

**BLUE RIDGE HABITAT FOR HUMANITY, INC.
AND SUBSIDIARY**

Winchester, Virginia

FINANCIAL REPORT

JUNE 30, 2025

OFFICERS

Rachael Hite, President
Heather Arnold, Vice President
Millie Ketron, Treasurer
Cary Kimble, Secretary

DIRECTORS

Stacy Campbell
Wendy Conner
Audra Gollenberg, PhD
Tony Landa
Meghan Pachas

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Directors
Blue Ridge Habitat for Humanity, Inc.
Winchester, Virginia

Opinion

We have audited the consolidated financial statements of Blue Ridge Habitat for Humanity, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blue Ridge Habitat for Humanity, Inc. and Subsidiary as of June 30, 2025 and 2024, and the changes in its net assets, functional expenses, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 these 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

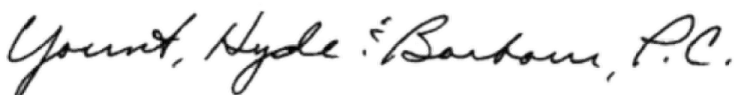
Auditor's Responsibilities for the Audit of the Financial Statements

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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



Winchester, Virginia
March 2, 2026

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2025 and 2024

Assets	2025	2024
Cash	\$ 1,458,654	\$ 792,182
Investments	8,340	8,133
Grants and other receivables	-	110,459
ReStore inventory	65,244	58,292
Construction in progress	313,343	856,152
Property held for development	141,878	321,871
Noninterest-bearing mortgage loans	2,054,622	2,084,830
Discount on noninterest-bearing mortgage loans	(1,043,191)	(1,022,543)
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley & the Shenandoah Community Foundation	60,117	54,805
Property and equipment, net of accumulated depreciation	3,743,114	3,827,031
Other assets and prepaid expenses	<u>15,937</u>	<u>21,839</u>
 Total assets	 <u>\$ 6,818,058</u>	 <u>\$ 7,113,051</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	32,994	51,694
Accrued other expenses	35,712	44,638
Accrued payroll taxes	7,395	14,464
Homeowner and tenant deposits	23,773	16,440
Notes payable	<u>2,205,726</u>	<u>2,352,500</u>
Total liabilities	<u>2,305,600</u>	<u>2,479,736</u>
 Net Assets		
Without donor restrictions	4,493,579	4,522,864
With donor restrictions	<u>18,879</u>	<u>110,451</u>
Total net assets	<u>4,512,458</u>	<u>4,633,315</u>
 Total liabilities and net assets	 <u>\$ 6,818,058</u>	 <u>\$ 7,113,051</u>

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Activities
For the Years Ended June 30, 2025 and 2024

	2025	2024
Changes in net assets without donor restrictions:		
Revenues:		
Contributions of cash and other financial assets	\$ 306,069	\$ 835,320
Contributions of nonfinancial assets	56,538	35,772
ReStore sales, net of operating expenses of \$700,048 in 2025 and \$614,793 in 2024	3,887	(34,187)
Transfers to homeowners	903,905	352,572
Construction repair income	--	3,319
Rental income	140,520	147,534
Investment return, net	43,393	12,982
Mortgage loan discount amortization	86,531	94,603
Miscellaneous	1,247	4,699
Gain on disposal of assets	--	12,747
Recapture of forgivable mortgage	84,305	--
Net increase in beneficial interest in assets held	3,412	5,265
Total revenue before releases	1,629,807	1,470,626
Net assets released from restrictions:		
Satisfaction of program restrictions	194,657	68,691
Total revenue without donor restrictions	1,824,464	1,539,317
Expenses:		
Program services	1,617,065	1,298,541
Supporting services:		
Management and general	151,310	235,806
Fundraising	78,653	68,503
Total supporting services	229,963	304,309
Unallocated payments to international organizations:		
SOSI fee	6,721	7,500
Total expenses	1,853,749	1,610,350
Changes in net assets without donor restrictions	(29,285)	(71,033)

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Activities (continued)

