being provided.

Real Estate Held for Development and Sale – Real estate held for development and sale is recorded at cost, if purchased, or fair value at the date of gift if donated. If permanent impairment of value occurs, the value is adjusted to fair value. Foreclosed homes purchased by Habitat are recorded at cost when the homes are acquired. No interest is capitalized as a part of the cost of homes. Real estate held for development and sale consisted only of land at June 30, 2025 and 2024.

Reclaimed homes are recorded as a component of real estate held for development and sale at the outstanding mortgage balance at the date of reclamation. No homes were reclaimed during the years ended June 30, 2025 or 2024.

Property, Building, and Equipment – Property and equipment is recorded at cost, if purchased, or fair value at the date of gift, if donated. Where there are absent explicit donor stipulations about how long such long-lived assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation of property and equipment is computed over the estimated average useful lives of the assets (five to twenty years) using the straight-line method. Maintenance, repair costs, and minor replacements are charged to expense as incurred.

Income Taxes – Habitat is exempt from federal income tax as an organization described in Section 501c(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. The years open for audit include 2022 – 2025.

Estimates – The preparation of the financial statements in accordance 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 revenues and expenses during the reporting period. The most significant estimate in these financial statements is the interest rate used to discount the non-interest bearing mortgage loans. Actual results could differ from those estimates.

Net Assets – Net assets without donor restrictions are available for use in general operations. Board designated net assets are a component of net assets without donor restrictions established by the Board of Directors. Additionally, the Board of Directors has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. The operating reserve balance totaled $165,085 for the years ended June 30, 2025 and 2024. Net assets with donor restrictions are those whose use by Habitat has been limited by donors to a specific time period or purpose. Habitat is permitted to use or expend the donated assets in accordance with the donor restriction. 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 statement of activities as net assets released from restrictions. Certain restrictions by donors may need to be maintained by Habitat in perpetuity. As of June 30, 2025 and 2024, there were no net assets with donor restrictions that needed to be maintained in perpetuity.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Program activities are those that are conducted in accordance with Habitat's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but they are indispensable to the conduct of those activities and to Habitat's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by function have been allocated based upon management's estimates of time each employee spends working in each category or the percentage of office space devoted to each category.

Advertising Costs – Advertising costs are expensed as incurred. Advertising costs amounted to $22,131 and $1,973 for the years ended June 30, 2025 and 2024, respectively.

Tithe to Habitat for Humanity International – The Board has agreed to pay $2,000 per house to Habitat for Humanity International. For the years ending June 30, 2025 and 2024, Habitat paid to Habitat for Humanity International $4,000 and $6,000, respectively. Habitat also paid $29,800 and $15,000 to Habitat for Humanity International for the Stewardship and Organizational Sustainability Initiative for the years ending June 30, 2025 and 2024, respectively.

Cash – Habitat considers deposits on accounts and investments with maturity dates less than three months at the time of purchase to be cash. At various times throughout the year, Habitat has deposits in excess of amounts covered by federal depository insurance. Uninsured cash balances are discussed further in Note 3.

Restricted Cash – Restricted cash consists of cash held that is restricted for the purpose of building and rehabbing homes. Habitat had restricted cash of $125,248 and $498,269 as of June 30, 2025 and 2024, respectively.

Unconditional Promises to Give – Unconditional promises to give (pledges) that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts were computed using a risk-free interest rate of 5.02% for the year ended June 30, 2024. There were no remaining unconditional promises to give at June 30, 2025. Amortization of the discounts is included in contribution revenue. The allowance for uncollectible promises to give is based on management's judgment, including consideration of such factors as past collection experience, missed payments or modification of payment terms, and creditworthiness of the donor. For the years ended June 30, 2025 and 2024, an allowance for unconditional promises to give was not deemed necessary.

ReStore Inventory – ReStore inventory consists of purchased materials and goods used for re-sale at the ReStore and contributes to a minor percentage of overall sales at the ReStore. Donated inventory is not valued until sold and therefore is carried at no value, as the value cannot be estimated until sold. Purchased ReStore inventory is stated at the lower of cost (retail method) or net realizable value.

