

**HABITAT FOR HUMANITY
OF EAST JEFFERSON COUNTY**

Audited Consolidated Financial Statements

June 30, 2025 and 2024

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

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Independent Auditor's Report

Board of Directors
Habitat for Humanity of East Jefferson County
Port Townsend, Washington

Opinion

We have audited the consolidated financial statements of Habitat for Humanity of East Jefferson County (a nonprofit organization) ("Habitat"), 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Habitat as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern for one year after the date that the financial statements are issued.

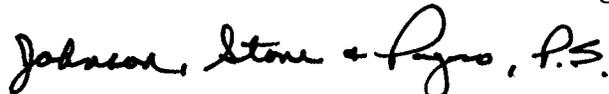
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 U.S. 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 consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern for a reasonable period of time.

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



JOHNSON, STONE & PAGANO, P.S.
Fircrest, Washington

October 28, 2025

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 839,216	\$ 901,349
Grants and other receivables	122,359	961,767
Contributions receivable, current portion	360,000	608,000
Inventory held for sale - Furniture and More stores	45,145	49,766
Inventory - general	16,463	16,266
Prepaid expenses	900	13,861
Mortgages receivable, current portion	<u>52,384</u>	<u>53,118</u>
Total Current Assets	1,436,467	2,604,127
OTHER ASSETS		
Restricted cash	2,203,423	1,058,829
Contributions receivable, net	623,499	610,716
Mortgages receivable, net of discount and current portion	310,698	332,368
Investment in leveraged lender	2,827,200	2,827,200
New Market Tax Credit other fees, less allowance for amortization (2025 - \$69,000; 2024 - \$29,571)	207,000	246,429
Construction in progress	490,457	1,056,134
Land held for development	6,041,940	4,284,573
Deposits and other	1,459	11,153
Property, furniture and equipment, net	1,093,409	1,114,265
Land leased to homeowners	1,401,984	768,841
Operating right-of-use asset, net	<u>4,178</u>	<u>5,608</u>
Total Other Assets	<u>15,205,247</u>	<u>12,316,116</u>
TOTAL ASSETS	<u>\$ 16,641,714</u>	<u>\$ 14,920,243</u>

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 122,043	\$ 140,640
Accrued expenses	135,676	118,483
Homeowner reserve accounts	32,353	27,003
Current portion of operating lease liability	1,501	1,400
Long-term debt, current portion	<u>254,755</u>	<u>252,822</u>
Total Current Liabilities	546,328	540,348
LONG-TERM DEBT , net of debt issuance cost, less current portion	5,459,696	5,708,965
OPERATING LEASE LIABILITY , net	2,601	4,102
DEFERRED REVENUE	<u>83,344</u>	<u>99,219</u>
Total Liabilities	6,091,969	6,352,634
NET ASSETS		
Without donor restrictions - undesignated	7,502,973	5,662,230
Without donor restrictions - board-designated	<u>601,147</u>	<u>425,453</u>
	8,104,120	6,087,683
With donor restrictions	<u>2,445,625</u>	<u>2,479,926</u>
Total Net Assets	<u>10,549,745</u>	<u>8,567,609</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,641,714</u>	<u>\$ 14,920,243</u>

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 255,580	\$ 2,528,293	\$ 2,783,873
Grants	1,363,885		1,363,885
In-kind contributions	677,437		677,437
Sales to homeowners	1,680,224		1,680,224
Store revenue	406,301		406,301
Other income	14,686		14,686
Gain on sale of asset	1,200		1,200
Mortgage loan discount amortization	30,708		30,708
Interest income	68,991		68,991
Net assets released from restrictions	<u>2,562,594</u>	<u>(2,562,594)</u>	
Total Revenues and Support	7,061,606	(34,301)	7,027,305
EXPENSES			
Program expenses	4,096,723		4,096,723
Management and administration	545,668		545,668
Fundraising	<u>402,778</u>		<u>402,778</u>
Total Expenses	<u>5,045,169</u>		<u>5,045,169</u>
CHANGE IN NET ASSETS	2,016,437	(34,301)	1,982,136
Net Assets at Beginning of Year	<u>6,087,683</u>	<u>2,479,926</u>	<u>8,567,609</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,104,120</u>	<u>\$ 2,445,625</u>	<u>\$ 10,549,745</u>