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Changes in net assets with donor restrictions:		
Revenues:		
Grants and contributions	<u>103,085</u>	<u>153,298</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>(194,657)</u>	<u>(68,691)</u>
Changes in net assets with donor restrictions	<u>(91,572)</u>	<u>84,607</u>
Changes in total net assets	<u>\$ (120,857)</u>	<u>\$ 13,574</u>
Net assets, beginning of year		
Without donor restrictions	\$ 4,522,864	\$ 4,593,897
With donor restrictions	<u>110,451</u>	<u>25,844</u>
Total net assets, beginning of year	<u>\$ 4,633,315</u>	<u>\$ 4,619,741</u>
Net assets, end of year		
Without donor restrictions	\$ 4,493,579	\$ 4,522,864
With donor restrictions	<u>18,879</u>	<u>110,451</u>
Total net assets, end of year	<u>\$ 4,512,458</u>	<u>\$ 4,633,315</u>

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2025

	Supporting Services				ReStore Program Costs	Total
	Program Services	Management and General	Fundraising	Subtotal		
Accounting	\$ --	\$ 30,908	\$ --	\$ 30,908	\$ --	\$ 30,908
Advertising	947	3,453	11,575	15,028	11,483	27,458
Appreciation costs	201	--	67	67	--	268
Auto and hauling	2,036	372	--	372	2,525	4,933
Bad debt	--	--	--	--	469	469
Conferences and meetings	95	2,251	--	2,251	1,660	4,006
Contract labor	--	--	--	--	130,269	130,269
Cost of sales	--	--	--	--	23,849	23,849
Credit card fees	--	--	--	--	13,770	13,770
Depreciation and amortization	3,941	2,956	2,956	5,912	88,667	98,520
Discounts on mortgages issued	139,948	--	--	--	--	139,948
Dues and licenses	3,058	2,895	--	2,895	1,591	7,544
Housing construction, rehabilitation and rental maintenance costs	1,035,630	--	--	--	--	1,035,630
Insurance	26,705	15,233	3,047	18,280	20,112	65,097
Interest expense	4,445	3,334	3,334	6,668	100,016	111,129
Internet and computer expense	836	418	836	1,254	6,268	8,358
Miscellaneous	1,175	1,202	56	1,258	2,714	5,147
Office supplies	6	3,517	32	3,549	1,142	4,697
Payroll and benefit expense	352,873	53,692	46,672	100,364	194,404	647,641
Payroll taxes	24,470	3,450	3,326	6,776	13,102	44,348
Printing and postage	2,441	977	2,441	3,418	3,906	9,765
Professional services	9,130	3,643	--	3,643	--	12,773
Property taxes	2,165	1,624	1,624	3,248	48,709	54,122
Repairs and maintenance	2,033	14,175	1,044	15,219	9,863	27,115
Travel	--	5,567	--	5,567	880	6,447
Utilities and telephone	4,930	1,643	1,643	3,286	24,649	32,865
Total	<u>\$ 1,617,065</u>	<u>\$ 151,310</u>	<u>\$ 78,653</u>	<u>\$ 229,963</u>	<u>\$ 700,048</u>	<u>\$ 2,547,076</u>

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	Supporting Services				ReStore Program Costs	Total
	Program Services	Management and General	Fundraising	Subtotal		
Accounting	\$ --	\$ 29,587	\$ --	\$ 29,587	\$ --	\$ 29,587
Advertising	810	4,893	1,344	6,237	5,401	12,448
Appreciation costs	1,377	--	459	459	--	1,836
Auto and hauling	3,956	81	--	81	8,627	12,664
Conferences and meetings	730	8,261	--	8,261	273	9,264
Contract labor	--	--	--	--	60,035	60,035
Cost of sales	--	--	--	--	20,708	20,708
Credit card fees	--	--	--	--	13,487	13,487
Depreciation and amortization	15,304	5,102	5,101	10,203	76,518	102,025
Dues and licenses	5,028	1,235	--	1,235	932	7,195
Housing construction, rehabilitation and rental maintenance costs	841,882	--	--	--	--	841,882
Insurance	24,500	13,740	2,748	16,488	18,465	59,453
Interest expense	5,479	3,408	3,359	6,767	100,984	113,230
Internet and computer expense	497	12,412	50	12,462	893	13,852
Miscellaneous	1,457	3,218	40	3,258	10,469	15,184
Office supplies	(298)	2,885	--	2,885	331	2,918
Payroll and benefit expense	340,585	27,125	46,807	73,932	236,827	651,344
Payroll taxes	23,208	1,244	3,213	4,457	15,103	42,768
Printing and postage	152	2,414	--	2,414	--	2,566
Professional services	14,691	60,413	1,558	61,971	340	77,002
Property taxes	--	--	--	--	761	761
Rent expense	2,995	999	998	1,997	14,977	19,969
Repairs and maintenance	5,100	55,023	1,069	56,092	3,101	64,293
Tithes and contributions	5,391	--	--	--	--	5,391
Travel	425	2,009	--	2,009	203	2,637
Utilities and telephone	5,272	1,757	1,757	3,514	26,358	35,144
Total	<u>\$ 1,298,541</u>	<u>\$ 235,806</u>	<u>\$ 68,503</u>	<u>\$ 304,309</u>	<u>\$ 614,793</u>	<u>\$ 2,217,643</u>

