

GOODHUE COUNTY HABITAT FOR HUMANITY, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goodhue County Habitat for Humanity, Inc.

Opinion

We have audited the accompanying financial statements of Goodhue County Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodhue County Habitat for Humanity, Inc. 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 Goodhue County Habitat for Humanity, Inc. 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 Goodhue County Habitat for Humanity, Inc.'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 is therefore 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.



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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 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 Goodhue County Habitat for Humanity, Inc.'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 Goodhue County Habitat for Humanity, Inc.'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.

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.

January 28, 2026

STATEMENTS OF FINANCIAL POSITIONJUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Cash & Cash Equivalents		
Undesignated Cash & Cash Equivalents	\$ 318,944	\$ 167,065
Designated Cash - Escrow	19,864	9,307
Total Cash & Cash Equivalents	<u>338,808</u>	<u>176,372</u>
Prepaid Expenses	558	5,644
Investments	28,986	
Contributions Receivable	103,314	60,646
Escrow Due from Homeowners	14,893	6,592
Inventory - Gifts in Kind	5,360	7,802
Inventory - Lots, House Repurchases & Construction in Progress	1,427,702	931,771
Mortgages Receivable		
Non-Interest Bearing Mortgages Receivable at Face Value	1,334,358	1,442,274
Less Unamortized Discount	(759,593)	(809,471)
Net Mortgages Receivable	<u>574,765</u>	<u>632,803</u>
Property & Equipment, Net of Accumulated Depreciation	219,738	137,072
Total Assets	<u><u>\$ 2,714,124</u></u>	<u><u>\$ 1,958,702</u></u>
<u>LIABILITIES & NET ASSETS</u>		
<u>Liabilities</u>		
Homeowners' Escrow	\$ 19,864	\$ 9,307
Accounts Payable	65,625	11,902
Accrued Payroll & Compensated Absences	54,881	29,522
Mortgage Payable	81,231	82,363
Line of Credit	500,000	
Non-Interest Bearing Note Payable		
Non-Interest Bearing Note Payable - HFH MN	656,765	706,225
Less Unamortized Discount and Debt Issuance Costs	(319,208)	(349,627)
Net Non-Interest Bearing Note Payable	<u>337,557</u>	<u>356,598</u>
Low-Interest Bearing Note Payable		
Low-Interest Bearing Note Payable - HFH MN Green Mtg Fund	9,356	14,364
Less Unamortized Discount	(602)	(1,220)
Net Low-Interest Bearing Note Payable	<u>8,754</u>	<u>13,144</u>
Low-Interest Bearing Notes Payable		
Low-Interest Bearing Note Payable - CDFI Rapid Response Fund	459,696	290,049
Less Unamortized Discount	(62,190)	(57,669)
Net Low-Interest Bearing Note Payable	<u>397,506</u>	<u>232,380</u>
Total Liabilities	<u><u>1,465,418</u></u>	<u><u>735,216</u></u>
<u>Net Assets</u>		
Without Donor Restrictions	825,105	1,030,522
With Donor Restrictions	423,601	192,964
Total Net Assets	<u><u>1,248,706</u></u>	<u><u>1,223,486</u></u>
Total Liabilities & Net Assets	<u><u>\$ 2,714,124</u></u>	<u><u>\$ 1,958,702</u></u>

STATEMENTS OF ACTIVITIESYEARS ENDED JUNE 30, 2025 AND 2024

<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	2025	2024
<u>SUPPORT & REVENUE</u>		
Contributions	\$ 125,901	\$ 86,215
Foundations/Grants	181,522	107,800
In-Kind Contributions	19,530	45,017
Special Events & Fundraisers (Net of Expenses of \$20,607 & \$22,522)	60,874	65,799
Brush with Kindness Projects		6,304
Home Sales	270,000	437,732
Discount Amortization & Interest Income	49,939	115,835
Loan Discount Contribution	14,663	
Other Income	7,499	8,465
 Total Support & Revenue	 729,928	 873,167
 Releases from Restriction	 166,818	 8,903
 <u>EXPENSES</u>		
<u>Program Services</u>		
Construction & Creating Local Home Ownership	805,420	788,094
Habitat International	18,000	16,500
Financing Home Ownership	55,976	56,413
Total Program Services	879,396	861,007
<u>Supporting Services</u>		
Management & General	93,719	64,859
Fundraising	129,048	35,061
Total Supporting Services	222,767	99,920
 Total Expenses	 1,102,163	 960,927
 Change in Net Assets Without Donor Restrictions	 (205,417)	 (78,857)
 <u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>		
<u>SUPPORT & REVENUE</u>		
Contributions	43,168	
Foundations/Grants	354,287	111,646
Total Support & Revenue	397,455	111,646
 Releases from Restriction	 (166,818)	 (8,903)
 Change in Net Assets with Donor Restrictions	 230,637	 102,743
 Total Change in Net Assets	 25,220	 23,886
 Total Net Assets, Beginning of Year	 1,223,486	 1,199,600
 Total Net Assets, End of Year	 <u>\$ 1,248,706</u>	 <u>\$ 1,223,486</u>

STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED JUNE 30, 2025

	Program Services				Supporting Services		Grand Total
	Construction & Creating Local Home Ownership	Habitat International	Financing Home Ownership	Total	Management & General	Fundraising	
Cost of Lots, Building Materials & Supplies	\$ 275,902			\$ 275,902			\$ 275,902
Cost of Goods Sold	149,937			149,937			149,937
Home Revitalization Projects	9,422			9,422			9,422
Advertising	6,472			6,472		\$ 22,607	29,079
Wages & Benefits	251,979			251,979	\$ 13,695	8,217	273,891
Consulting					11,108	95,000	106,108
Accounting & Legal	7,501			7,501	883	441	8,825
Payroll Taxes	27,891			27,891	1,516	909	30,316
Dues & Subscriptions	9,619			9,619	1,697		11,316
Insurance	12,078			12,078	5,677		17,755
Miscellaneous	34,176			34,176	1,524		35,700
Tithe to International		\$ 18,000		18,000			18,000
Office Supplies & Expenses	6,079			6,079	16,188		22,267
Printing							
Discount Amortization & Interest Expense	8,838		\$ 41,017	49,855	18,216		68,071
Postage					149	1,339	1,488
Training	593			593	3,600		4,193
Travel	4,933			4,933	1,140		6,073
Telephone & Internet					5,187		5,187
Depreciation					10,157	535	10,692
Utilities					2,982		2,982
Mortgage/Loan Discounts, Net			14,959	14,959			14,959
 Total Expenses	 \$ 805,420	 \$ 18,000	 \$ 55,976	 \$ 879,396	 \$ 93,719	 \$ 129,048	 \$ 1,102,163

STATEMENT OF FUNCTIONAL EXPENSESYEAR ENDED JUNE 30, 2024

	Program Services				Supporting Services		Grand Total
	Construction & Creating Local Home Ownership	Habitat International	Financing Home Ownership	Total	Management & General	Fundraising	
Cost of Lots, Building Materials & Supplies	\$ 493,605			\$ 493,605			\$ 493,605
Cost of Goods Sold							
Home Revitalization Projects	15,206			15,206			15,206
Advertising	3,647			3,647		\$ 2,447	6,094
Wages & Benefits	203,378			203,378	\$ 11,053	6,632	221,063
Consulting					4,743	24,000	28,743
Accounting & Legal	7,140			7,140	840	420	8,400
Payroll Taxes	14,489			14,489	788	472	15,749
Dues & Subscriptions	6,168			6,168	1,088		7,256
Insurance	8,406			8,406	6,882		15,288
Miscellaneous	17,585			17,585	7,700		25,285
Tithe to International		\$ 16,500		16,500			16,500
Office Supplies & Expenses	6,096			6,096	4,579		10,675
Printing						313	313
Discount Amortization & Interest Expense	8,189		\$ 43,926	52,115	13,579		65,694
Postage					67	606	673
Training	255			255	1,891		2,146
Travel	3,930			3,930	2,392		6,322
Telephone & Internet					3,770		3,770
Depreciation					3,240	171	3,411
Utilities					2,247		2,247
Mortgage/Loan Discounts, Net			12,487	12,487			12,487
 Total Expenses	 \$ 788,094	 \$ 16,500	 \$ 56,413	 \$ 861,007	 \$ 64,859	 \$ 35,061	 \$ 960,927