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 1,428,862	\$ 1,248,625	\$ 2,677,487
Grants	1,316,550		1,316,550
In-kind contributions	518,229		518,229
Sales to homeowners	1,497,696		1,497,696
Store revenue	447,892		447,892
Other income	26,934		26,934
Mortgage loan discount amortization	39,796		39,796
Interest income	47,411		47,411
Net assets released from restrictions	<u>354,967</u>	<u>(354,967)</u>	
Total Revenues and Support	5,678,337	893,658	6,571,995
EXPENSES			
Program expenses	4,259,078		4,259,078
Management and administration	385,195		385,195
Fundraising	<u>272,777</u>		<u>272,777</u>
Total Expenses	<u>4,917,050</u>		<u>4,917,050</u>
CHANGE IN NET ASSETS	761,287	893,658	1,654,945
Net Assets at Beginning of Year	<u>5,326,396</u>	<u>1,586,268</u>	<u>6,912,664</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,087,683</u>	<u>\$ 2,479,926</u>	<u>\$ 8,567,609</u>

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2025 with Comparative Totals for 2024

	Program Expenses			Supporting Expenses			Total Expenses	
	Program Services	Stores	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Expenses	2025	2024
	Program and home building costs	\$ 2,038,186		\$ 2,038,186				\$ 2,038,186
Salaries and wages	507,005	\$ 245,615	752,620	\$ 260,416	\$ 156,641	\$ 417,057	1,169,677	962,794
Payroll taxes and benefits	151,192	75,368	226,560	64,259	36,958	101,217	327,777	260,906
Cost of goods sold		407,234	407,234				407,234	448,725
Professional fees	43,708	3,976	47,684	73,306	125,719	199,025	246,709	203,451
Supplies and equipment	13,383	11,363	24,746	962	1,558	2,520	27,266	24,290
Telephone	9,070	7,441	16,511	2,548	1,454	4,002	20,513	18,655
Information technology	47,992	32,733	80,725	14,773	18,480	33,253	113,978	75,237
Postage and shipping	4,073		4,073	414	300	714	4,787	4,398
Facilities	25,928	37,632	63,560	4,056	5,621	9,677	73,237	59,841
Equipment rental and maintenance	2,347	274	2,621	596	782	1,378	3,999	3,961
Printing and publications	38,088	9,712	47,800	731	34,529	35,260	83,060	49,963
Travel and vehicle	17,074	3,667	20,741	80	145	225	20,966	19,386
Conferences, conventions and meetings	26,249	2,243	28,492	5,544	2,799	8,343	36,835	30,047
Volunteers	41,873	1,390	43,263		626	626	43,889	37,839
Dues, fees, licenses and permits	54,102	14,262	68,364	18,415	14,009	32,424	100,788	92,797
Taxes		1,257	1,257	1,764		1,764	3,021	21,675
Interest	57,390	8,377	65,767	42,460	527	42,987	108,754	99,268
Homeowner services	5,545		5,545				5,545	37,051
Tithes	78,923		78,923				78,923	95,946
Insurance	5,077		5,077	27,355		27,355	32,432	33,800
Community and public relations	9,513	818	10,331		1,075	1,075	11,406	19,167
Miscellaneous	15,115		15,115	50		50	15,165	314
New Market Tax Credit fee amortization	9,041		9,041	26,754		26,754	35,795	17,862
Depreciation and amortization	23,824	8,663	32,487	1,185	1,555	2,740	35,227	35,271
TOTAL	\$ 3,224,698	\$ 872,025	\$ 4,096,723	\$ 545,668	\$ 402,778	\$ 948,446	\$ 5,045,169	\$ 4,917,050