Mortgage Loans Receivable – Habitat records non-interest bearing loans receivable from the sale of houses at a discounted value to provide for interest on the non-interest bearing loans. For purposes of calculating the discounted loan values, interest rates are determined based on the market rates for a similar type of loan on the date of closing and range from 6% to 10% for all loans outstanding. The discount is amortized utilizing the interest method. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognized interest income over the life of the loans. An expense is recorded upon the sale of houses for the difference between the face value of the mortgage loans receivable and the present value of the loans. Habitat has not established an allowance for credit losses as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible, and management believes any reclaimed house can be resold at or above the amount of unpaid, discounted loan principal plus costs to sell the home. Mortgage loans receivable are generally considered delinquent when payment is thirty days past due; however, delinquency status may be mitigated by other qualitative factors.

To ensure homes are sold to qualifying homeowners at below-market prices, Habitat has issued additional "silent" mortgages on certain homes, valued as the difference between the homeowner's purchase price and the appraised value of the house at the time of initial sale. Second mortgages are reduced, on a pro-rata basis, over the life of the first mortgage and will only be due on demand upon the sale of the home or default on the mortgage to which they relate. Second mortgages are forgiven at a rate of 1/20th per year and are fully forgiven at the end of the first mortgage term.

Since it is impossible to determine whether or not a home will return to Habitat rendering the second mortgage loan due and payable, it is Habitat's policy to recognize an allowance for the full amount of the unamortized portion of the second mortgage loan.

Leases – Habitat has adopted the guidance for lease accounting as described in Accounting Standards Codification ("ASC") Topic 842, *Leases*. Habitat has elected the following practical expedients:

- The package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed Habitat to not reassess under the new guidance the prior conclusion about lease identification, lease classification, and initial direct costs.
- The practical expedient to not recognize right of use assets and lease liabilities for leasing arrangements with terms of one year or less.
- The practical expedient to use the annualized risk-free rate as the discount rate, which is based on the U.S. Treasury yield curve for an equivalent term.

Habitat determines if an arrangement is a lease at inception. Leases are evaluated at commencement to determine proper classification as an operating or finance lease. Habitat's lease is classified as operating. Habitat recognizes a right of use asset and lease liability at lease commencement based on the present value of lease payments over the lease term. Habitat uses the annualized risk-free rate as the discount rate as Habitat's lease arrangement does not provide an implicit borrowing rate.

Fixed lease payments are recognized on a straight-line basis over the lease term. Habitat's lease does not contain any material residual value guarantees or payments under purchase and termination options which are reasonably certain to be exercised. Lease terms are initially determined as the non-cancelable period of a lease adjusted for options to extend a lease that are reasonably certain to be exercised.

Right of use assets are carried at costs less accumulated amortization. Initial cost comprises the lease liability adjusted for lease payments at or before the commencement date. Leases that have an original term of 12 months or less are not recognized on Habitat's statement of financial position, and the lease expense related to those short-term leases is recognized over the lease term.

Reclassifications – Certain amounts from the June 30, 2024 financial statements have been reclassified to conform to the current year presentation. Specifically, second mortgages, which are fully allowed for, are shown on the statement of financial position, and goods donated to the ReStore are included in revenues and expenses on the statement of activities. Such reclassifications had no effect on previously reported change in net assets.

Note 2. Revenue Recognition

In accordance with ASC 606, Habitat recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration Habitat expects to be entitled to in exchange for those goods or services. ASC 606 also requires expanded disclosures regarding revenue recognition to ensure understanding as to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Habitat has identified sale of homes, ReStore sales, and mortgage income as revenue categories subject to ASC 606.

Sale of homes – Habitat builds and sells homes to low-income individuals. Performance obligations are determined to be satisfied and revenue is recognized on the closing date of the sale.