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ (120,857)	\$ 13,574
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Noncash contribution of construction costs and property	(56,000)	(35,218)
Depreciation and amortization	98,520	102,025
Transfers to homeowners, net	702,884	714,292
Discount on noninterest-bearing mortgage loans	139,948	--
Mortgage loan discount amortization	(86,531)	(94,603)
Recapture of forgivable mortgage	(84,305)	--
(Gain) on disposal of assets	--	(12,747)
Amortization of right-of-use asset	--	18,472
Changes in assets and liabilities:		
Decrease (increase) in grants and other receivables	110,459	(104,209)
(Increase) in inventory	(6,952)	(39,244)
Decrease in other assets and prepaid expenses	5,902	9,648
(Increase) in cost of construction in progress	(108,199)	(681,823)
(Decrease) in accounts payable	(18,700)	(1,158)
(Decrease) increase in accrued other expenses	(8,926)	12,642
(Decrease) increase in accrued payroll taxes	(7,069)	9,166
Increase in homeowner deposits	7,333	3,543
(Decrease) in refundable advances	--	(502,206)
(Decrease) in operating lease liabilities	--	(22,751)
Net cash provided by (used in) operating activities	567,507	(610,597)

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(14,603)	(156,943)
Purchase of property held for development	(13,098)	(130,447)
Purchase of certificate of deposit	--	(3,085)
Proceeds received from redemption of certificate of deposit	--	104,060
Purchase of investments	(207)	(84)
Net (increase) in beneficial interest in assets held	(5,312)	(5,265)
Proceeds from sale of property and equipment	--	13,000
Proceeds from recapture of forgivable mortgage	51,536	--
Mortgage payments received	<u>227,423</u>	<u>166,171</u>
Net cash provided by (used in) investing activities	<u>245,739</u>	<u>(12,593)</u>
 Cash Flows from Financing Activities,		
payments on notes payable	<u>(146,774)</u>	<u>(17,238)</u>
 Change in cash and cash equivalents	666,472	(640,428)
 Cash and Cash Equivalents		
Beginning of year	<u>792,182</u>	<u>1,432,610</u>
 End of year	<u>\$ 1,458,654</u>	<u>\$ 792,182</u>
 Supplemental Disclosures of Noncash Operating, Investing and Financing Activities		
Transfer of property held for development to construction in progress	<u>\$ 120,000</u>	<u>\$ --</u>
 Issuance of noninterest-bearing mortgage loans	<u>\$ 197,215</u>	<u>\$ --</u>
 Discount on noninterest-bearing mortgage loans	<u>\$ 139,948</u>	<u>\$ --</u>
 Cash paid for interest	<u>\$ 120,614</u>	<u>\$ 103,745</u>

See Notes to Consolidated Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Blue Ridge Habitat for Humanity, Inc. and Subsidiary (the “Organization” or “Habitat”) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements.

Organization and Principles of Consolidation

Blue Ridge Habitat for Humanity, Inc. is a nonprofit corporation incorporated in Virginia on June 27, 1996. Habitat 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 resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operation. The Organization is supported primarily through donor contributions from various individuals and corporate and religious organizations in the community, and local grant programs. The Organization's service area includes the counties of Clarke, Frederick and Shenandoah, and the City of Winchester. Habitat also operates a ReStore in the City of Winchester to help fund future program costs of the Organization.