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2024

	Program Expenses			Supporting Expenses			Total Expenses 2024
	Program Services	Stores	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Expenses	
Program and home building costs	\$ 2,264,406		\$ 2,264,406				\$ 2,264,406
Salaries and wages	470,732	\$ 196,983	667,715	\$ 159,583	\$ 135,496	\$ 295,079	962,794
Payroll taxes and benefits	131,577	59,411	190,988	38,086	31,832	69,918	260,906
Cost of goods sold		448,725	448,725				448,725
Professional fees	93,502	20,528	114,030	51,460	37,961	89,421	203,451
Supplies and equipment	16,876	3,818	20,694	2,109	1,487	3,596	24,290
Telephone	9,168	5,840	15,008	2,009	1,638	3,647	18,655
Information technology	39,734	13,846	53,580	11,397	10,260	21,657	75,237
Postage and shipping	2,949	27	2,976	407	1,015	1,422	4,398
Facilities	15,410	37,531	52,941	2,818	4,082	6,900	59,841
Equipment rental and maintenance	2,495		2,495	634	832	1,466	3,961
Printing and publications	26,841	3,669	30,510	616	18,837	19,453	49,963
Travel and vehicle	12,256	6,838	19,094	118	174	292	19,386
Conferences, conventions and meetings	24,839	301	25,140	2,463	2,444	4,907	30,047
Volunteers	36,816	962	37,778		61	61	37,839
Dues, fees, licenses and permits	27,117	13,922	41,039	37,175	14,583	51,758	92,797
Taxes	17,321	2,799	20,120	1,555		1,555	21,675
Interest	53,493	14,755	68,248	30,388	632	31,020	99,268
Homeowner services	37,051		37,051				37,051
Tithes	95,946		95,946				95,946
Insurance	8,216		8,216	25,584		25,584	33,800
Community and public relations	8,946		8,946		10,221	10,221	19,167
Miscellaneous	314		314				314
New Market Tax Credit fee amortization				17,862		17,862	17,862
Depreciation and amortization	17,646	15,472	33,118	931	1,222	2,153	35,271
TOTAL	\$ 3,413,651	\$ 845,427	\$ 4,259,078	\$ 385,195	\$ 272,777	\$ 657,972	\$ 4,917,050

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,982,136	\$ 1,654,945
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Discount on contributions receivable		
Amortization of discount on contributions receivable	(4,803)	(5,697)
Depreciation	35,227	35,271
Amortization of New Market Tax Credit fees	39,429	29,571
Amortization of operating right-of-use asset	1,430	1,335
Mortgage loan discount amortization	(30,708)	(39,796)
Noncash change of inventory held-for-sale	4,621	(122)
Debt issuance costs amortization	5,270	3,953
Gain on sale of asset	(1,200)	
Net change in operating assets and liabilities	<u>(736,276)</u>	<u>(4,075,996)</u>
Net Cash Provided (Used) by Operating Activities	1,295,126	(2,396,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from mortgages receivable	53,112	54,406
Proceeds from sale of assets	1,200	
New Market Tax Credit transaction fees		(276,000)
Purchases of property, furniture and equipment	<u>(14,371)</u>	<u>(22,439)</u>
Net Cash Provided (Used) by Investing Activities	39,941	(244,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan fees paid		(142,303)
Proceeds from long-term debt		3,932,500
Repayment of long-term debt	<u>(252,606)</u>	<u>(43,365)</u>
Net Cash Provided (Used) by Financing Activities	<u>(252,606)</u>	<u>3,746,832</u>
CHANGE IN CASH	1,082,461	1,106,263
Cash at Beginning of Year	<u>1,960,178</u>	<u>853,915</u>
CASH AT END OF YEAR	<u>\$ 3,042,639</u>	<u>\$ 1,960,178</u>
COMPONENTS OF CASH		
Cash	\$ 839,216	\$ 901,349
Restricted cash	<u>2,203,423</u>	<u>1,058,829</u>
	<u>\$ 3,042,639</u>	<u>\$ 1,960,178</u>

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Grants and other receivables	\$ 839,408	\$ (913,451)
Contributions receivable	240,020	(96,534)
Inventory - general	(197)	
Prepaid expenses	12,961	(4,036)
Construction in progress	565,677	(1,857,781)
Land held for development	(1,757,367)	(759,744)
Land leased to homeowners	(633,143)	(506,855)
Deposits and other	9,694	(9,896)
Increase (decrease) in liabilities		
Accounts payable	(18,597)	23,568
Accrued expenses	17,193	(66,930)
Homeowner reserve accounts	5,350	17,750
Deferred revenue	(15,875)	99,219
Operating lease liability	(1,400)	(1,306)
Net Change in Operating Assets and Liabilities	\$ <u>(736,276)</u>	\$ <u>(4,075,996)</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ <u>74,561</u>	\$ <u>82,903</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Financed purchase of land held for development	\$ <u> </u>	\$ <u>828,000</u>

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

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity of East Jefferson County ("Habitat"), a Washington nonprofit organization, was formed in February 1998. It is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). Although Habitat International assists with information resources, publications and training, Habitat operates independent of Habitat International, and a local board of directors is directly responsible for its operations. Seeking to put God's love into action, Habitat brings people together to build homes, communities and hope. The ultimate goal is that everyone in East Jefferson County will have a decent place to live.