ReStore sales – Habitat sells various donated and purchased goods to individuals through its ReStore. ReStore revenues are recognized and performance obligations are considered to be satisfied at the time of the sale. Payments are also received at the time of the sale.

Mortgage income – Mortgage income typically results from foreclosures or payments on second or third mortgages. Performance obligations are determined to be satisfied and revenue is recognized at the time of foreclosure. Habitat had no mortgage income during the years ended June 30, 2025 and 2024.

Judgments – The transaction prices in contracts with customers involving variable consideration may require judgment when determining the probability of a significant reversal of such consideration.

Economic factors – Habitat is impacted by overall economic conditions, as there are fewer sales of homes and ReStore sales during poor economic conditions.

Habitat's revenues from contracts with customers were recognized at a point in time according to the timing of transfer of services. Revenues disaggregated between revenues from contracts with customers and other revenues are shown below:

	2025	2024
Sale of homes	$ 415,663	$ 801,372
ReStore store sales	832,537	790,838
Total revenues from contracts with customers (subject to ASC 606)	1,248,200	1,592,210
Other revenues	2,602,889	2,898,990
Total revenues	$ 3,851,089	$ 4,491,200

Note 3. Concentrations of Credit Risk

Financial instruments that potentially subject Habitat to credit risk consist primarily of the following:

Cash and cash equivalents: Since Habitat places cash in individual financial institutions in excess of FDIC insured limits, Habitat periodically reviews the financial condition of the financial institutions to reduce Habitat's credit risk associated with cash and cash equivalents. At June 30, 2025 and 2024, Habitat had approximately $0 and $478,000 in uninsured cash balances, respectively. Management believes that any risks are outweighed by the stability of the financial institutions that Habitat holds deposit accounts with.

Unconditional promises to give: At June 30, 2024, Habitat had one unconditional promise to give that accounted for 91% of the outstanding total.

Note 4. Mortgage Loans Receivable

First mortgage loans receivable were as follows at June 30,:

	2025	2024
First mortgage loans receivable at face value	$ 5,220,532	$ 5,377,083
Less: unamortized discount	(2,283,001)	(2,376,362)
Net first mortgage loans receivable	2,937,531	3,000,721
Less: current portion of non-interest bearing first mortgage loans receivable	(379,085)	(355,260)
Long term portion of non-interest bearing first mortgage loans receivable	$ 2,558,446	$ 2,645,461

The following are the future payments receivable under first mortgage loans receivable at June 30, 2025:

2025	$ 379,085
2026	342,738
2027	337,207
2028	334,567
2029	330,892
Thereafter	3,496,043
	5,220,532
Less: unamortized discount	(2,283,001)
	$ 2,937,531

Note 5. Unconditional Promises to Give

As of June 30, 2024, the balance of unconditional promises to give was $221,439 and was expected to be collected within one year. There were no remaining unconditional promises to give at June 30, 2025.

Note 6. Property, Building and Equipment

The components of property, building and equipment and accumulated depreciation were as follows at June 30,:

	2025	2024
Computer and related equipment	$ 35,917	$ 17,783
Office furniture and equipment	83,048	41,262
Leasehold improvements	12,767	16,587
Vehicles	77,225	90,910
Land, building and improvements	890,713	8,750
	1,099,670	175,292
Less: accumulated depreciation	(135,760)	(145,101)
	$ 963,910	$ 30,191

Depreciation expense was approximately $25,000 and $16,000 for the years ended June 30, 2025 and 2024, respectively.