STATEMENTS OF CASH FLOWSYEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ 25,220	\$ 23,886
Adjustments to Reconcile Change in Net Assets to Net Cash from (Used in) Operating Activities:		
Depreciation	10,692	3,411
(Gain) Loss on Investments	(2,012)	(2,311)
Contributions of Investments	(26,811)	(23,146)
Issuance of Mortgages for Home Sales		(20,000)
Amortization of Discounts on Mortgages Receivable	(49,878)	(115,791)
Amortization of Discounts on Notes Payable	41,017	43,926
Amortization of Debt Issuance Costs	1,537	1,586
Notes Payable Discounts Received	(14,663)	
Changes in Operating Assets & Liabilities:		
(AIncrease) Decrease in Prepaid Expenses	5,086	(4,937)
(AIncrease) Decrease in Contributions Receivable	(42,668)	(49,346)
(AIncrease) Decrease in Inventory - Gifts in Kind	2,442	5,854
(AIncrease) Decrease in Inventory - Lots, House Repurchases & Construction in Progress	(495,931)	(29,019)
Increase (Decrease) in Homeowners' Escrow	2,256	(1,939)
Increase (Decrease) in Accounts Payable	53,723	(38,802)
Increase (Decrease) in Accrued Payroll & Compensated Absences	25,359	18,283
Net Cash from (Used in) Operating Activities	<u>(464,631)</u>	<u>(188,345)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from Sales of Investments		25,457
Purchases of Investments	(163)	
Collections on Mortgages Receivable	107,916	231,887
Purchases of Property & Equipment	(93,358)	(3,580)
Net Cash from (Used in) Investing Activities	<u>14,395</u>	<u>253,764</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from Line of Credit	500,000	266,242
Payments on Line of Credit		(266,242)
Payments on Contract for Deed		(506)
Payments on Mortgage Payable	(1,132)	(637)
Proceeds from Notes Payable	200,000	
Debt Issuance Costs	(1,375)	
Payments on Notes Payable	(84,821)	(60,520)
Net Cash from (Used in) Financing Activities	<u>612,672</u>	<u>(61,663)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>162,436</u>	<u>3,756</u>
Cash & Cash Equivalents, Beginning of Year		176,372
Cash & Cash Equivalents, End of Year	<u>\$ 338,808</u>	<u>\$ 176,372</u>
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	<u>\$ 25,517</u>	<u>\$ 20,182</u>
Contributions of Investments	<u>\$ 26,811</u>	
Contract for Deed Refinanced with Mortgage Payable		<u>\$ 83,000</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

1. Organization

Goodhue County Habitat for Humanity, Inc. (the “Organization”), is a Minnesota nonprofit corporation, incorporated on September 27, 1993. The Organization is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), 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, training, publications, prayer support, and other resources, the Organization is primarily and directly responsible for its own operations.

2. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations (“GAAP”). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions 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 and reported in the statements of activities as net assets released from restrictions. The Organization reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all cash and highly liquid financial instruments with original maturities of three months or less that are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents.

Designated Cash – Escrow – The Organization services the mortgages on many of the homes it sells. Included in designated cash are escrow payments received for insurance and property taxes on such homes, which are held in accounts separate from undesignated cash. The Organization will pay insurance and property taxes even if the homeowner is behind on escrow payments. Amounts due from homeowners for payments made by the Organization are reported on the statements of financial position as escrow due from homeowners.

Investments – The Organization records investment purchases at cost, or if donated, at fair market value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment income is reported on the statement of activities within other income, and consists of interest and dividend income, less investment management and custodial fees. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Contributions Receivable – Contributions receivable represent unconditional grants and promises to give, which are all receivable in less than one year. The Organization periodically reviews individual accounts, and as of June 30, 2025 and 2024, no allowance for uncollectible accounts was considered necessary.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Summary of Significant Accounting Policies (Continued)

Inventory – Inventories are valued at the lower of cost or net realizable value based on a specific identification method. In-kind inventory is recorded at its estimated market value when received. At the time of a house's sale, the site acquisition and construction costs associated with it are expensed to cost of lots, building materials, and supplies.

Inventories are presented on the statements of financial position as follows:

Gifts in Kind – Fair value of contributed building materials that have not been allocated to a particular property.

Lots, House Repurchases & Construction in Progress – Costs incurred in conjunction with property acquisition; the fair value of donated land; building material, appliance, and construction costs; and the fair value of contributed building materials and services that have been allocated to or used in a specific property. Pursuant to the original sale documents, the Organization has the first right to buy back previously transferred homes if the homeowner meets certain stipulations. No homes were repurchased during the years ended June 30, 2025 and 2024.