Habitat builds and repairs houses using primarily volunteer labor and purchased and donated materials. The houses are sold to qualified homebuyers at no profit. Financing is provided by subsidized-interest mortgages from third-party lenders, such as USDA 502 or Homesight. Prospective homeowners must have a need for housing, the ability to pay an affordable mortgage and are required to participate in the construction of the homes. During the fiscal year ended June 30, 2025, four homes were built, and six homes were sold. In its history, Habitat has built 71 homes, recycled 14, rehabbed 1, and sold 86. Habitat uses either a general ground lease or deed restriction to restrict the sale price, making properties permanently affordable to future buyers.

Prospective homeowners and repair clients must demonstrate a need for housing and the ability to repay an affordable loan, as well as participate in "sweat equity" toward the construction or repair of the homes. As of June 30, 2025, Habitat had 4 homes under construction.

Habitat owns and operates a Habitat Store (the "Store") in Port Townsend, Washington, which accepts donations of appliances and household items. The donated items are sold to the public, and Store proceeds support house construction and overhead expenses of Habitat.

Principles of Consolidation

The consolidated financial statements include the accounts of Habitat and its wholly-owned limited liability company, Salish Coast Housing, LLC. All material intercompany accounts and transaction have been eliminated in consolidated. Habitat created Salish Coast Housing, LLC to hold land leased to homeowners.

Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting and, accordingly, reflect significant receivables, payables and other liabilities.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Habitat reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Habitat pursuant to those stipulations, or that expire by the passage of time, and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity. Habitat did not have any net assets restricted to be maintained in perpetuity at June 30, 2025 or 2024.

Cash

Cash consists of checking, savings, certificates of deposit and money market accounts.

Support and Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give, if applicable, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate and are reported as increases in net assets with donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value when contributed.

Contributions, including non-cash contributions, subject to donor-imposed stipulations that are met in the same reporting period are reported as increases in net assets without donor restrictions in the statements of activities. Contributions with donor-imposed restrictions which will be met in a future period are reported as increases in net assets with donor restrictions until such restrictions are met.

Revenue from program service fees, store revenues and all other exchange transactions are recognized when earned. Payments received in advance of Habitat fulfilling its obligations are deferred to the applicable period in which the related services are performed. Revenue is recorded when amounts to be received in exchange for services are determinable and collection is reasonably assured.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (Continued)

Revenue from sales to homeowners are recognized at the point in time when closing conditions are met to deliver a completed home to a qualified buyer, the sale is recorded as revenue and the cost of the home is recorded as program services expense on the accompanying consolidated statement of activities. Currently, buyers obtain loans from banks with whom Habitat works to facilitate the arrangement of mortgages for the home buyers. In prior years, Habitat financed the purchase of homes by offering no-interest loans to qualified, low-income homeowners secured by a deed of trust on the related property. At the time of sale, Habitat recognized revenue and the related mortgages receivable. In accordance with generally accepted accounting principles, revenue is recognized by discounting the future payments to be received from the homeowners using an interest rate based on term loans collateralized by mortgages receivable.

To ensure permanent homeownership opportunities within the community, Habitat adjusted the sale structure to a land lease model. Whereas Habitat retains control of the land through a 99-year ground lease whereby the homeowner owns only the house and agrees to resale to only income eligible homebuyers in the future. Concurrent with the recognition of the sale, the cost of the land and related improvements is transferred from construction in progress to land leased to homeowners on the accompanying consolidated statement of financial position.

Grants and Contracts Receivable

Habitat has entered into various contract agreements and grant relationships with government agencies which are accounted for as exchange transactions, whereby those agencies provide funding in exchange for goods and services provided by Habitat. Grant revenue, and the related receivables, are recorded when Habitat incurs expenses eligible for reimbursement under the terms of the corresponding contract or grant. Grants having the existence of a contribution but lacking in both existence of a barrier and the right of return to the resource provider, are classified as restricted contribution revenue. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purpose of the grant, or other conditions are satisfied.