Millwood Works, LLC (the Subsidiary), was established in 2023 by Blue Ridge Habitat for Humanity, Inc. to hold real estate located in Winchester, Virginia. All material intercompany accounts and transactions are eliminated in consolidation.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements.

Contributions

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) 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 consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

Notes to Consolidated Financial Statements

In-Kind Contributions

Donated materials and equipment are recorded at their estimated values at date of receipt. Donated use of facilities is recorded at the property's fair rental value. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Many individuals volunteer their time and perform a variety of activities that support the Organization. The value of these contributed services is not recorded as in-kind contributions as the criteria for recognition was not met under the standards. Therefore, no contributed services for volunteer time has been reflected in the financial statements for the years ended June 30, 2025 and 2024.

Investments and Certificates of Deposit

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and internal investment expenses.

Inventory

Substantially all of the items sold in the Organization's ReStore are donated to the Organization. For year-end reporting, donated inventory items held for resale are recorded as in-kind contributions and valued based on subsequent sales. Throughout the year, donated inventory items are only recorded when the sale transaction occurs, which determines the final realization of value. In-kind construction materials are recorded as inventory at fair market value when the materials are not designated to a particular project and to be used at a future date.

Property Held for Development

Held for development properties consists of lots at cost when purchased or fair market value at the date of gift. The lots are valued at lower of specific acquisition and carrying costs or estimated net value.

Property, Equipment and Depreciation

Effective February 2019, the Organization capitalizes all expenditures in excess of \$5,000 at cost when purchased or fair market value at the date of gift. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Notes to Consolidated Financial Statements

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Income Taxes

Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service. Only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization follows the provisions of FASB ASC 740-10-25. Under these provisions, the Organization must recognize the effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Organization does not believe there are any uncertain tax positions and accordingly, no amounts have been recorded in the financial statements.

Cash and Cash Equivalents

The Organization considers investments with a maturity of three months or less to be cash and cash equivalents.

Grants and Other Receivables

Grants receivable consists of amounts due to Habitat for reimbursement of expenses incurred under various grant programs, and were \$0 and \$110,451 at June 30, 2025 and 2024, respectively. Other receivables were \$0 and \$8 at June 30, 2025 and 2024, respectively.

Transfers to Homeowners

Transfers to homeowners represent sales to individuals which are recorded at the gross mortgage amount plus the down payment received. Noninterest bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The discount on noninterest-bearing mortgage loans for June 30, 2025 and 2024 was 8.01% and 8.02%, respectively. Using a present value basis, this discount will be recognized as mortgage loan discount amortization over the term of the mortgage. The discount on non-interest-bearing mortgage loans was \$1,043,191 and \$1,022,543 at June 30, 2025 and 2024, respectively. The mortgage loan discount amortization was \$86,531 and \$94,603 for the years ended June 30, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

Cash Concentrations

Habitat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Habitat believes it is not exposed to any significant credit risk for cash.

Advertising

Habitat expenses the cost of advertising as incurred. Habitat incurred \$27,458 and \$12,448 in advertising expenses for the years ended June 30, 2025 and 2024, respectively.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-19, “Revenue from Contracts with Customers (Topic 606).” Topic 606 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)” and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted Topic 606 as of July 1, 2019.

The Organization recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Nature of Products and Services

ReStore sales are recorded at a point in time when donated inventory is sold. Transfers to homeowners includes revenue from house sales and is recognized at a point in time at the time of the home’s closing. Amortization on noninterest bearing mortgages that have been discounted is recognized using the present value method over the term of the mortgage. Rental income is recognized over time in conjunction with the related lease agreement. Fundraising event income includes both exchange transactions as well as contributions and is recognized at a point in time when the event occurs.

The Organization participates in a mortgage assistance program under which qualifying homebuyers receive below-market or forgivable mortgage assistance that is subject to recapture if the related property is sold within a five-year period from the date of purchase. Under the terms of the program, if the home is sold or ceases to be the buyer’s primary residence during the five-year period, all or a portion of the assistance is required to be repaid to the Organization (the recapture amount).

Transaction Price

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer.