Non-Interest Bearing Mortgages Receivable – The Organization provides non-interest-bearing mortgage loans, payable in monthly installments, to qualified low-income individuals in Goodhue County, Minnesota. All mortgage loans receivable are collateralized by the respective homes sold. Because interest is not charged, the Organization discounts each note using applicable market interest rates for the year of origination. These rates are determined by Habitat International at the end of each fiscal year based upon low-income housing credits published by the Internal Revenue Service. Discount rates for mortgages held range from 7.38% to 8.14%. No mortgages originated during the years ended June 30, 2025 and 2024.

Mortgage notes receivable entered into at rates substantially below market rates are discounted to net present value. The discounts are charged directly to operations at the inception of the mortgage and amortized over the life of the contract. Discount amortization is reported as discount amortization and interest income on the statements of activities in the period amortized.

When the first mortgage on each home is less than the market value, the Organization also provides a second mortgage for the difference between the first mortgage and market value. The second mortgage, which is forgiven at the end of the first mortgage term, is assumed to have no economic value and, accordingly, is not recognized in the Organization's financial statements unless such mortgage becomes collectible in accordance with the terms of the mortgage agreement.

The need for an allowance for uncollectible accounts is based on past collection experience and on analysis of current mortgage receivable collectability. Management believes that the fair value of each underlying mortgaged asset exceeds the value of the associated loan outstanding; therefore, no allowance for uncollectible mortgages is recorded.

At June 30, 2025 and 2024, the Organization had 25 and 25 mortgages receivable outstanding, respectively.

Property and Equipment – Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Purchases of \$5,000 or less are expensed in the year purchased. Depreciation is computed using the straight-line method and charged to expense over the estimated useful lives of the assets as follows: equipment and computers – 3 to 7 years; buildings and building improvements – 39 years. Costs of maintenance and repairs that do not improve or extend the useful life of the respective assets are expensed currently.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Summary of Significant Accounting Policies (Continued)

Notes Payable – The low-interest and non-interest-bearing notes payable were made to the Organization at rates below prevailing market rates and are discounted at the prevailing market rate at the time of origination. For notes payable directly related to mortgages receivable, the discounts are reflected as contributions in the year of the origination and reported with mortgage/loan discounts, net, on the statements of functional expenses. For other notes payable, the discounts are reflected as contributions in the year of the origination and reported as loan discount contributions on the statements of activities. The related amortization is reported as discount amortization and interest expense on the statements of functional expenses in the period amortized.

Certain note payable agreements require the Organization to meet certain financial and other covenants, with which they were in compliance as of June 30, 2025 and 2024, or had received a waiver.

Revenues and Revenue Recognition – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received are recorded as contributions with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor stipulations for their use.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts granted are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances on the statements of financial position. The Organization was granted cost-reimbursable grants during the years ended June 30, 2025 and 2024, totaling \$221,924 and \$31,354, respectively, which were not recognized as revenue at June 30, 2025 and 2024, because qualifying expenditures were not yet incurred.

The Organization recognizes revenue from home sales when it has fulfilled its performance obligation of transferring title of the home to the homeowner.

The amount of the first mortgage for homes the Organization developed is reported as revenues, and the related discount is recorded at the same time. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing the effective interest method, this discount will be recognized as income over the term of the mortgage.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

In-Kind Contributions – The Organization receives in-kind contributions, including donated materials and services. Donated services are recognized at fair value if the services meet the recognition criteria prescribed by generally accepted accounting principles, which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Donations of materials are recorded as contributions at their estimated fair value at the date of donation.

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. However, these services are not recorded as in-kind contributions in the accompanying financial statements because they do not meet the recognition criteria described above.

Advertising – Advertising costs are expensed as incurred.

Functional Allocation of Expenses – The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued) – Program services include construction and creating local home ownership, Habitat International, and the discount on mortgage originations. The cost of home building is charged to construction-in-progress as incurred, and those costs are transferred to program services upon sale. Program services include the cost of homes transferred.

Income Taxes – The Organization is exempt from federal income tax through Habitat International's group exemption under Internal Revenue Code Section 501(c)(3) and similar state statutes and is not considered a private foundation. Management has evaluated for uncertain tax positions and has determined there are no uncertain tax positions as of June 30, 2025. Tax returns for the past three years remain open for examination by tax jurisdictions.

Estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk – Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash and cash equivalents. The Organization's cash and cash equivalents have been placed with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. The Organization closely monitors these balances and has not experienced credit losses.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods reported. These reclassifications had no effect on previously reported net assets.