An allowance for credit losses for grants receivable is provided based on management's evaluation of potential uncollectible grants at year-end. Management makes this determination based on the past history of grants collected. Management believes the grants are fully collectible and has not established an allowance for credit losses.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Receivable (Continued)

Management uses the current expected credit loss methodology to estimate an allowance for its exchange-based receivables considering historical experience, current conditions, and reasonable and supportable forecasts. Habitat has elected the practical expedient to forgo the consideration of forecasts and has also adopted the accounting policy election to consider subsequent collections of receivables when evaluating credit losses. Accordingly, no allowance is recorded for amounts collected prior to the date the consolidated financial statements were available to be issued. For the years ended June 30, 2025 and 2024, management determined no credit losses were incurred and did not record an allowance for credit losses.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases to net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Donated Services

Habitat receives significant donated services from unpaid volunteers who assist in operating the Store, home building, operational support, family selection, fundraising and administrative tasks. Donated services are recorded at fair value if they create or enhance non-financial assets or if they consisted of specialized skills that would have to be purchased if they were not donated. Management estimates the fair value of construction, Store and office volunteer services to be approximately \$214,100, \$175,100 and \$160,300, respectively, for the year ended June 30, 2025, and \$184,900, \$132,200 and \$187,300, respectively, for the year ended June 30, 2024. These volunteer services were not recorded in the financial statements since they did not meet the requirements for recognition.

Inventory Held for Sale - Habitat Store

The Store inventory includes furniture, household items and other materials used for resale and operations at the Store. The value of donated inventory items is determined by management using net sales of the year, based on an estimated inventory turnover rate of nine times annually for the fiscal years ended June 30, 2025 and 2024, respectively. Inventory held for sale was estimated to be \$45,145 and \$49,766 at June 30, 2025 and 2024, respectively.

Inventory - General

Inventory is valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventory consists of construction materials. Donated inventory is recorded at its estimated fair value on the date of receipt.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Market Tax Credit Guarantee and Other Capitalized Fees

Amortization of capitalized fees is provided on the straight-line basis over 7 years, which approximates the effective interest method.

Property, Furniture and Equipment

Assets are carried at cost, if purchased, or fair value at the time of donation, if donated. It is Habitat's policy to capitalize property, furniture and equipment over \$2,500 that has a useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of assets, ranging from 5 to 39 years.

Construction in Progress and Land Held for Development

Construction in Progress

Costs of construction in progress consist of a budgeted amount for the land transferred from land held for development to the construction account and direct home construction costs unless it is determined to be impaired. In the event the construction in progress is determined to be impaired, it is written down to fair value. Habitat reviews construction in progress for impairment during each reporting period on a lot-by-lot basis. Accounting principles generally accepted in the United States of America ("U.S. GAAP") require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Land Held for Development

Land purchased for homes is recorded at cost unless it is determined to be impaired, in which case the impaired land is written down to fair value. Donated land is recorded at the property's fair value. All related carrying costs for these properties, such as maintenance, any assessments and real estate taxes, are capitalized into the cost of the properties. Habitat reviews land for impairment during each reporting period on a lot-by-lot basis. U.S. GAAP requires that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Fair Value Measurements

Habitat provides information regarding the inputs that underlie a fair value measurement of financial instruments. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs, which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, Habitat is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Impairment Loss

For assets to be held and used, U.S. GAAP requires the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired and the future cash flows from that asset are less than the asset's carrying amount. The impairment loss is measured as the difference between the asset's carrying amount and its fair value.

There was no impairment loss recognized for the years ended June 30, 2025 and 2024.

Debt Issuance Costs

Debt issuance costs are being amortized on a straight line basis over 27 years. Amortization included in interest expense totaled \$5,270 and \$3,953 for the years ended June 30, 2025 and 2024, respectively. The estimated annual aggregate amortization expense for each of the next five years is \$5,270.

Advertising

Habitat expenses advertising costs as they are incurred. Advertising costs totaled \$32,374 and \$7,487 for the years ended June 30, 2025 and 2024, respectively, and are included in printing and publication expense in the statements of functional expenses.

Income Tax Status

Habitat for Humanity of East Jefferson County is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Habitat's management evaluates tax positions taken by Habitat and recognizes a tax liability (or asset) if Habitat has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Affordability

Completed homes are sold at an affordable sale price, with resale restrictions. The resale restrictions stipulate that the home can only be sold to another low income buyer and set the maximum price that the home can be sold for. These restrictions are secured by either a ground lease (in which case only the improvement is sold, and ownership of the land is retained by Habitat via Salish Coast Housing, LLC), or restrictive covenant. Buyers obtain an affordable mortgage from a third-party lender. For buyers unable to finance the full affordable sale price through a third-party lender, Habitat may obtain a deed of trust for the difference between the affordable purchase price and the third-party financing available to the buyer. This amount, with appreciation set equal to that allowed on the home in the resale formula, is recapture at title transfer, and is not recorded in the financial statements.