Notes to Consolidated Financial Statements

Contract Balances

The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment. If consideration is received and revenue has not been recognized, a contract liability (deferred revenue) is recorded. The Organization did not recognize a contract liability as of June 30, 2025 or 2024.

The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of June 30, 2025 or 2024.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the statement of activities.

The Organization made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability of Funds

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date are as follows:

	2025	2024
Financial assets, at year-end:		
Cash	\$ 1,458,654	\$ 792,182
Investments	8,340	8,133
Grants and other receivables	-	110,459
Beneficial interest in assets held	60,117	54,805
Noninterest-bearing mortgage loans	2,054,622	2,084,830
Financial assets at year end	3,581,733	3,050,409
Less those unavailable for general expenditure within one year, due to:		
Noninterest bearing mortgage loans and other note receivable with liquidity greater than one year	1,851,426	1,963,970
Donor-imposed restrictions on the financial assets	18,879	-
Beneficial interest in assets held	60,117	54,805
Financial assets not available to be used within one year	1,930,422	2,018,775
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,651,311	\$ 1,031,634

In February 2019, the Organization adopted a liquidity policy that states a minimum amount of operating funds must be sufficient to maintain ongoing operations and programs for a period of not less than 3 months of average recurring operating expenses. The policy is reviewed every fiscal year at a minimum, or sooner, if warranted and may be changed upon approval from the Board of Directors. The Organization intends for operating funds to be used and replenished on a recurring monthly basis by contributions, ReStore sales, and monthly mortgage receivable payments to meet cash needs for general expenditures. During the years ended June 30, 2025 and 2024, the level of liquidity and reserves was managed within the policy requirements.

Note 3. Construction in Progress

Construction in progress as of June 30, 2025 and 2024, consists of costs to date of houses under construction, including acquisition cost, land and sitework.

Notes to Consolidated Financial Statements

Note 4. Noninterest-Bearing Mortgage Loans

Habitat sells homes to low-income families under various terms, including zero to low interest loans, ensuring families have an affordable mortgage payment. These notes are all payable to Habitat over payment terms as determined between each individual participant and Habitat. Generally, these notes carry a term of 15-30 years. At June 30, 2025, Habitat had 39 loans outstanding with a gross value of \$2,054,622. At June 30, 2024, Habitat had 37 loans outstanding with a gross value of \$2,084,830. Habitat is a secured creditor and the fair market value of the home is in excess of the related mortgage note balances. The following schedule summarizes the payment status of the mortgage loans at June 30, 2025 and 2024:

	2025		2024	
	Number of Loans	Loan Amount	Number of Loans	Loan Amount
Current	31	\$ 1,365,988	28	\$ 1,504,959
1-30 days past due	1	18,859	5	340,198
31-60 days past due	6	639,395	4	239,673
61-90 days past due	1	30,380	--	--
More than 90 days past due	--	--	--	--
Total	39	\$ 2,054,622	37	\$ 2,084,830

Allowance for credit losses

The allowance for credit losses is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectible loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in delinquency level or term as well as for changes in environmental conditions.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Organization uses the aging method to determine the allowance for credit losses. The key risk characteristic for consumer loans is the unemployment rate.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Notes to Consolidated Financial Statements

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Organization.

Troubled Debt Restructurings (TDRs): A loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is a TDR. The allowance for credit losses on a TDR is measured using the same method as all other loans held for investment, except that the original interest rate is used to discount the expected cash flows, not the rate specified within the restructuring.

The allowance for credit losses as of June 30, 2025, and change in the allowance for credit losses during the year ended June 30, 2025, was not material to the financial statements thus no allowance was included.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2025 and 2024, were available for the following purposes:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for a specific purpose:		
General repair program	\$ 14,876	\$ --
Clarke County repair	4,003	--
Time restricted	<u>--</u>	<u>110,451</u>
Total assets with donor restrictions	<u>\$ 18,879</u>	<u>\$ 110,451</u>

During the year ended June 30, 2025 and 2024, \$194,657 and \$68,691 of net assets were released from donor restrictions by incurring expenses satisfying the donors' restricted purposes or by the occurrence of other events specified by the donors. During the year ended June 30, 2025, amounts released from restriction consisted of \$110,451 for time restrictions, \$10,397 for the Clarke County repair program, and \$73,809 for the General repair program. During the year ended June 30, 2024, amounts released from restriction consisted of \$7,683 for the Shenandoah repair program, \$21,505 for the Clarke County repair program, and \$39,503 for the General repair program.