Note 7. Liquidity and Availability of Resources

The following reflects Habitat's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditures because of contractual or donor imposed restrictions. Habitat's assets available within one year were as follows at June 30,:

	2025	2024
Financial assets at year-end		
Cash and cash equivalents	$ 1,200,792	$ 1,351,239
Unconditional promises to give, net	-	221,439
First mortgage loans receivable, net	2,937,531	3,000,721
Other receivables	39,584	-
Total financial assets	4,177,907	4,573,399
Less amounts restricted by donor with time or purpose restrictions	(125,248)	(498,269)
Less amounts not available to be used within one year	(2,558,446)	(2,645,461)
Financial assets available to meet general expenditures over the next twelve months	$ 1,494,213	$ 1,429,669

As part of Habitat's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8. Leases

Habitat leases the space for its ReStore through May 31, 2028, under an operating lease originating April 2014 and extended in May 2023. Monthly payments during the extension term are $13,163 ($15,163 per month, including common area maintenance, taxes and insurance). The lease contains two additional options to renew by an additional 5 years per renewal term. The lease agreement does not contain any material residual value guarantees or material restrictive covenants. At June 30, 2025 and 2024, the discount rate was 4.13% and the remaining lease term was 35 months and 47 months, respectively.

The operating lease right of use asset was comprised of the following as of June 30,:

	2025	2024
Gross value	$ 941,058	$ 941,058
Less: accumulated amortization	(448,230)	(292,620)
	$ 492,828	$ 648,438

Future maturities of the operating lease liability as of June 30, 2025 were as follows:

2026	$	181,956
2027		181,956
2028		166,793
Total lease payments		530,705
Less: effects of discounting		(31,526)
Present value of operating lease liability	$	499,179

Lease expense related to the operating lease was $179,778 for the years ended June 30, 2025 and 2024, as included in facilities expense in the statements of functional expenses.

Habitat also entered into a finance lease agreement for computer equipment in October 2024, expiring in October 2027. The finance lease calls for monthly payments in the amount of $483 and includes an end-of-lease purchase option payment of $1 to retain the equipment. At June 30, 2025, the discount rate was 2.997% and the remaining lease term was 28 months.

There were no finance leases at June 30, 2024. The finance lease right of use asset was comprised of the following as of June 30, 2025:

Gross value	$	16,002
Less: accumulated amortization		(3,556)
	$	12,446

Future maturities of the finance lease liability as of June 30, 2025 were as follows:

2026	$	5,796
2027		5,796
2028		1,932
Total lease payments		13,524
Less: effects of discounting		(367)
Present value of finance lease liability	$	13,157

Interest expense paid on the finance lease during the year ended June 30, 2025 was approximately $300.

Note 9. Fair Value Measurements

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Habitat utilized market date or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Habitat recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. For the years ended June 30, 2025 and 2024, there were no transfers between fair value levels. There were no changes in the valuation methodologies used in the fair value hierarchy for the years ended June 30, 2025 and 2024.

Habitat held no investments as of June 30, 2025 or 2024.

Note 10. Retirement Plan

Habitat maintains a retirement savings plan (the "Plan") under the terms of Section 403(b) of the Internal Revenue Code. All full time employees are eligible to participate upon hire date. The Plan document permits only eligible employee payroll reductions to be made. Habitat also maintains a Simplified Employee Pension plan (the "SEP") under the terms of Section 408(k) of the Internal Revenue Code. All full time employees are eligible to participate upon hire date. In accordance with the Plan document, Habitat, at the discretion of management, may contribute up to 3% of eligible compensation. During the years ended June 30, 2025 and 2024, Habitat contributed approximately $23,000 and $26,000, respectively.

Note 11. Casualty Loss

During the year ended June 30, 2023, Habitat suffered a casualty loss of approximately $511,000. Of this amount approximately $432,000 was reimbursed to Habitat. Net casualty losses of approximately $200 and $1,000 were recorded for the years ended June 30, 2025 and 2024, respectively. Casualty recoveries of approximately $102,000 and $135,000 were recorded for the years ended June 30, 2025 and 2024, respectively, for reimbursements received. Management believes the loss was mostly isolated to fiscal year 2023, with an insignificant amount that occurred in fiscal year 2024, and that they have put in additional safeguards and controls to prevent future similar losses.

Note 12. Subsequent Events

Habitat has evaluated events and transactions that occurred between June 30, 2025 and April 8, 2026, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Management has concluded that no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in these financial statements.