Subsequent Events – Management has performed an evaluation of subsequent events through January 28, 2026, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Organization regularly monitors the liquidity required to meet its operating needs and other contractual commitments. For the purpose of analyzing resources available to meet general expenses over a twelve-month period, the Organization considers all expenses related to its ongoing program and support activities to be general expenses. If assets are not available to meet current operating needs, they are not included in the analysis below. Inventory is not included in the analysis below because its use in general operations requires the Organization to sell the assets.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2025	2024
Undesignated cash and cash equivalents	\$ 318,944	\$ 167,065
Investments	28,986	
Contributions receivable	103,314	60,646
Expected short-term receipts of principal on non-interest-bearing mortgages receivable	90,945	93,358
Less: Net assets with donor restrictions for purpose	(320,287)	(174,318)
Total	\$ 221,902	\$ 146,751

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2025 AND 2024**4. Fair Value Measurements and Disclosures**

The Organization reports certain assets at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, management develops inputs using the best information available in the circumstances.

The Organization's investment assets are classified within Level 1 because they are comprised of publicly traded corporate securities with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis as of June 30, 2025:

	Level 1	Level 2	Level 3	Total
Securities	\$ 28,986			\$ 28,986
Total	\$ 28,986			\$ 28,986

5. Inventory

Costs incurred in conjunction with home construction, including lot costs, are expensed to each individual home. Construction costs are included in expense at the time of the home sale. Construction costs on homes in process at year-end are included as an asset of the Organization.

The following is a summary of building activity during the years ended June 30, 2025 and 2024:

	2025		2024	
	# of Homes	Costs	# of Homes	Costs
Homes under construction, beginning of year	5	\$ 263,850	6	\$ 288,858
Homes under construction throughout fiscal year	-	487,724	-	449,922
New homes started by end of year	1	148,350	1	6,986
Homes transferred by end of year	(1)	(238,691)	(2)	(481,916)
Homes under construction, end of year	5	\$ 661,233	5	\$ 263,850

The remaining assets reported as inventory – lots, house repurchases & construction in progress consisted of property owned but not yet under construction and totaled \$766,469 and \$667,921 at June 30, 2025 and 2024, respectively.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2025 AND 2024**6. Property and Equipment**

Property and equipment consist of the following at June 30:

	2025	2024
Computers and equipment	\$ 15,063	\$ 15,063
Vehicles	74,267	
Buildings	114,455	95,364
Land	50,341	50,341
Total property and equipment	254,126	160,768
Less: Accumulated depreciation	(34,388)	(23,696)
Total property and equipment, net	\$ 219,738	\$ 137,072

7. Concentrations

Due to the nature of the Organization, most of its revenues each year are derived from home sales. During the years ended June 30, 2025 and 2024, 23.9% and 44.4%, respectively, of the Organization's gross revenues were from home sales.

At June 30, 2024, a mortgage receivable from one homeowner made up 10.1% of total receivables.

8. Risk Management

The Organization is exposed to various risks of loss to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to volunteers; and natural disasters. The Organization manages these various risks of loss through commercial insurance coverage.

9. Notes Payable

The Organization's notes payable consist of the following as of June 30:

Description	2025	2024
Non-interest-bearing construction loan from Habitat for Humanity of Minnesota, Inc., received in multiple advances as follows:		
December 13, 2001	\$ 79,539	
April 12, 2004	67,576	
February 21, 2007	50,000	
May 12, 2010	55,000	
November 22, 2010	50,000	
February 7, 2012	55,000	
February 1, 2013	50,000	
June 17, 2015	50,000	
June 21, 2016	50,000	
May 18, 2017	50,000	
June 26, 2018	36,000	
June 13, 2019	92,000	
June 18, 2020	125,000	
December 24, 2021	170,000	
March 7, 2023	140,000	

Payable in monthly installments, beginning February 1, 2003, and secured by specifically identifiable mortgages receivable. At June 30, 2025 and 2024, the pledged mortgages had balances receivable of \$494,830 and \$523,850 respectively. As of June 30, 2025, the monthly payment amount is \$3,491, and the entire loan balance must be paid in full by March 1, 2051.

\$ 656,765 \$ 706,225

Low-interest construction loan (2.25%) from Habitat for Humanity Minnesota Green Mortgage Fund, in the original amount of \$59,700, dated February 24, 2014. Payable in monthly installments of \$440, beginning April 1, 2014, and ending April 1, 2027.