Notes to Consolidated Financial Statements

Note 6. Contributions of Nonfinancial Assets

During the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the consolidated statements of activities included the following:

	<u>2025</u>	<u>2024</u>
Construction services	\$ - -	\$ 35,218
Property	56,000	- -
Professional services and other	<u>538</u>	<u>554</u>
	<u>\$ 56,538</u>	<u>\$ 35,772</u>

The estimated fair value of construction services at date of receipt for the years ended June 30, 2025 and 2024 was \$0 and \$35,218, respectively, and represents the value of the services based on invoiced amounts from the contractor. Contributed construction services are used for programmatic purposes.

The estimated fair value of property at date of receipt for the years ended June 30, 2025 and 2024 was \$56,000 and \$0, respectively, and represents the value of equity gifted by the seller for the purchase of property. Contributed property is used for programmatic purposes.

The estimated fair value of professional services and other for the years ended June 30, 2025 and 2024 was \$538 and \$554, respectively, and represents the value of the services determined by the donor. Contributed professional services are used for program and fundraising purposes.

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization does not have a policy to monetize any contributed financial assets received.

Notes to Consolidated Financial Statements

Note 7. Fair Value Measurements

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued for Level 3 inputs are based on significant unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 - Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended June 30, 2025 and 2024, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Corporate Common Stock

The fair value of corporate stock is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers, and are classified within Level 1.

Insured Cash Deposits

Insured cash deposits are carried at cost, which approximates fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers, and are classified within Level 1.

Notes to Consolidated Financial Statements

Beneficial Interest in Assets Held

The fair value for the beneficial interest is measured using the fair value of the assets reported by the Community Foundation of the Northern Shenandoah Valley. The Organization considers the measurement of its beneficial interest to be a Level 3 measurement within the fair value measurement hierarchy, because even though the measurement is based on the unadjusted fair value of the beneficial interest held by the Foundation, the investments are not held in accounts owned by Habitat. See Note 9 for reconciliation of Level 3 balances.

The carrying amounts of the Organization's financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The following table presents the balance of financial assets measured at fair value on a recurring basis as of June 30, 2025 and 2024:

	2025			
Balance as of June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Insured cash deposits	\$ 8,080	\$ 8,080	\$ --	\$ --
Corporate common stock	260	260	--	--
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley & the Shenandoah Community Foundation	60,117	--	--	60,117
	\$ 68,457	\$ 8,340	\$ --	\$ 60,117

Notes to Consolidated Financial Statements

	2024			
Balance as of June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Insured cash deposits	\$ 7,751	\$ 7,751	\$ --	\$ --
Corporate common stock	382	382	--	--
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley	54,805	--	--	--
	\$ 62,938	\$ 8,133	\$ --	\$ --

Note 8. Investments

Investments consist primarily of insured cash deposits and corporate common stock and are reported at fair value as follows:

	2025		
Cost	Observable Fair Market Value	Unrealized (Depreciation)	
Insured cash deposits	\$ 8,080	\$ 8,080	\$ --
Corporate common stock	521	260	(261)
	\$ 8,601	\$ 8,340	\$ (261)

	2024		
Cost	Observable Fair Market Value	Unrealized Appreciation	
Insured cash deposits	\$ 7,751	\$ 7,751	\$ --
Corporate common stock	521	382	(139)
	\$ 8,272	\$ 8,133	\$ (139)

Notes to Consolidated Financial Statements

The following schedule summarizes the investment return in the consolidated statements of activities for the years ended June 30, 2025 and 2024:

	2025	2024
Interest and dividend income	\$ 43,393	\$ 12,982

Note 9. Beneficial Interest in Assets Held

During fiscal year 2018, the Organization created an agency endowed fund, the assets of which are not in possession of the Organization but are held by the Community Foundation of the Northern Shenandoah Valley. The Organization has granted the Foundation variance power which gives the Foundation's board of directors the power to use the fund for other purposes in certain circumstances. The fund is subject to the Foundation's investment and spending policies which prohibits the spending rate to exceed 4%. The distribution is based on the rolling 20 quarter, five-year average of the market value of the portfolio. The Organization reports the fair value of the fund as beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley and any distributions received as investment income. There were no distributions for the years ended June 30, 2025 and 2024. Changes in the value of the fund are reported as net increase or decrease in beneficial interest in assets held in the consolidated statement of activities.