Reclassifications

Certain amounts have been reclassified in the 2024 consolidated financial statements to conform to the 2025 presentation. Previously presented total assets, total net assets and change in net assets are unaffected by these reclassifications.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standard

In July 2025, the Organization early adopted Accounting Standards Update ("ASU") No. 2025-05, Financial Instruments - *Credit Losses* (Topic 326): *Measurement of Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"), prior to the issuance of its consolidated financial statements for the year ended June 30, 2025, as permitted under the transition guidance. ASU 2025-05 introduces a practical expedient and an accounting policy election that simplifies the estimation of current expected credit losses ("CECL") for receivables arising from exchange transactions. Specifically, Habitat elected to consider subsequent collections of receivables when evaluating credit losses, and no allowance was recorded for amounts collected prior to the date the consolidated financial statements were available to be issued. The impact of the adoption was not considered material to the consolidated financial statements, and it is expected to reduce the complexity of the CECL methodology.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The management of Habitat has evaluated subsequent events and transactions for potential recognition and disclosure through October 28, 2025, the date the statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

	<u>2025</u>	<u>2024</u>
Cash	\$ 839,216	\$ 901,349
Restricted cash	2,203,423	1,058,829
Accounts and grants receivable	122,359	961,767
Contributions receivable - current portion	360,000	608,000
Mortgages receivable - current portion	<u>52,384</u>	<u>53,118</u>
Total Financial Assets Available	3,577,382	3,583,063
Less financial assets not available for general expenditures		
Restricted cash - escrow	(11,774)	(15,232)
Board-designated funds	(601,147)	(425,453)
Time restrictions	(360,000)	(608,000)
Purpose restrictions	<u>(1,462,126)</u>	<u>(1,261,210)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ <u>1,142,335</u>	\$ <u>1,273,168</u>

Although Habitat does not intend to spend from board-designated net assets (outside of spending for the designated purpose) the Board of Directors could choose to make these funds available for other purposes, if necessary.

As part of Habitat's liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit and savings accounts.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 3 - CONCENTRATION OF CREDIT RISK

Habitat maintains cash and money market balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Habitat has cash balances on deposit with financial institutions, which may at times exceed insured limits. Habitat has not experienced any losses in such accounts.

Habitat provides mortgages primarily to low and very low-income buyers. Mortgages receivable with an undiscounted balance of \$795,737 and \$848,849 at June 30, 2025 and 2024, respectively, are secured by the property purchased.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Unconditional promises expected to be collected in		
Less than one year	\$ 360,000	\$ 608,000
One year to five years	<u>646,690</u>	<u>638,710</u>
	1,006,690	1,246,710
Less discount to present value	<u>23,191</u>	<u>27,994</u>
	\$ <u>983,499</u>	\$ <u>1,218,716</u>

Habitat considers all pledges receivable to be fully collectible and, consequently, has made no allowance for credit losses on contributions.

Board members have outstanding pledges receivable in the amount of \$5,000 and \$22,000 at June 30, 2025 and 2024, respectively.

NOTE 5 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 482,892	\$ 482,892
Buildings and improvements	900,298	895,491
Furnishings and equipment	<u>143,262</u>	<u>135,697</u>
	1,526,452	1,514,080

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 5 - PROPERTY, FURNITURE AND EQUIPMENT (Continued)

	<u>2025</u>	<u>2024</u>
Less accumulated depreciation	\$ <u>433,043</u>	\$ <u>399,815</u>
	\$ <u>1,093,409</u>	\$ <u>1,114,265</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$35,227 and \$35,271, respectively.

NOTE 6 - MORTGAGES RECEIVABLE

Habitat holds 13 non-interest-bearing mortgages, which are secured by sold homes at June 30, 2025. U.S. GAAP requires that interest be imputed on below-market interest instruments. The effect is to discount each note with an offsetting charge to mortgage discounts. The discount is then amortized over the life of each note as interest income. The resulting carrying value of the mortgages receivable approximates fair value. The notes are due upon the earlier of the sale of the home, refinance or at maturity.