9,356 14,364

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2025 AND 2024**9. Notes Payable (Continued)**

Mortgage for refinance of purchase of Organization office, dated November 28, 2023, with monthly minimum payments of \$644 beginning December 28, 2023, and ending November 28, 2030. Interest rate of 7.95% per annum. Secured by the office building and property.

81,231 82,363

Low-interest loan (2.5%) from Habitat for Humanity Minnesota CDFI Rapid Response Fund, in the original amount of \$300,000, dated March 7, 2023. Payable in monthly installments of \$3,105, beginning March 1, 2024, and ending February 1, 2033. Secured by the assets of the Organization.

259,696 290,049

Low-interest loan (3.0%) from Habitat for Humanity Minnesota CDFI Rapid Response Fund, in the original amount of \$200,000, dated June 5, 2025. Payable in monthly installments of \$8,596, beginning July 1, 2026, and ending June 1, 2028. Secured by the assets of the Organization.

200,000

On October 31, 2023, the Organization obtained a \$500,000 renewable line of credit with a bank through November 10, 2033, with a variable interest rate of 2.5 percentage points under index. When it is used, the line is secured by specifically identifiable mortgages receivable. At June 30, 2025, the pledged mortgages had balances receivable of \$529,198. The loan is due in full immediately upon lender's demand. If no demand is made, the loan is due as one payment of all outstanding principal plus all accrued unpaid interest on November 10, 2033.

500,000

Total notes payable at face value	1,707,048	1,093,001
Less: Unamortized discounts and loan issuance costs	(382,000)	(408,516)
Total notes payable, net	\$1,325,048	\$ 684,485

Future maturities of notes payable are as follows for the years ending June 30:

2026	\$ 677,857
2027	180,854
2028	76,023
2029	76,986
2030	77,965
Thereafter	617,363
Total notes payable at face value	1,207,048
Less: Unamortized discounts and debt issuance costs	(382,000)
Total notes payable, net	\$ 1,325,048

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2025 AND 2024**10. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2025	2024
Subject to expenditure for specified purpose:		
A Brush with Kindness	\$ 8,890	
Home Revitalization	\$ 64,287	72,428
HOPE Heights	256,000	11,000
High School Construction Program		40,000
Promises to give, the proceeds from which have been restricted by donors for		
HOPE Heights		32,000
HFH Builds		10,000
Total subject to expenditure for specified purpose	<u>320,287</u>	<u>174,318</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	103,314	18,646
Total subject to the passage of time	<u>103,314</u>	<u>18,646</u>
Total net assets with donor restrictions	<u><u>\$ 423,601</u></u>	<u><u>\$ 192,964</u></u>

11. In-Kind Contributions

The Organization received in-kind contributions as follows during the years ended June 30:

	2025	2024
Auction items	\$ 13,742	\$ 13,386
Construction materials	1,007	19,183
Professional services		4,230
Appliances & remodel	4,000	6,473
Miscellaneous supplies	781	1,745
Total	<u>\$ 19,530</u>	<u>\$ 45,017</u>

Donated auction items are valued at the lower of their estimated retail price at the date of donation or the sale price received during the auction on the day of the event. The estimated retail price at the date of donation is considered the estimated U.S. retail price (principal market) of identical or similar products under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution.

Construction materials and appliances are valued using estimated U.S. retail prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution.

Contributed professional services consist mostly of services provided by professional construction contractors, which are recognized at fair value based on current rates for similar services. Such services are primarily used in the construction and improvement of properties the Organization will eventually sell.

Contributed land, professional construction services, construction materials, and appliances are included in inventory – lots, house repurchases and construction in progress until the home is sold. When the home is sold, they are reported as cost of lots, building materials and supplies on the statements of functional expenses, all of which are related to the program service of construction and creating local home ownership.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

12. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include advertising, wages and benefits, consulting, accounting and legal, payroll taxes, dues and subscriptions, insurance, miscellaneous, office supplies and expenses, discount amortization and interest expense, postage, training, travel, and depreciation, which are allocated based on estimates of time and effort developed by management.

13. Employee Benefits

The Organization sponsors a tax-deferred annuity plan qualified under Section 401(k) of the Internal Revenue Code. During the years ended June 30, 2025 and 2024, the Organization matched fulltime employee contributions up to 3% of compensation, resulting in employer contributions to the plan of \$8,328 and \$3,646, respectively.