During fiscal year 2025, the Organization established an agency fund with the Shenandoah Community Foundation. Distributions from the Fund shall be in accordance with the spending policy established by the Board of the Foundation and shall be paid and distributed as the parties may from time to time agree. The Organization has granted the Foundation variance power which gives the Board of Directors of the Foundation the power to modify any restriction or condition on the distribution of the funds. The Organization reports the fair value of the fund as beneficial interest in assets held by the Shenandoah Community Foundation and any distributions received as investment income. There were no distributions for the years ended June 30, 2025 and 2024. Changes in the value of the fund are reported as net increase or decrease in beneficial interest in assets held in the consolidated statement of activities.

The activity in the beneficial interest is as follows:

	2025	2024
Beginning value	\$ 54,805	\$ 49,540
Contributions	1,900	- -
Change in value	3,412	5,265
Ending value	<u>\$ 60,117</u>	<u>\$ 54,805</u>

Notes to Consolidated Financial Statements

Note 10. Property and Equipment

Property and equipment at June 30, 2025 and 2024, consisted of the following:

	2025	2024	Depreciable Lives
Rental properties	\$ 1,189,178	\$ 1,189,178	27.5 years
Office equipment, furniture and fixtures	39,297	39,297	5-7 years
Leasehold improvements	224,203	209,603	5-27.5 years
Vehicles and equipment	122,450	122,450	5-7 years
Buildings	2,147,143	2,147,143	40 years
Land	513,505	513,505	
	4,235,776	4,221,176	
Less accumulated depreciation	492,662	394,145	
Net property and equipment	\$ 3,743,114	\$ 3,827,031	

Note 11. Notes Payable

On June 9, 2021, Habitat was approved a \$55,250 three-year loan from Isuzu Finance of America, Inc for the purchase of a truck. The interest rate on the loan was 1.99% with monthly payments of \$1,582 beginning in July 2021, expiring on June 24, 2024. As of June 30, 2024 the note was paid in full.

On December 20, 2022, Habitat was approved a \$100,000 loan from Habitat Mortgage Solutions, LLC (HMS) for the development of a new property. The loan term is the earlier of closing construction or 2 years. One 180-day extension may be granted subject to approval by HMS. The interest rate on the loan is 1%. The payment terms are interest only, payable in four quarterly installments on the last day of each quarter, with principal due at maturity. As of June 30, 2025 the note was paid in full.

On June 29, 2023, Millwood Works, LLC entered into a \$2,252,500 seven-year loan agreement for the purchase of a building. The interest rate on the loan is 4.89%. Payments on the loan begin on July 29, 2023 with twelve (12) monthly payments of interest only. After the interest only period, there will be seventy-one (71) consecutive payments of principal and interest beginning on July 29, 2024, in an estimated monthly payment amount of \$13,117 and one principal and interest payment of \$1,947,202 on June 29, 2030. The balance on the note was \$2,205,726 and \$2,252,500 at June 30, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

Maturities on the note payable at June 30, 2025, consist of the following:

2026	\$	49,146
2027		51,639
2028		53,972
2029		56,996
2030		<u>1,993,973</u>
	\$	<u>2,205,726</u>

Note 12. Retirement Plan

Habitat maintains a Simple IRA plan for full-time employees meeting certain eligibility requirements. In addition to participant salary deferrals, Habitat may make a discretionary matching contribution equal to a uniform percentage. For the years ended June 30, 2025 and 2024, Habitat matched salary deferrals up to 3% of the participant's annual gross compensation. The contributions for the years ended June 30, 2025 and 2024 were \$14,369 and \$14,033, respectively.

Note 13. Functional Allocation of Expenses and Fundraising Expenses

The costs of providing the various programs, supporting services and fundraising activities have been summarized on a functional basis in the consolidated statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; and occupancy costs, which are allocated on a square footage basis.