Uncollectible notes are expected to be insignificant. Accordingly, no provision for doubtful accounts has been included in the consolidated financial statements. The notes have been discounted at rates of 5.00% to 8.48%, according to rates established by Habitat's finance committee.

Mortgages receivable consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Face value	\$ 795,737	\$ 848,849
Less discount	<u>432,655</u>	<u>463,363</u>
	\$ <u>363,082</u>	\$ <u>385,486</u>

There was no mortgage discount expense recognized in the year ended June 30, 2025 or 2024.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 7 - NEW MARKET TAX CREDIT

In September 2023, Habitat invested, along with three other Habitat affiliates in a joint venture (Harbor Habitat Leverage IV, LLC) to take advantage of the New Market Tax Credit program. The New Market Tax Credit program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. Habitat's investment in the leverage lender totaled \$2,827,200 and represents a 25% ownership stake. As part of the arrangement, Habitat secured two 27-year loans from a community development entity which received tax credit allocation. The first loan is in the amount of \$2,695,000. The second loan is in the amount of \$1,237,500. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in low-income communities and selling at least 20% of such homes to low-income persons. The loans will bear interest at a rate of 0.719004% per year. Semi-annual payments of interest-only are due in years 1 through 7 with fully amortizing quarterly payments of principal and interest due in years 8 through 20.

At the end of the compliance period, in connection with this arrangement, the members of the leverage lender have the option to purchase ownership interest in the Investment Fund. Exercise of this option will effectively allow Habitat to extinguish its debt owed to the community development entity.

The investment in the leveraged lender is increased by Habitat's share of the joint venture's income and decreased by distributions received by Habitat. The balance in investment in leveraged lenders totaled \$2,827,200 for the years ended June 30, 2025 and 2024.

NOTE 8 - CONSTRUCTION IN PROGRESS

Habitat is in the process of building homes to provide additional affordable housing. The costs are being funded by contributions, mortgage payments by homeowners and Store sales.

NOTE 9 - LAND HELD FOR DEVELOPMENT

Land held for development consists of 9 buildable lots, 64 undeveloped lots in need of infrastructure at June 30, 2025. Land held for development at June 30, 2024 consisted of 9 buildable lots, 50 undeveloped lots in need of infrastructure and 2 buildable lots restricted for development.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 10 - FAIR VALUE DISCLOSURES

Assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on Habitat's own assumptions on how knowledgeable parties would price assets or liabilities and are developed using the best information available in the circumstances.

The assets measured at fair value on a nonrecurring basis as of June 30, 2025 and 2024 consisted of land held for development totaling \$6,041,940 and \$4,284,573, respectively. The fair value measurements were valued using level 2 inputs.

NOTE 11 - LEASES

Right-of-use ("ROU") assets represent Habitat's right to use an underlying asset for the lease's term, and lease liabilities represent Habitat's obligation to make lease payments arising from the leases. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

Habitat leases office equipment for terms under a long-term, non-cancelable operating lease agreement. The lease expires in January 2028. Habitat included in the determination of the right-of-use asset and lease liabilities any renewal options when the options are reasonably certain to be exercised.

Habitat's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, Habitat estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Habitat's applicable borrowing rates and the contractual lease term.

Total lease costs for the year ended June 30 were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ <u>1,769</u>	\$ <u>1,769</u>

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 11 - LEASES (Continued)

The following summarizes the supplemental cash flow information for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ <u>1,740</u>	\$ <u>1,740</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term		
Operating leases	3.0 years	4.0 years
Weighted-average discount rate		
Operating leases	6.98%	6.98%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2025:

	<u>Operating</u>
2026	\$ 1,740
2027	1,740
2028	<u>1,015</u>
Total Lease Payments	4,495
Less amounts representing interest	<u>(393)</u>
Present Value of Lease Liabilities	4,102
Less current portion of operating lease liability	<u>(1,501)</u>
Long-term Portion of Operating Lease Liability	\$ <u>2,601</u>