Note 14. ReStore Operations

Habitat operates a ReStore to sell donated construction items. For the years ended June 30, 2025 and 2024, the ReStore generated product sales, net of sales taxes of \$703,935 and \$580,606, and incurred expenses of \$700,048 and \$614,793, respectively.

Substantially most of the items sold in the ReStore are donated to the Organization. For year-end reporting, donated inventory items held for resale are recorded as in-kind contributions and valued based on subsequent sales. Throughout the year, donated inventory items are only recorded upon sale and final realization of value. As of June 30, 2025 and 2024, ReStore inventory, was \$65,244 and \$58,292, respectively.

In December 2016, the Organization entered into a lease agreement under a seven-year operating lease with an escalation clause expiring December 1, 2023. The lease was terminated in August 2023 as the Organization relocated to the office building purchased as noted in Note 11. The lease contained a provision to offer the Organization a rent-free period from lease

Notes to Consolidated Financial Statements

commencement through April 1, 2017. The incentive portion of this four-month period along with the escalation clause is required to be amortized as rent expense over the life of the lease term. During fiscal year 2018, Habitat amended the lease agreement for additional space under two separate amendments which resulted in increased monthly rent. Lease payments were \$12,550 at July 1, 2019 and increased to \$13,350, \$14,250, \$14,750 and \$15,250 by the end of the fiscal year 2020, 2021, 2022, and 2023, respectively and \$15,250 for the fiscal year 2024 prior to the lease termination. Rent expense allocated to the ReStore for the years ended June 30, 2025 and 2024 was \$0 and \$14,977, respectively after consolidation.

Note 15. Transactions with Habitat for Humanity International

Habitat annually remits a portion of its undesignated contributions and required annual U.S. Stewardship and Organizational Sustainability Initiative (US-SOSI) fee to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world and fund Habitat for Humanity International's operational costs. For the years ended June 30, 2025 and 2024 Habitat remitted \$6,721 and \$7,500, respectively to Habitat for Humanity International.

Note 16. Commitments and Contingencies

Habitat is contingently liable as guarantor on four mortgages and has agreed to repurchase any of the obligations in the event that the homeowner is delinquent for more than 90 days on any payment. The combined amount of the outstanding mortgage obligations as of June 30, 2025 and 2024 is approximately \$139,000 and \$145,000, respectively. The mortgages are secured by real estate and the Organization does not believe any significant losses will be absorbed by the Organization.

Note 17. Operating Leases

In addition, as described in Note 14, Habitat leased warehouse space to conduct its ReStore operations. During the year ended June 30, 2018, Habitat renovated a portion of the space to allow for all Habitat employees to be in one location. Rent expense is allocated between the ReStore and affiliate operations.

Rent expense, not allocated to the ReStore, for the year ended June 30, 2024 was \$4,992. The lease was terminated during the year ended June 30, 2024.

Note 18. Related Parties

A board member is an employee of a local bank where the Organization maintains several accounts. Another board member is also an employee of a different local bank where the Organization does not have any accounts, however, the Organization sold five of their mortgages and this bank purchased all five mortgages. An agreement was signed between the local bank and the Organization on August 22, 2022 to purchase the mortgages based on the transaction price of 80% of the outstanding principal amount. The total purchase price was \$603,205. Habitat continues to service the mortgages for the bank.

Notes to Consolidated Financial Statements

Note 19. Line of Credit

On September 28, 2021, Habitat obtained an unsecured line of credit with a bank for \$150,000. Interest is payable monthly at the Wall Street Journal Prime Rate plus 0.50% with a minimum rate of 4.0%. The credit line was increased to \$250,000 in March 2022. The line of credit matured on February 14, 2025. As of June 30, 2024, the balance outstanding was zero.

On January 13, 2025 Habitat obtained an unsecured revolving line of credit in the amount of \$250,000 with a maturity date of January 13, 2027. Interest is to be paid monthly and all outstanding principal plus accrued unpaid interest is due at maturity. The interest rate is based on the Wall Street Journal Prime Rate (7.5% at June 30, 2025) but not be less than 7% per annum. As of June 30, 2025, the balance outstanding was zero.

Note 20. Subsequent Events

Subsequent events were evaluated through March 2, 2026, which is the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition or disclosure.