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 12 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2025</u>	<u>2024</u>
Note payable to individual, with no interest. Installments of \$207,000, matures 2028, secured by property.	\$ 621,000	\$ 828,000
Note payable to First Federal Savings, monthly payments of \$3,668, including interest at 6.98%, due November 2032, secured by property.	362,840	380,485
Note payable to First Federal Savings, monthly payments of \$1,932, including interest at 4.10%, matures July 2028, secured by property.	324,967	334,429
Note payable to Washington State Housing Finance Commission, monthly payments of \$3,082, including interest at 3.00%, due December 2032, secured by mortgages.	606,224	624,723
Note payable to Harbor Community Fund XXXIII LLC, annual interest-only payments until June 2031 at 0.0719004%; beginning in 2023 through 2031 the principal balance of the loan is reduced by non-year amortization at the same rate of 0.719004%; matures September 2050, secured by substantially all the assets acquired by Habitat from the project loan proceeds.	2,695,000	2,695,000
Note payable to USBCDE SUB-CDE 254, LLC, annual interest-only payments until June 2031 at 0.719004%; beginning in 2023 through 2031 the principal balance of the loan is reduced by non-year amortization at the same rate of 0.719004%; matures September 2050, secured by substantially all the assets acquired by Habitat from the project loan proceeds.	<u>1,237,500</u> 5,847,531	<u>1,237,500</u> 6,100,137
Less amount due within one year classified as a current liability	254,755	252,822
Less unamortized debt issuance costs	<u>133,080</u>	<u>138,350</u>
Total Notes Payable	\$ <u>5,459,696</u>	\$ <u>5,708,965</u>

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 12 - LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

	<u>Payments</u>	<u>New Market Tax Credit Subject to Put-option</u>	<u>Total</u>
2026	\$ 254,755		\$ 254,755
2027	257,236		257,236
2028	259,660		259,660
2029	338,414		338,414
2030	46,696		46,696
Thereafter	<u>758,270</u>	<u>\$ 3,932,500</u>	<u>4,690,770</u>
	<u>\$ 1,915,031</u>	<u>\$ 3,932,500</u>	<u>\$ 5,847,531</u>

Subsequent to year-end Habitat entered into a new loan agreement with Habitat Capital, LLC in the amount of \$1,500,000 with a term of three years, with interest at 5% to finance construction of low-income housing.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Purpose restrictions		
House construction projects	\$ 1,462,126	\$ 1,261,210
Time restrictions		
Pledges from individuals	<u>983,499</u>	<u>1,218,716</u>
	<u>\$ 2,445,625</u>	<u>\$ 2,479,926</u>

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 14 - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services consisted of the following:

	<u>2025</u>	<u>2024</u>
Rent	\$ 500	\$ 1,260
Construction materials	27,439	20,781
Habitat Store merchandise	401,680	448,263
Professional services	33,818	47,925
Land	<u>214,000</u>	<u> </u>
	<u>\$ 677,437</u>	<u>\$ 518,229</u>

NOTE 15 - RESTRICTED CASH

Some cash is restricted for program use in compliance with certain loan requirements or deposits from participating homebuyers, and for future land purchases, and cannot be used for general operations. The aggregate balance of this restricted cash was \$2,203,423 and \$1,058,829, for the years ended June 30, 2025 and 2024, respectively.

NOTE 16 - RETIREMENT PLAN

Habitat has a defined contribution plan that covers all employees who are eligible to participate in employee contributions upon hire and employer contributions after three months of service. Habitat may contribute discretionary profit-sharing contributions. For the years ended June 30, 2025 and 2024, Habitat contributed \$49,542 and \$46,422, respectively, into the plan.

NOTE 17 - BOARD-DESIGNATED NET ASSETS

The Board of Directors designated \$601,147 and \$425,453 at June 30, 2025 and 2024, respectively, in net assets without donor restrictions to be exclusively used for acquisition and development of buildable land, future capital expansion and repairs of its office building.

HABITAT FOR HUMANITY OF EAST JEFFERSON COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 18 - FUNCTIONALIZED EXPENSES

The consolidated 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 facilities, telephone, equipment rental and maintenance and insurance, which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and benefits, supplies and equipment, professional fees, information technology, printing and publications, travel and vehicle and other, which are allocated on the basis of estimates of time and effort.

NOTE 19 - RISKS, UNCERTAINTIES AND COMMITMENTS

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for Habitat. The amounts, if any, of expenditures that may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. There were no adjustments for the years ended June 30, 2025 or 2024.

On January 27, 2025, the OMB of the United States Federal Government instituted a pause (freeze) on the disbursement of federal grant and loan funds, which became effective on January 28, 2025. The extent to which the funding freeze impacts Habitat's operations, financial results and cash flows in the future, will depend on future developments, which are highly uncertain and cannot be predicted with any measure of certainty or probability. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.